

COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

FIFTH REPORT

OIL & NATURAL GAS COMMISSION,
DEHRA DUN

(MINISTRY OF PETROLEUM AND CHEMICALS)



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Fifth Report of the Committee on Public
Undertakings on the Oil & Natural Gas
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Page	Para	Line	For	Read
15	45	3	Figures	Quantity
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31	101	7	Nevertheless	Nevertheless
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P. T.O.

Page	Para	Line	For	Read
39	126	6	add 'who'	after the word 'Secretary'
42	134	4	delete 'who'	
44	143	8	officer	officers
52	168	11	delete 'that'	
55	177	10	is	are
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72	148	16	delete 'to'	
75	60	8	the con- sideration	the consider- ation

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COMMITTEE ON PUBLIC UNDERTAKINGS
(THIRD LOK SABHA)

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Shri N. N. Mallya—*Joint Secretary.*

Shri A. L. Rai—*Deputy Secretary.*

INTRODUCTION

1. I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Fifth Report on the Oil and Natural Gas Commission, Dehra Dun.

2. This Report is based on the examination of the working of the Oil and Natural Gas Commission upto the year ending 31st March, 1964. The Committee took the evidence of the representatives of the Oil and Natural Gas Commission on the 10th, 11th, 12th and 14th December, 1964 and of the Ministry of Petroleum and Chemicals on the 22nd and 23rd December, 1964.

3. The Report was adopted by the Committee on the 23rd March, 1965.

4. The Committee wish to express their thanks to the Officers of the Ministry of Petroleum and Chemicals and the Oil and Natural Gas Commission for placing before them the material and information that they wanted in connection with their examination. They also wish to express their thanks to the non-official organisations/individuals who, on request from the Committee, furnished their views on the working of the Commission.

5. The Committee also place on record their appreciation of the assistance rendered to them in connection with the examination of audit paras pertaining to the Oil and Natural Gas Commission, by Comptroller and Auditor General of India.

NEW DELHI;

PANAMPILLI GOVINDA MENON,
Chairman,

Committee on Public Undertakings.

April 6, 1965

Chaitra 16, 1887 (Saka).

I

INTRODUCTORY

A. General

1. We are living in an oil age. Oil, more than any other material factor, has influenced world politics and the conduct of international relations in the past half a century. Importance of oil.

Defence in the modern world is inconceivable without oil. A whole country may go under if all its oil supplies are cut off for a day. Consumption of petroleum products is an index of the extent of industrialisation of a country's economy.

2. The petroleum industry in India is a nascent one. During 1963 out of a total world production of 1,304.55 million tonnes of crude oil, India's contribution was a meagre of 1.30 million tonnes amounting to 0.08 per cent. In the same year while the total proved reserves of oil in the world were 44,965 million tonnes India's reserves stood at 95.78 million tonnes i.e. 0.2 per cent. Out of the total world refining capacity of 1,298.41 million tonnes in 1962 the share of India was about 7.76 million tonnes only, i.e. 0.6 per cent. Reserves and Production of oil in the world as well as in India.

3. As against the reserves and refining capacity, the consumption of petroleum products in the country was 9.7 million tonnes in 1963. It was 2 million tonnes in 1947 and is estimated at about 15 million tonnes by 1966 and 24 million tonnes by 1971. The indigenous production of crude oil is estimated at 11 to 12 million tonnes by 1971 as against the estimated demand of 28 million tonnes by that time. Thus there will be a large gap between the indigenous production and demand of crude oil. Demand and Production of Petroleum Products in the country.

B. Constitution of the Commission

4. In 1945, the Government of India realised that effort was necessary to explore the possibility of finding oil and natural gas in the different sedimentary regions in the country. Accordingly they appointed a Petroleum Geologist in the Geological Survey of India. In 1955, a Petroleum Division was created for exploratory work. This Historical Background.

Division later on grew into a Directorate of Oil and Natural Gas under the then Ministry of Natural Resources and Scientific Research. On August 15, 1956, the Directorate was raised to the status of a Commission but continued to work as a subordinate department. In 1959, the Oil and Natural Gas Commission Act was passed and the Commission became an independent statutory body on the 15th October, 1959.

C. Functions

Statutory
Functions of
the Commis-
sion.

5. The detailed functions of the Commission have been enumerated in Section 14 of the Oil and Natural Gas Commission Act, 1959 and are given in Appendix I. It will be seen that the functions of the Commission are generally to plan, promote, organise and implement programmes for the development of petroleum products produced by it and to perform such functions as the Central Government may, from time to time assign to it.

II

EXPLORATION AND PROSPECTING

A. Survey

6. Since its inception the Commission has carried out geological and geophysical surveys throughout India viz., Jammu and Kashmir, Punjab, Uttar Pradesh foot-hills, Bihar, Assam, West Bengal, Gujarat, Saurashtra, Kutch, Rajasthan, Madhya Pradesh, Coastal regions of Kerala and the Andaman and Nicobar Islands. This work has resulted in various structures being delineated and drilled. Some of these have proved to be oil and/or gas bearing such as Cambay, Ankleshwar, Olpad, Navagaon, Kalol, Sanand and Wavel in the Cambay basin of Gujarat State. The other structures at Dholka, Kosamba, Mehsana, Dadhal and Kim are either under test drilling or proposed to be drilled. Oil and gas has been noticed in shallow and structural wells at or near Baroda also. Interesting structures have also been located in Sibsagar, Lakwa and Teok in Assam where work is in progress. Out of these structures, Sibsagar and Lakwa have been found to be oil bearing.

Geological
and Geophysical
Surveys:

7. The Committee have been informed that the total area of sedimentary rocks, either exposed on the surface or covered under the mantle of alluvium, measures roughly one million kilo metres. Out of this one-fourth is amenable to study by surface geological mapping. Starting in 1956, the Commission has covered approximately half of this out-crop area under geological studies. It is estimated that the remaining area can be covered within a period of about 7 years.

Area for
Geological
Survey.

8. In addition the Commission has carried out Geophysical Surveys which include gravity and magnetic surveys and Seismic Surveys. The Indo-Gangetic plain along with the foothills belt of Himalayas, forms a major part of the total sedimentary area of India. Out of one million Sq. Km. covered by sedimentary rocks, Geophysical surveys

Area for
Geophysical
Survey.

have been carried out in about one fourth of the area. Out of the rest of the area, it is considered that one fourth of the sedimentary rocks are not sufficiently thick to necessitate such surveys. The Commission propose to cover the rest of the area in the next ten years i.e. by the end of the Fifth Year Plan).

Difficulties encountered in the speedy completion of geophysical surveys.

9. Asked why beyond the rough estimates no systematic plans for surveying the areas had been prepared the representative of the Commission stated that the Commission had to encounter certain difficulties like (i) inadequacy of experienced technical personnel, (ii) limited availability of foreign exchange, (iii) shortage of light transport vehicles, (iv) Rules and Procedure not suited to the organisation; and (v) unattractive pay structures, which stood in the way of speedy exploration of oil.

Slow progress of Surveys.

10. *Considering the urgent need to establish indigenous sources of oil, the Committee feel that the progress of surveys made by the Commission is slow. They consider that the difficulties enumerated by the Commission could well have been foreseen and are certainly not insurmountable. It is regrettable that no detailed long-term and short-term plans with the targets to be achieved in each field have been set out. The Committee hope that this important aspect would receive urgent attention by the Commission.*

Rapid assessment of oil bearing horizons.

11. The Committee understand that certain techniques for rapid assessment of oil bearing horizons have been developed in foreign countries but the Commission has been hampered in adopting them for lack of foreign exchange.

12. *It will be regrettable if these latest techniques and tools are not availed of for lack of foreign exchange. The Committee, therefore, urge that Government should give serious consideration to this aspect and allocate foreign exchange to the Commission for this purpose. There is also no reason why the assistance of U.S.S.R. and Rumania, which are rupee area countries may not be fully utilised for the purpose.*

B. Detailed Mapping

13. The Commission employs a number of Geological Field Parties for detailed mapping, semi detailed mapping and traversing. The number of Geological Field Parties and their targets for detailed mapping and achievements during the years 1961-62 to 1963-64 are as given below:—

Targets and Achievements.

Year	No. of Field Parties	Targets (Kms)	Achievements (Kms)
1961-62	18	2,769	984
1962-63	16	1,152	162
1963-64	16	232	585

14. It will be observed that in the first two years the achievements of the Parties fell short of their targets. The work done was 35 per cent and 14 per cent respectively of the targets fixed for the purpose. Explaining the position the Commission has stated that when some Parties proceeded to the fields they found that for some areas the detailed mapping was not necessary.

Short fall in detailed mapping.

15. It seems to the Committee that allocation of work to the Parties proceeded on area basis rather than on norms of detailed mapping to be done by them. This obviously has resulted in the Parties not being fully engaged in the areas allocated to them. Such a situation could have been avoided, had norms of work for detailed mapping been fixed for each Party. Further it will be noticed that targets have been scaled down from 2769 Km. in 1961-62 to 232 Km. in 1963-64, while there was not much difference in the number of Parties employed.

The Committee understand that the Commission has recently fixed the targets and has directed that any change therein should be reported to it for approval. The Committee are not happy that this essential decision was not taken by the Commission much earlier.

**Fixation of
Targets.**

16. *The Committee consider that for planned development it is essential that targets of achievements are fixed in advance. They recommend that the targets for Field Parties should be fixed realistically and on scientific data with reference to the norms of work fixed so that assessment of performance may become easy.*

C. Standard Unit Costs

17. *Fixing of standard costs of various operations and judging the actuals against them is one of the basic tools of management control. It is noted that no standard unit costs of surveying and drilling have been fixed so far by the Commission. Neither has any comparison of these costs been made with those in other countries and Oil India Limited as the data regarding their costs figures is not available. It was stated that the standard unit costs of these operations are now being worked out by the Commission.*

18. *The Committee fail to understand as to how in the absence of standard costs, the efficiency or otherwise of its operations in the matter of surveying and drilling has been judged by the Commission. The Committee recommend that an attempt should be made to fix and finalise these costs expeditiously in the light of experience gained by the Commission. Efforts should also be made to collect the costs obtaining in other countries and Oil India Limited, for judging comparative efficiency.*

III

DRILLING AND PRODUCTION

A. Production

19. The Commission spudded its first deep well at Jawalamukhi (Punjab) on the 1st April, 1957 and since then, drilling operations have been extended to Gujarat, Assam, U.P., Bihar and other places. Upto 30th April, 1964, the Commission had drilled in all 227 wells with a total meterage of 4,13,450.

20. So far only one oil field viz., Ankleshwar is in commercial production and is currently producing oil at the rate of 0.82 million tonnes per year. The reserves of oil in the Ankleshwar region are estimated at about 46 million tonnes. The Commission expect to raise the output of this field to 1.75 million tonnes per year in early 1965 and to 2.65 million tonnes per year by the end of Third Plan. In addition about 1 million cubic metres of associated gas per day will also be produced from this field by the end of Third Plan.

Discovery of Oil/Gas Fields.

21. The wells in the Cambay area have proved to be only gas bearing. They are capable of producing 5 lakh cubic metres of gas per day for the Dhuvaran Power Station.

In addition, the Commission has also discovered potential commercial oil fields at Kalol, Navagaon (Gujarat), Rudrasagar and Lakwa region in Assam. Minor indications of hydrocarbons at Sanand and Kosamba in Cambay basin have also been found.

B. Targets

22. The oil exploration programme of the Commission in Second Five Year Plan, envisaged an outlay of Rs. 30 crores. Against this, the actual expenditure was Rs. 23.86 crores only. This programme included deep drilling to the extent of 1.33 lakh metres. Against this, 67.4 thousand metres of deep drilling was actually done by the Commission, i.e., 51 per cent of the target.

Difficulties encountered for achieving targets.

23. It was stated that the targets could not be fulfilled due to:—

- (i) delays in the deliveries of instruments and equipments and spares ordered from abroad;
- (ii) inadequate facilities for repairs and maintenance of instruments, machinery and equipment;
- (iii) difficulties in transportation of the heavy drilling machinery due to non-availability of suitable lifting and transporting equipment; and
- (iv) shortage of trained and experienced personnel.

Third Plan.

24. The programme for the Third Plan initially envisaged an expenditure of Rs. 115 crores which was increased to Rs. 202.5 crores in October, 1961 of which the foreign exchange component was Rs. 71.6 crores. The number of wells to be drilled was also revised from 222 to 611.

The revised Plan was designed to achieve a rate of production of crude oil from 3 to 3.5 million tonnes per year.

C. Drilling of Wells

Mid-term Appraisal of Third Plan.

25. As a result of the Mid-term Appraisal of the Third Plan undertaken in August, 1963, the original target of 611 wells was reduced to 512. It is now understood that the Commission has further scaled down its target for drilling of wells to 480 during the Third Plan. This reduction is stated to be due to certain difficulties like (i) transportation of heavy drilling equipment, (ii) prolonged testing in certain areas, (iii) unavoidable shut downs/hold ups and (iv) delays in land acquisition for new well sites.

It was stated that it took about six months for a complete rig to be moved from Calcutta to Assam.

26. It was further stated that difficulties encountered by the Commission could not be anticipated at the time of laying the targets. This shortfall in the completion of wells was, however, not expected to affect the production programme of the Commission during the Third Plan but it might affect the target laid down for the production of oil in the Fourth Plan.

27. The Committee are unhappy at the reduction of targets for drilling of wells from 611 to 480. As admitted by the representative of the Commission, the scaling down would affect the future production programme of the Commission. The Committee consider that urgent attention should be given to remove the difficulties encountered by the Commission. It is wasteful to allow rigs to remain idle for long periods for want of transportation equipment. The Committee have no doubt that with better utilisation of men and rigs and proper planning the targets for the Third Plan can still be revised upwards. They, therefore, suggest that the matter may be reviewed.

D. Rigs

28. The Commission currently has 43 rigs, of which 37 are in operation at present. Two rigs are under transportation and four rigs are being kept as standbys.

29. The Committee enquired of the Commission the time taken for putting into operation the rigs after their receipt in the country. They were informed that the rigs were not received in complete consignments but in parts over a period of time. The Commission has supplied information regarding the dates of shipment of the rigs and the dates of their putting into operation. The following table shows the time taken for putting into operation of some of the rigs from time of shipment:

Date of Shipment of Rigs	Date of Operation
	(Spudding of 1st Well)
20-7-1960	5-2-1963
7-1961	27-7-1963
13-10-1961 (2 Rigs)	8-5-1962
	17-10-1962
8-1-1962 (3 Rigs)	14-4-1964
	17-7-1964
	29-8-1964

Date of Shipment of Rigs	Date of Operation
	Spudding of 1st Well
9-1-1962 (3 Rigs)	15-2-1963
	17-3-1963
	7-5-1963
30-11-1962 (2 Rigs)	9-8-1964
	14-8-1964
29-11-1962 (3 Rigs)	20-11-1963
	5-10-1964
	8-3-1964

30. It would appear from the table that in a number of cases it has taken over two years for the rigs to be put into operation from the time of their shipments. This delay has been attributed by the Commission partly due to the rigs being shipped in more than one consignment and partly to the difficulty in transporting the rigs to well site.

31. *Whatever the reasons, the fact emerges that there have been inordinate delays in the utilisation of rigs. This indicates that the Commission had not proceeded on any planned programme with the result that there was no feeling of urgency for utilising all the rigs within a scheduled programme. The Committee feel that the appointment of a Liaison Officer in U.S.S.R. could have avoided the despatch of incomplete rigs.*

(ii) Idle
time of Rigs.

32. The Committee are informed that the idle time of a rig is the period when some drilling operation could be carried out but for reasons of men/material and administrative reasons, it could not be done. It is noticed that a number of rigs have remained idle for varying periods during the last three years. The average idle time has ranged upto 41 days in a year. It was stated that the rigs were idle for want of instructions from Headquarters, for lack of men/material and on account of bad weather.

33. While inclement weather may be a good reason for the rigs to remain idle for sometime, there can be no excuse for keeping them idle on account of shortage of men, material and lack of instructions from Headquarters. Maximum utilisation of rigs could only be achieved by advance planning. As idle time of rigs puts up the cost of wells, the Committee consider it of utmost importance that energetic and effective measures should be taken by the Commission to have a planned programme for maximum utilisation of rigs.

34. In addition to the idle time of rigs mentioned in previous paras, it is necessary that a strict time schedule for various drilling operations should be prescribed as any hold-up in any of the operations like drilling, testing and rigging down, transportation and rigging up, will increase the cost of a well. The statement below gives the prescribed time and the actual time taken during the year 1963-64 for the operations in the Ankleshwar, Ahmedabad and Sibasagar region:—

(iii) Time Schedule for Drilling Operations.

(In days)

S. No.	Area & Rig	Rig building, transport and Rig-Down		Drilling		Testing	
		Specified time	Average time taken	Specified time	Average time taken	Specified time	Average time taken
1. Ankleshwar							
1.	B.U-75	20	24	32	30	13	15
2.	Nat-45	9	11	20	16	6	5
3.	2 DH	27	51	38	41	30	15
4.	5 D	5	49	52	63	39	25
2. Cambay							
1.	4 LD	27	31	96	90	40	33
2.	BU 75	20	19	37	35	19	46
3. Kalol							
1.	4 LD	29	53	40	60	18	29
2.	5D	24	38	30	45	21	26
3.	BU 75	18	43	30	37	12	22

S. No.	Area & Rig	Rig building, transport and Rig Down		Drilling		Testing		
		Specified time	Average time taken	Specified time	Average time taken	Specified time	Average time taken	
4.	<i>Wavel</i>							
	4 LD . . .	34	59	65	59	68	111	
5.	<i>Sanand</i>							
	BU 75 . . .	15	51	18	26	22	26	
6.	<i>Bareja</i>							
	1. BU 75 . . .	27	71	44	56	22	36	
	2. 4 LD . . .							
7.	<i>Sibsagar</i>							
	1. 3 D . . .	69	118	76	138	48	62	
	2. 5D . . .	85	122	62	92	49	33	

35. It will be seen that there is wide variation in the time prescribed and the actual time taken per well for different operations. The variation is more marked at places like Kalol, Wavel, Sanand, Bareja and Sibsagar. In some cases the actual time taken is 60 per cent more than the prescribed time.

36. It has been explained that unforeseen difficulties can arise in transporting a rig and testing of a well. The wet weather and lack of roads make the transportation of rigs difficult.

37. *The Committee consider that it was bad planning not to have taken into account these factors in fixing the norms of operations. They expect that norms once fixed are adhered to.*

E. Approach Roads

38. The Committee understand that a number of link/ approach roads had been constructed at drill sites at Anleshwar. These roads were constructed either by the P.W.D. or by the Commission through contractors. There were

cases where approach roads were constructed after the drilling of wells had actually been completed. It is stated that it is not always possible to construct these roads before drilling starts as time available after release of points for drilling would be short and inadequate for inviting tenders, fixing agency and executing the work.

39. During their visit to Ankleshwar Project in October, 1964, the Committee noted that the construction of roads is not always based on actual needs and there is a tendency to have roads constructed even where work could be carried out without such roads.

40. *The Committee are unable to appreciate why the approach roads were constructed in some cases after the drilling was over. They feel that there has been lack of planning in their construction. The Committee recommend that the whole question of construction of approach roads needs investigation to avoid similar situations in future.*

F. Mud Chemicals

41. The Committee understand that a considerable quantity of chemical mud is left at each drill site after the completion of the work and that considerable saving of cost can be effected if it is collected and used at other wells. The Committee enquired if this was being done. They have been informed that arrangements are now being made to do this. In this connection the Committee understand that in foreign countries, chemical mud left at one well is being reused at another.

42. *This would indicate failure to appreciate the economics of left out mud chemicals, which cost a good deal. The Committee trust that greater awareness of such matters which ultimately affect the economy of the Commission, will be displayed by the management in future.*

G. Supply of Crude to Bombay Refineries

43. Production of crude oil from the Ankleshwar oil field started on the 15th August, 1961 at the rate of 100 tonnes per day, which has been progressively stepped up to 2,250 tonnes per day in January, 1964 or 0.82 million tonnes per year. The entire quantity is at present being supplied to Burmah Shell and ESSO Refineries at Bombay. The Com-

mission has earned a revenue of Rs. 9·4 crores upto March, 1964 on this supply. It has been stated by the Ministry that the Commission is trying to continue some supplies to the Bombay refineries until the Koyali refinery reaches a throughput of 3 million tonnes per year in the second half of 1966 when the supply of crude to Bombay refineries will be discontinued as no spare crude will be available. It was not feasible to supply crude to the refineries in Bombay as according to the technical advice, the recovery of the oil from the field has to be maintained at a certain rate so as not to affect the recovery rate at a later date.

44. *The Committee appreciate the difficulties in supplying crude to the two refineries at Bombay from Ankleshwar after the Koyali refinery goes on stream. To meet this shortage these refineries will have to import crude from abroad involving an annual expenditure of about Rs. 6·64 crores in foreign exchange. This situation underlines the necessity for exploiting the oil resources in the Western region so as to attempt to maintain the present supplies to these refineries. The Committee urge that every effort should be made by the Commission to exploit as quickly as possible new oilfields in the area.*

H. Demand and consumption of petroleum products in the country .

45. A statement showing the quantity and value of oil (refined and crude) imported into the country during the last five years is given below:—

Year	Crude Oil		Refined Petroleum		Total Value (3+5)
	Qty.	Value	Qty.	Value	
1959 .	5·00	38·96	2·01	42·24	81·20
1960 .	5·72	40·57	2·01	38·03	78·60
1961 .	5·97	39·31	2·44	44·23	83·54
1962 .	6·02	38·73	2·96	48·77	87·50
1963 .	6·52	42·78	2·86	51·69	93·47

Likely to be imported during the rest of the Third Five Year Plan :

(Figures in million tonnes and value in crores of Rs.)					
1964-65	6.85	47.95	2.75	58.19	106.14
1965-66	6.75	54.25	1.09	45.11	99.36

46. It will be seen that large quantities of crude and petroleum products are being imported annually in the country. The imports have been rising year after year. In 1964-65, the value of these imports is estimated to be over Rs. 100 crores. As already stated in para 3 the demand for crude oil in the country by the end of the Fourth Plan is estimated roughly at about 28 million tonnes and the rate of production from indigenous sources at about 11 to 12 million tonnes only. Thus the shortfall between demand and indigenous production of crude oil in the country by the end of Fourth Plan would be about 57 per cent.

47. *The magnitude of import of oil and its products into the country, the rapid increase in their consumption in future and the continuing scarcity of foreign exchange underlines the urgency and importance of exploring and exploiting the oil and gas resources in the country. Some progress has been made in discovering oil and establishing its production but the consumption of crude and refined products is rising at such a rapid rate that determined efforts have to be made by the Commission to discover more oil fields in the shortest time possible. The Committee feel that towards this end, the Commission should lay greater emphasis on rapid exploitation of areas known to be oil bearing.*

I. Production of Gas

(i) Cambay Gas Field

48. Although oil was reported to have been struck in the very first well drilled in the Cambay field in September, 1958, that field has turned out to be only a gas field. The recoverable reserves of gas are estimated at 3895 million cubic metres. Upto the end of August, 1964, 42 wells had been drilled of which two were oil bearing, 19 were gas bearing, 9 were dry and 12 were under test. The total expenditure incurred on the gas field has so far been about Rs. 6.81 crores.

Supply of
Gas to Dhu-
varan Power
House.

49. It is proposed to supply this gas to the Thermal power Station at Dhuvaran at the rate of 2,50,000 cubic metres per day to begin with. The supply will be stepped up upto 5 lakh cubic metres a day when the station is fully commissioned.

50. The Dhuvaran Power House which was originally scheduled to be commissioned in March, 1964, could not do so as the river on which it was dependent for its water supply changed its course. The Power House was therefore unable to take supplies of gas on the scheduled dates. It has been stated that due to this delay, an income of about Rs. 20,000 per day is being deferred to the Commission. The Power House has now been commissioned and since the 14th December, 1964 it has been taking gas from the Cambay Field. The off-take has not yet reached the maximum capacity expected as in the beginning of March 1965, it was about 1,75,000 cubic metres of gas per day. The supply has, however, been interrupted since 21st March, 1965 as the pipeline has been choked.

(ii) *Production of Associated Gas at Ankleshwar*

51. The Committee have been informed that upto November, 1964, Ankleshwar field which has produced 1.72 million tonnes of crude oil, has also yielded 270 million cubic metres of associated gas. This gas is at present being burnt as Uttaran Power House of the Gujarat Electricity Board to which about 300,000 cubic metres of associated gas per day was to be supplied, has not switched over to the use of gas, which it can do only after Dhuvaran Power House is commissioned.

52. *The Committee consider it unfortunate that there has been delay in the supply of gas to the Dhuvaran and Uttaran Power Houses. This has resulted not only in deferment of revenue to the Commission but flaring up of considerable quantities of gas. Further the existing staff at Cambay is not fully employed as pointed out in para 146 infra. The Committee urge that concerted efforts should be made by all concerned to see that the supply of gas is started as early as possible, so as to avoid unnecessary wastage.*

They also recommend that until such time as Uttaran Power House is ready to utilise the gas, the feasibility of

pumping and storing it underground may also be examined by the Commission.

(iii) Price of Gas

53. The Committee understand that the price at which the gas will be supplied to Dhuvaran and Uttaran Power Stations of Gujarat Electricity Board has not yet been settled. As there was some dispute about the sale price of gas, the matter has been referred to an Arbitrator who has been appointed by the Minister of Petroleum and Chemicals in consultation with the Chief Minister of Gujarat.

54. *In this context the Committee feel that the price of gas or at least a formula for its fixation should have been agreed upon at the time of entering into the agreement to supply gas rather than leave it to a later date when it has become necessary to refer it to arbitration*.*

J. Condensate

55. In the production of gas at Cambay some vapours condense into liquid hydrocarbons, technically known as condensate. With the production of about a quarter million cubic metres of gas per day, about 40 tonnes of condensate are expected to be produced. The Committee understand that the condensate can either be used in the drycleaning or in petro-chemical industries or can be blended with crude oil and refined. *They hope that as and when the supply of gas begins and condensate becomes available every effort will be made to market the product so that it may not go waste.*

*At the time of factual verification of the Report, the Ministry of Petroleum & Chemicals has stated that the ONGC had reached agreement with the Gujarat Electricity Board about the price of gas to be supplied. However, the State Government reopened the matter necessitating the reference of the issue to arbitration by the Government of India.

IV

FINANCIAL MATTERS

A. Capital

Initial Capital of the Commission.

56. Under Section 16(2) of the Oil & Natural Gas Commission Act, 1959, all the capital required by the Commission for carrying on its business is to be provided by Government on such terms and conditions as Government may determine. In para II(2) of the Audit Report (Commercial), 1964, it has also been mentioned that the non recurring expenditure amounting to Rs. 557.76 lakhs incurred by the Commission prior to its conversion into a statutory body (i.e. upto 14th October, 1959) was treated as initial capital of the Commission. The total amount advanced by Government to the Commission till March, 1965 including Rs. 5.58 crores incurred by the Government prior to the conversion of the Commission into a statutory body, is stated to be Rs. 130 crores.

Grants treated as capital.

57. The Committee enquired whether the terms and conditions of the capital advanced by Government have been determined. They were informed that at present the grants given to the Commission by the Government were considered as non-recoverable advances and treated as capital grant. The Commission was engaged on promotional activities and development of oil resources. As it had not yet started and commercial production of oil and gas and was not earning any income, it was not considered necessary by the Government to treat the grants as equity capital or loan.

58. The Committee note that the promotional activities of the Commission are aimed at commercial exploitation of oil. In this context the Committee have been informed that the Commission would be earning Rs. 15 to 20 crores from the sale of crude and gas from the next year and that its income was likely to be much larger than its outlays on exploration of oil during the next five years.

59. *The Committee consider that the terms and conditions governing the advance of funds to the Commission should be determined by Government as early as possible.*

They feel that the giving of grants of the order of Rs. 130 crores to such bodies indefinitely is not conducive to efficiency and economy as it encourages lack of cost consciousness.

B. Budget

60. The table below indicates the comparative position regarding the original estimates, revised estimates and actual expenditure of the Commission during the last five years:—

(Rs. in crores)

Year	Original Estimates	Revised Estimates	Actual Expenditure
1960-61	8.50	14.25	12.03
1961-62	21.50	13.00	14.34
1962-63	27.00	21.94	22.20
1963-64	29.86	28.86	28.19
1964-65	32.64	N.A.	N.A.

It will be seen from the above statement that the expenditure of the Commission has been progressively increasing from year to year. Progressive increase in Expenditure.

C. Assets

61. In para 4 of Audit Report on the accounts of the Commission for the year 1959-60, it is stated that the Commission took over various assets, viz., plant and machinery, tools and equipments, tents and accessories, buildings etc., valued at Rs. 557.76 lakhs on its conversion into a statutory Commission in October, 1959. Taking over of assets.

62. It has been stated by audit authorities that they could not verify the accuracy of the initial capital of Rs. 557.76 lakhs as adopted by the Commission on the 15th October, 1959, as the mode of valuation and details of vouchers were not shown to them. Neither had the Commission made any physical verification of assets. Assets not vouchsafed by Audit.

63. *The Committee fail to understand how in the absence of physical verification and proper valuation of the assets, it could be ensured that the initial capital of the Commission was represented by real assets taken over by it. It was wrong for the Commission not to have followed the normal procedure in this respect. They recommend that immediate steps should be taken to reassess and evaluate the initial capital of the Commission.*

D. Form and Manner of Maintenance of Accounts

Mainten-
ance of
Accounts.

64. Section 22(1) of the Oil & Natural Gas Commission Act, 1959 prescribes that the Commission shall maintain proper accounts and other relevant records and prepare an annual statement of accounts including the profit and loss account and balance sheet in accordance with such general directions as may be issued, and in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor General of India.

Form and
manner of
maintenance
of accounts
not finalised.

65. The Committee enquired whether the forms of accounts for the Commission had been prescribed. It was stated that draft forms for the maintenance of accounts were sent by the Ministry to the Comptroller and Auditor General of India on the 23rd October, 1961 for his concurrence. While suggesting revised forms for adoption the Comptroller and Auditor General of India sought certain clarifications from the Ministry in January, 1962. With further modification the revised forms were sent by the Ministry to audit in June, 1964. The matter is stated to be still in the process of being finalised by the Ministry in consultation with Audit.

66. *The Committee feel concerned at the inordinate delay of more than five years in the finalisation of the form and manner in which the accounts of the Commission are to be maintained. Action in the matter was initiated only in October, 1961, after a delay of two years. Even three years thereafter, the final decision has not been taken in the matter. This is a serious lapse.*

67. *The Committee consider that in such cases where Government is statutorily responsible for prescribing the form of accounts and the manner in which they should be maintained, it should be ensured by them that this is done expeditiously.*

E. Accounting Manual

68. In para II (5) of the Audit Report (Commercial) 1964, it has been pointed out that the Commission has not compiled an Accounting Manual laying down the procedure for the maintenance and compilation of accounts on commercial lines and defining the duties and responsibilities at various levels. During evidence, it was stated that although certain instructions in the matter had been issued earlier, the codification of Accounting Manual for the purpose of documentation was taken up towards the end of the last year. The Committee understand that non-preparation of the Accounting Manual by the Oil & Natural Gas Commission was specifically brought to the notice of the Commission by Audit on 25th June, 1962.

Non-compilation of Accounting Manual.

69. *It is surprising that although the Commission has been in existence since October, 1959, no efforts have been made by it to compile the Accounting Manual. The Committee consider that the unsatisfactory state of affairs in the maintenance of accounts particularly stores accounts, which has been referred to in paras infra, is partly due to the non-compilation of the Manual. They feel that the compilation of the Accounting Manual should have been taken up as soon as the Commission was set up. The Committee hope that at least now concerted efforts would be made to finalise and publish the Manual without delay.**

70. *The Committee further feel that it would be very desirable if Government in consultation with Comptroller and Auditor General of India should arrange to compile a Standard Accounting Manual for the guidance of all the public undertakings which could be adapted by them with suitable modifications wherever necessary. This should present no difficulty as there are certain basic forms which are common to all public undertakings and can be standardised.*

F. Maintenance of Stores Accounts

71. It is stated that accounts of stores and spares are maintained by various field units/projects authorities. During evidence the representatives of the Commission

Standard of maintenance of Stores Accounts not upto the mark.

*At the time of factual verification of the Report, it has been stated by the Ministry that the Accounting Manual has now been published in March, 1965.

admitted that there had been a serious lapse in the maintenance of accounts relating to Stores and that the standard had not been upto the mark. The instructions issued by the F.A. & C.A.O. had also not been complied with. There had been lot of 'excesses' and 'shortages' in the stores. The value of outstanding discrepant items of 'shortages' and 'excesses' for the years 1962-63 and 1963-64 had not so far been worked out by the Commission. Purchases of imported stores and spares had not been linked with the total payments during the respective years. While Ledgers showing the quantity of stores were being maintained, no priced ledgers had been kept by the Commission. It also transpired, during evidence, that control ledgers in support of the stores and spares had not been maintained at the Headquarters.

Stores
Accounts in
a Mess.

72. The Audit also informed the Committee that Stores and other allied accounts of the Commission were in a mess and the records were incomplete.

Supervision
not exercised
by the
Ministry.

73. The Secretary of the Ministry stated that the unsatisfactory state of stores accounts of the Commission first came to their notice in March 1963, through the Audit Report. No instructions or directions were issued by the Government to the Commission on this subject.

74. The Committee consider that the responsibility for the unsatisfactory state of stores accounts primarily rests with the Commission. It is surprising that the Ministry was not even aware of the situation till the receipt of Audit Report in April, 1963. It is normally expected of the administrative Ministries to keep themselves informed of the true state of affairs in the public undertakings under their administrative charge. In view of the serious lapses in the maintenance of stores accounts the Committee recommend that the circumstances leading thereto should be investigated and responsibility fixed to avoid their recurrence. They urge that vigorous steps should be taken to bring the stores accounts in proper order and to reconcile the discrepancies found therein.

G. Delay in the submission of Accounts

Submission
of Accounts
to the
Government

75. Under Rule 18(4) of the Oil & Natural Gas Commission Rules, 1960, the annual accounts of the Commission, together with the Auditor's certificate and report

thereon are required to be submitted to the Government by the end of February of the following year to which the accounts relate. By an amendment made in the Rules, in October, 1961, it has been provided that at the request of the Commission, the Government may, in consultation with the Comptroller & Auditor General of India, extend the period within which such accounts should be submitted. It is noticed that the accounts of the Commission were finalised and approved by the Commission on the following dates:—

<i>Year</i>	<i>Date of approval</i>
1959-60	30-12-61
1960-61	21-2-63
1961-62	10-10-63
1962-63	24-10-64

Accounts for the year 1963-64 have been finalised and submitted to Audit in March, 1965.

76. As regards the delay in submission of the Accounts, the Committee were informed that till the formation of the Commission into a statutory body it was a department of Government and as such the accounts were being maintained like those of any other department of Government. As the Commission was converted into a statutory body in October, 1959, the existing system of accounts was continued for the year 1959-60. Since accounts of the Commission were not maintained on commercial basis till then, a number of difficulties were experienced in recasting the compiled accounts into commercial form. The first accounts of the Commission were, therefore, got considerably delayed and were not submitted to Audit till December, 1961. Consequently the accounts for subsequent years, were also got delayed.

Reasons for
delay in
submission
of accounts.

77. The delay in the finalisation of the accounts for the year 1959-60 was brought to the notice of the Ministry by Audit on 28th March, 1962. Consequently the extension of time was granted by the Ministry to the Commission

for submission of the accounts for the year 1959-60, by amending the Rules

78. *The Committee are not convinced with the reasons advanced for the delay in the submission of annual accounts of the Commission. As far back as April, 1958, the Estimates Committee in para 44 of their Twenty-second Report (Second Lok Sabha) relating to Oil & Natural Gas Commission, had recommended that the Commission should take immediate steps to draw up and maintain their accounts in commercial form.*

79. *It is apparent that both the Commission and the Ministry did not realise the urgency or the need to finalise and submit the accounts within the time provided in the Act. In fact Rules were amended to cover the delays. The Committee cannot but regard it as extremely unsatisfactory. They recommend that concerted efforts should at least now be made to prepare and finalise the annual accounts by due dates as in the absence of such accounts the operation and performance of the Commission cannot be properly evaluated.*

Inclusion of audited accounts in the Annual Reports.

80. *The Committee note that at present the audited accounts of the Commission are not included in its Annual Report and the two documents are presented to Parliament separately. They suggest that as far as possible the audited accounts should be included in the Annual Reports of the Commission.*

V

STORES, PLANT AND MACHINERY

A. Plant and Machinery

81. The total value of plant and machinery and tools and equipment procured by the Commission till 1962-63 was Rs. 1409.38 lakhs. Of this, the value of indigenous plant and machinery was Rs. 91.87 lakhs only i.e. 6.5 per cent. The rest was imported. The value of equipment at the end of the year 1963-64 has not been made available to the Committee as the accounts for that year have not yet been finalised. The budgetted estimates for the purchase of equipment both indigenous and imported for the years 1964-65 and 1965-66 were stated to be as given below:—

Value of
Plant and
Machinery.

	(Rs. in lakhs)	
	1964-65	1965-66
Plant & Machinery		
Tools & equipment	1,483.80	2,031.18
Stores & Spares		
Tents & accessories	8.68	9.08
Transport & Vehicles	36.10	39.84
Furniture & Fixtures	7.50	9.37
	1,536.08	2,092.47

82. The Committee enquired about the steps taken to augment indigenous production of plant and machinery and other stores. It has been stated that the Design and Manufacture Unit of the Commission is at present negotiating with the Heavy Engineering Corporation, Ranchi for the manufacture of drilling rigs. This unit is also trying to produce Indian specification and drawings for spares and parts which have hitherto been imported. Dur-

Indigenous
Production.

ing the last one and a half year the unit has been able to substitute imported materials by indigenous products to the tune of Rs. 25 lakhs. Further, with a view to manufacture some of the parts, the Commission has set up a Steel Foundry at Roorkee in partnership with the U.P. Government. The Commission is also setting up a large Central Workshop at Baroda, which, besides doing major overhaul of rigs, would also manufacture certain components.

83. *The Committee appreciate the steps which have now been taken by the Commission to augment indigenous production of stores, plant and machinery. They, however, feel that with a view to reduce dependence on imports and have scarce foreign exchange, greater effort is needed to establish expeditiously indigenous production of Stores and Spares, drilling and other equipment connected with the exploration and exploitation of oil. The Committee suggest that Government may conduct a survey of the existing capacity for manufacture of engineering equipment in the country so that machinery, equipment and spare parts which can be indigenously produced may not be imported.*

B. Consumption of Stores

Value of stores.

84. The value of stores and spares and their consumption during each of the years upto 1962-63 are given below:—

(In lakhs of Rs.)

	1959-60	1960-61	1961-62	1962-63
(i) Value of Stores & Spares including in transit at the close of the year .	296.03	594.86	1074.73	1559.89
(ii) Consumption of Stores and Spares during the year .	76.86	261.44	275.28	266.18
(iii) Percentage of (ii) to (i) .	26%	44%	25.6%	17%

85. It will be seen from the above statement that while value of stores and spares held by the Commission has increased from Rs. 595 lakhs in 1960-61 to Rs. 1560 lakhs in 1962-63, their annual consumption has ranged between Rs. 261 lakhs to Rs. 275 lakhs only. This has resulted in heavy accumulation of stock at the end of 1962-63, which represent about 6 years' requirement. .

Cumulative increase of stores.

86. The Committee understand that there had been cases where the materials received from abroad had remained in the packages unopened either due to inadequate storage facilities or difficulty in identification of goods or their being not required for use immediately. It has happened that in some cases even warrantee periods had expired before the packages could be opened and goods utilised.

Stores remained unopened in packages.

87. The representative of the Commission informed the Committee that in the absence of proper stock taking and linking of invoices, it has been difficult to exercise that amount of scrutiny which should have been exercised in the purchase of stores and spares, specially imported goods.

88. *It is thus evident that stores were purchased without proper assessment of requirements, which resulted in unnecessary stock piling and over purchasing of stores worth crores of rupees. Since most of these stores are imported, their over-stocking has involved not only blocking of capital but unnecessary expenditure of foreign exchange, apart from the danger of their deterioration, wastage and pilferage. It is vital that inventories should be related to the actual requirements. The Committee cannot over emphasise the imperative need of proper planning and systematic assessment of the requirements of stores and spares etc. They recommend that a suitable procedure should be evolved to ensure a proper check and control over the purchase and consumption of stores. It will be desirable to fix maximum and minimum limits for various categories of stores, taking into consideration their supply position.*

No proper assessment of the requirement of stores.

C. Physical Verification of Stores

89. Rule 17 of ONGC Rules, 1960 provides that all stores belonging to the Commission shall be verified every

year or at such shorter intervals as the Commission think fit, by such employees of the Commission other than those belonging to the Stores Organisation as may be authorised by the Commission in this behalf. The Rule further prescribes that a report containing the results of such verification together with the orders of the Commission thereon and in particular on the shortage or excess, if any, of the stores shall be forwarded to the audit officer in such manner as may be specified in consultation with the Comptroller and Auditor General of India.

Contra-
vention of rule
regarding
physical
verification
of stores.

90. In Para II (6) (a) of Audit Report (Commercial) 1964, it is stated that during the year 1961-62, physical verification of stores was conducted under the supervision of the employees belonging to the Stores Organisation in contravention of the Rule 17(1) of the ONGC Rules, 1960. During evidence the representative of the Commission admitted that during the years 1960-61 and 1961-62, physical verification of stores could not be done as prescribed. Original Reports of such verifications were also not made available to the Audit. It was only during the year 1962-63 onwards that physical verification of stores could be undertaken in the prescribed manner.

Discrepant
items.

91. The result of physical verification of stores and the progress in the settlement of discrepant items, as indicated in the settlement of discrepant items, is given below:—

Year	Total No. of Items in stock	Discrepant items				Outstanding items (June, 1964)	
		Short		Excess		Short (No.)	Ex- cess (No.)
		No.	Value Rs.	No.	Value Rs.		
1960-61 .	10181	198	40260	122	173315	198	122
1961-62 .	37935	1544	2456030	883	1071558	696	298
1962-63 .	65813	2670		3155		1186	1239
1963-64 .	..	..	..	..	..	19063	6818

92. It has been stated in the Audit Report that the physical verification of stores in respect of two units was not conducted at all. Further no physical verification was conducted in respect of capital stores which were issued to various drill sites. The Committee were informed that the Commission had been trying to reconcile and settle the discrepancies and lately substantial progress had been made in this matter. It was stated that the discrepant items relating to the years 1960-61, 1961-62 and 1962-63 had remained unsettled. On the 1st November, 1964, the value of the unsettled excess items was to the tune of Rs. 41.39 lakhs while that of the deficit items was of the order of Rs. 29.50 lakhs. For the year 1963-64, the value of such items had not been determined and was still under compilation.

Physical verification of capital stores not done.

93. In this context Audit informed the Committee that in the accounting system of the Commission, there were no control accounts and in their absence most of the figures were adopted on the basis of statements which were inaccurate. The Audit had been regularly suggesting to the Commission to maintain control ledgers at the Headquarters for the proper accounting of stores as otherwise the statements received from various units without proper co-ordination and checking at the centre, were liable to be defective.

No control of accounts.

94. *The Committee are greatly concerned at the unsatisfactory state of store accounts in the Commission. Firstly, the capital stores have not been physically verified. Secondly, non-capital stores in all the units have also not been verified. Thirdly, the prescribed procedure for verification of stores was not followed till 1962-63. Fourthly, discrepant items had not been reconciled. The Committee deplore that such a sorry state of affairs was allowed to develop. It is a sad reflection on the control exercised in this regard by the Commission. They recommend that the matter needs thorough investigation not only to remedy the state of affairs but also to fix responsibility therefor.*

D. Linking of Stores

95. The purchases of imported stores and spares, the value of materials taken on charge and the value of materials not linked with invoices during the last three years

ending March 31, 1962 as pointed out in Audit Report (Commercial) 1964, are given below:—

(Position as on 15-11-1963 Rs. in lakhs)

Year .	Total payments as per invoice	Value of material taken on charge	Value of materials not linked with invoices
1959-60	338.51	324.79	13.72
1960-61	411.95	354.47	57.48
1961-62	517.47	312.53	204.91

96. It has been further stated in para 7(a) of the Audit Report on the accounts of the Commission for the year 1961-62 that in December, 1963, the value of imported goods which could not be linked with Goods Receipts vouchers was over Rs. 10 crores for which payments had been made.

Stores not linked up.

97. It is stated that due to defective documentation of imported stores from Russia and Rumania, most of the items could not be linked up. Since September, 1964 special teams have been sent to projects to carry out thorough investigation and to make efforts to link as many receipts with invoices as possible. Some progress was stated to have been made in this respect but still stores worth Rs. 6 crores remained to be linked.

98. *The Committee consider that the non-linking of stores, particularly the imported ones for which payments have been made is a serious lapse. In the absence of linking, it is difficult to ensure whether the stores have actually been received. It is expected of every organisation to ensure that stores which have been paid for have been actually received. It is regrettable that the Commission did not make any effort to do this from the beginning. It may be difficult at this stage to link all the outstanding items of stores as they pertain to periods as far back as 1959-60. Nevertheless, the Committee recommend that energetic and effective steps should be taken to link the receipts of stores and spares with the invoices, within a specified period.*

E. Capital and Non-consumable Stores

99. The Committee understand that capital and non-consumable stores like radios, cameras, pocket watches, air conditioners, refrigerators, furniture etc., are issued to departments and field parties against indents from authorised indenting officers. They note from Audit Report (Commercial), 1964, [Para II 6 (d)] that three Geophysical stations did not maintain any stock ledgers at all. The store ledgers recording all purchases of non-consumable stores were not properly maintained in most of the store formations.

100. During evidence, it transpired that there were instances where the registers were not signed by 'Chief' of Geophysical and Geological field parties on account of which there had been some difficulty in maintaining a complete record of the transactions. The representative of the Commission admitted that full information in proper form for all the articles issued was not available with the Commission.

101. The Committee consider the position as extremely unsatisfactory. It is surprising that proper records of the issues made to the departments and parties have not been maintained. Considering the nature of the articles issued, the Committee are not sure whether they can now be located and recovered. It is not unlikely that the Commission will be forced to write off most of them ultimately. Nevertheless the Committee recommend that every effort should be made to trace all the articles and complete all the registers. They also recommend that the circumstances leading to this state of affairs need to be investigated and responsibility fixed.

F. Maintenance of Distribution Registers

102. In para II (6) (e) of the Audit Report (Commercial) 1964, it has been pointed out that the distribution registers for temporary issues on loan to contractors etc. had not been maintained properly in most of the projects. In some of the projects, these registers were not maintained at all. The representative of the Commission admitted that this was a default on their part. It has been further stated that the question of maintenance of stock ledgers and distribution registers had engaged the Commission's attention for sometime and with a view to rectifying the

deficiencies and bringing the records up-to-date, it decided that a physical census of all capital items should be carried out. The census has been completed and instructions have been issued to the various authorities to open new ledgers and stock records from April 1, 1964. Audit informed the Committee that there had not been much improvement so far. The defects in the maintenance of various ledgers and registers by some of the units of the Commission are still continuing.

103. *The Committee regret to observe that this is yet another instance of failure to maintain proper records by the Commission. The default is all the more serious as it relates to non-maintenance of records of temporary issues on loan to the contractors. The Committee, recommend that not only energetic efforts should be made to recover the items and complete the records, but action should also be taken to fix responsibility for the default.*

G. Appointment of Officers in Stores Organisation

Ex-Controller of Stores and Purchase.

104. The Committee enquired about the qualification and experience of Controller of Stores and Purchase. They were informed that he had a general experience in the management field but it could not be said whether he was specially trained in stores purchases. While holding the post of a Manager, he had, however, been handling different categories of work including stores, purchases and administration. He was a Government official and belonged to the cadre of Indian Management Pool and joined the Commission on 4th December, 1961. The Chairman of the Commission also stated that as he could not make sufficient improvement in the stores holding and purchase procedures, he had now been replaced. The Committee further understand that persons who have had no experience in the line, have also been recruited for some posts in the Stores Organisation.

Persons without experience in Stores recruited by the Commission.

105. *The Committee feel that the unsatisfactory state of affairs in the Stores Organisation is partly due to the fact that top managerial persons in the Stores Organisation had not the requisite experience in organising stores of this magnitude with the result that procedures for proper ac-*

counting and control of stores were not introduced in time. It is surprising that the inadequacy of the Chief Controller of Stores and Purchase in this regard could only be detected after a lapse of about three years. The Committee, recommend that while recruiting persons for specific jobs, every care should be taken to ensure that they possess the necessary qualification and experience.

H. Hiring of Fire Fighting Equipment

106. In para 3 of Audit Report on the accounts of the ONGC for the year 1959-60, it has been stated that the Commission submitted a proposal to the Government of India on 27th February, 1958 for having its own fire fighting equipment to provide safeguard against petrologenous and other accidental fire. This proposal was sanctioned by Government in June, 1959. The tenders for the purchase of two units of fire fighting equipments were invited in December, 1959 and orders were placed in March/April, 1960, at an estimated cost of Rs. 74,000 each. Meanwhile, the Commission on 24th September, 1958 hired two fire fighting units from Ahmedabad Municipal Committee against a payment of Rs. 5,100 per month per unit inclusive of the pay of staff. A third unit from the Municipality on the same terms was added from 30th November, 1958. The Commission purchased its own fire fighting equipment for two units in June, 1960 when the units hired from the Municipality were returned to that body. During the period 24th September, 1958 to 30th June, 1960, hire charges amounting to Rs. 3,13,650 were paid to the Ahmedabad Municipality by the Commission.

Delay in the procurement of the Fire Fighting Equipment.

107. It will be seen that there have been considerable delays in the purchase of fire fighting equipment at all stages. During the course of evidence, the Secretary of the Ministry stated that "he had no defence to offer" for the delay by the Government in accepting the proposals of the Commission for having its own fire fighting equipment. As regards the delay for inviting tenders when the proposals had been sanctioned by Government, the representative of the Commission stated that an inquiry into the matter was being held from 13th September, 1963 which is yet to be finalised.

108. The Committee are unhappy at the delay in purchasing the fire fighting equipment by the Commission

which resulted in the payment of hire charges of over Rs. 3 lakhs to the Ahmedabad Municipality. It is obvious that the acquisition of such equipment for an organisation which deals with highly inflammable petrogenous material, was a must from the beginning. That the Government's approval to the proposal and the actual purchase of this equipment should have taken about 2½ years is really surprising. What is more surprising is the action of the Commission in taking nearly 3 years to order an enquiry into this matter. The Committee hope that expeditious action will at least now be taken to finalise the inquiry which has been pending for more than a year. The purpose of enquiries is lost unless they are completed expeditiously and disciplinary action taken promptly, where necessary.

I. Purchase of Pipes

109. In August 1963, the Commission placed an order of the value of about Rs. 10 lakhs for the supply of 25 k.m. of 8" line pipes on a private firm of Delhi. It was stated that open tenders had been invited for the supply of these pipes. The Hindustan Steel Ltd., the sole manufacturer of these pipes, also submitted their tender. During evidence, the Chairman of the Commission stated that initially the Hindustan Steel Ltd., and the private firm quoted the same price for the supply of pipes but later on as a result of private negotiations, the firm reduced the price by about Rs. 5 per ton. The order for the supply of the pipes, was, therefore, placed on the private firm.

110. It has been stated that both the Hindustan Steel Ltd. and the private firm quoted their rates on weight basis. Later on, however, the original clause relating to specification in the supply order about the weight of pipes was deleted. The Chairman of the Commission admitted that the original order was not well conceived and that there was something more in the matter than was apparent on the face of it. It has been stated that as a result of a careful examination of the case within the Commission itself, it was decided to entrust this matter for investigation to the Special Police Establishment.

111. The Committee do not wish to go into the merits of the case, as the matter is under investigation by the Special Police Establishment. They also consider that this case underlines the need for issue of specific instructions by Government regarding the purchase of goods manufac-

tered in one public undertaking and required by another. In the opinion of the Committee, it would be desirable if public sector undertakings buy their requirements of goods directly from the undertakings manufacturing them rather than through private agencies. In the absence of such directions, it is likely that cases of this nature might recur. The Committee, therefore, recommend that the matter may be examined by Government.

J. Storage Accommodation

112. In para 7(b) of Audit Report on the accounts of ONGC for the year 1961-62, it has been observed that the general condition in which stores were kept, was unsatisfactory. It has been stated that stores were lying dumped without adequate precaution being taken against the vagaries of weather, fire risks, damage by chemical reaction, rust or deterioration, etc. Such stores included engines and drilling bits, most of which had become rusted and were lying exposed to the sun and rain.

113. The Commission was not able to state whether the arrangements made for the proper storage accommodation of stores etc., at various projects were adequate or not. In this connection the Committee desired to be furnished with information regarding the value of stores (i) which were lying uncovered at the various projects and (ii) got deteriorated or became unserviceable on account of non-availability of proper storage accommodation. They regret to observe that the information is still awaited.

Storage arrangements inadequate.

114. The Committee are constrained to observe that the Commission has failed to assess properly its requirement of storage accommodation for stores worth several crores of rupees. They recommend that immediate steps should be taken by the Commission to assess properly its requirements in this regard and initiate expeditious action to provide the same by a phased programme, if necessary.

VI

ORGANISATION AND ADMINISTRATION

A. Composition of the Commission

115. Under the provisions of Section 4 of the Oil and Natural Gas Commission Act, 1959, the Commission shall consist of a Chairman and not less than two and not more than eight other members, appointed by the Central Government and the members may be required to render **whole-time or part-time service**, as the Central Government may direct. One of the members of the Commission shall be a whole-time Finance Member incharge of the financial matters relating to the Commission.

Chairman of the Commission.

116. The post of the Chairman of the Commission has been held by the following persons since its conversion into a statutory body on the 15th October, 1959:—

Name of the Chairman	Period
1. Shri K. D. Malviya, the then Minister of Mines & Fuel (part-time)	15-10-1959 to 25-6-1963
2. Shri S. S. Khera, the then Secretary, Ministry of Mines & Fuel (part-time)	25-6-1963 to 21-12-1963
3. Shri P. R. Nayak, the then Managing Director, Indian Refineries Ltd., (part-time)	21-12-1963 to 31-8-1964
4. Shri P. R. Nayak (full-time)	1-9-1964 to date.

Chief Executive of the Commission.

117. Thus till 1st September, 1964, the Commission had a part-time Chairman and thereafter a full-time Chairman. The Oil & Natural Gas Commission Act does not make any distinction in the functions performed by a full-time or a part-time Chairman. The Chairman had no specific function/responsibilities to perform other than presiding over the meetings of the Commission etc. c.f. Section 9(2) (3)

of the ONGC. Act, 1959. The Act also does not mention anybody as Chief Executive. During evidence, it transpired that in actual practice the Commission performed executive functions and worked 'more or less as Committee'.

118. *The Committee have considered this matter carefully. They feel that if the standard of efficiency in the Commission is to be improved it is desirable that there should be a 'Chief Executive' who should have overall responsibility for the working of the Commission. The Committee suggest that the desirability of appointing the full time Chairman as 'the Chief Executive' of the Commission might be examined by Government. This will not only enable the Chairman to exercise better day to day control and supervision over the various activities of the Commission, but will also lead to expeditious implementation of the policies and programmes of the Government and the Commission. Both the Secretary of the Ministry and Chairman of the Commission agreed with this view.*

119. The Committee note that since its inception the strength of the Commission has varied from three to six. It is stated that the actual strength and composition of the Commission is determined by Government from time to time depending upon the scope and volume of activities of the Commission and availability of suitable persons at any particular time. During evidence the Secretary of the Ministry of Petroleum and Chemicals stated that concerted efforts were now being made by Government to reinforce the Commission.

Strength of
the Com-
mission.

120. *The Committee find that until recently the strength of the Commission was only three including the Chairman. They feel that unless the requisite strength is there, the obvious advantage of having a composite body will not be available for the efficient functioning of the Commission. They, therefore, suggest that the matter may be examined by Government in consultation with the Chairman of the Commission.*

121. The present composition of the Commission is as follows:—

Present
Composi-
tion.

- (1) Shri P. R. Nayak, Chairman (full-time).
- (2) Shri A. Zaman, Member (Finance, full-time).
- (3) Shri N. N. Kashyap, Member (part-time)

- (4) Dr. D. N. Wadia—*Member* (part-time) Geological Adviser to the Government of India, Department of Atomic Energy.
- (5) Dr. B. C. Roy—*Member* (part-time) Director General, Geological Survey of India.
- (6) Dr. B. S. Negi—*Member* (Full-time).

Ministry not represented on the Commission.

122. It will be seen that at present there is no representative either of the Ministry of Finance or the Ministry of Petroleum & Chemicals on the Commission. In the Government decisions on the Krishna Menon Committee Report it has been stated that "it would not only be advantageous but necessary to have one representative of the Ministry of Finance and one representative of the administrative Ministry on the Board of Directors."

123. *The Committee agree with the above decision. They feel that with a view to represent the point of view of the Finance and administrative Ministries as well, as for maintaining close liaison and co-ordination with the Commission, it is very desirable that a representative each of these Ministries is appointed as a part-time Member on the Commission. The Secretary of the Ministry agreed that there should be a representative of the administrative Ministry on the Commission.*

No direct Co-ordination between the Commission & Oil India Limited.

124. The Committee find that there is no direct co-ordination between the Commission which is a wholly Government-owned body and Oil India Ltd., where Government holds 50 per cent shares. Neither any Member of the Commission has been represented on the Board of Directors of Oil India Ltd., nor the Government Director on that Board has been appointed as a Member of the Commission. *The Committee feel that since Oil India Ltd., and ONGC are both engaged on similar activities viz. exploration and production of crude oil, it is desirable that there is co-ordination between the two organisations. The Secretary of the Ministry informed the Committee that the matter was very much under the consideration of Government. They recommend that an early decision in the matter should be taken by the Government.*

Qualifications of Members.

125. At present neither any specific procedure nor any qualifications and experience are laid down by the Government for the selection of the Chairman and Members

of the Commission. They are selected on the basis of their administrative and technical knowledge, experience and qualities of leadership. The Finance (Member) of the Commission is selected in consultation with the Ministry of Finance. In para 30 of their 52nd Report (Third Lok Sabha) on 'Personnel Policies of Public Undertakings', the Estimates Committee had expressed a hope that an early decision would be taken by Government in the matter of determining the qualifications of the members of the Board of Public Undertakings. The Committee considered that a decision in the matter is long over due and should be taken at an early date.

B. Government Control

126. The Committee were informed that a Section in the Ministry dealt with the work of the Commission as well as petroleum pipelines and petro-chemicals in the public sector. There was a whole-time Under Secretary to look after the work of the Section under the general guidance and direction of a Deputy Secretary was looking after the refining work. The Secretary of the Ministry stated that with the increase of public sector organisations and the quantum of work assigned to them, the organisation in the Ministry was not adequate to keep a continuous watch over the working of the public undertakings. Expressing his personal opinion he added that if the organisation in the Ministry had been strong enough the unsatisfactory state of affairs in the Commission would not have developed. Cell in the Ministry.

127. The Committee note that even the Third Five Year Plan envisages that the Central Ministries concerned with industrial development should take early steps to organise well equipped technical planning cells to be maintained as permanent nuclei to concentrate on the broader technical and economic aspects of the projects and on the study of different stages of execution and of the various related steps which require co-ordination at the level of policy and administration. The Committee regret to note that the Ministry has not organised a cell for this purpose. They suggest that expeditious action may be taken to set up such a cell in the Ministry of Petroleum & Chemicals.

C. Financial Advisers Quarterly Reviews

128. The practice of submission of Quarterly Reviews by Financial Advisers of Government Companies to the Ministry of Finance was introduced in December, 1961. The Committee note that no such Quarterly Reviews were submitted by the Financial Adviser of the Commission to the Government till March, 1964. It is surprising that the Ministry of Finance did not insist on the submission of these reviews for over two years. It is not clear as to how in the absence of these reviews the Ministry satisfied itself that the funds provided by them were being properly expended. Perhaps this partly explains as to why the Ministry was unaware of the unsatisfactory state of stores accounts till the receipt of Audit Report in April, 1963. The Committee feel that the matter needs looking into.

D. Reports and Returns

129. It is noted that about fifty-five periodical Reports and Returns are at present submitted by the Commission to the Ministries of Petroleum and Chemicals and Finance during a year. These reports are intended to enable Government to keep itself informed about the progress of activities of the Oil & Natural Gas Commission, its expenditure and difficulties if any.

130. The Committee enquired whether all these reports and returns served any useful purpose. The Secretary of the Ministry stated that from his personal experience he could say that wherever a public sector organisation attached importance to a particular point and wanted to bring that point to the notice of the Government, it was not enough just to make mention of it in a periodical report. Such points should not only be highlighted in the Reports but also pursued with the Government for initiating action thereon. Unless a particular point was highlighted, a mere casual reference to it in a periodical report which was sent to the Government as a matter of routine was likely to be missed.

131. The Committee are rather surprised to note that despite the existence of such a large number of reports and returns, the Ministry gets no clear picture of the problems

and progress of the Commission. For example unsatisfactory state of stores accounts of the Commission came to the notice of Government only through the Audit Reports in April, 1963. Obviously these reports have not served the purpose for which these might have been introduced. The Committee are also doubtful whether all these reports are at all necessary. The Committee, therefore, recommend that the form and number of reports and returns should be reviewed by Government immediately with a view to rationalising them and increasing their utility.

E. Organisational Set-up

132. The present set up of the Commission consists of the following Directorates/Departments:—

- (i) Directorate of Geology;
- (ii) Directorate of Geophysics;
- (iii) Directorate of Drilling;
- (iv) Directorate of Production;
- (v) Civil & Engineering Department;
- (vi) Transport Department;
- (vii) Stores & Purchase Organisation;
- (viii) Finance & Accounts Organisation;
- (ix) Co-ordination and Progress Division; and
- (x) Administrative Division.

The Directorates of Geology & Geophysics are under the overall charge of Chief of Exploration and the Directorates of Drilling and Production are under the charge of Chief of Exploitation.

133. The Commission has also set up a Research and Training Institute at Dehra Dun with the assistance of the United Nations Special Fund. The Institute is headed by a Director and a United Nations Project Manager. This Institute is designed to undertake research in applied problems connected with petroleum exploration, development and production; to organise refresher courses for personnel already in service of the Commission and to train new personnel required during each year for the implementation of petroleum exploration and production programmes of the Commission.

Research and
Training
Institute.

**Regional and
Sub-offices.**

134. The Commission has a Regional Office at Baroda and three Sub-offices at Delhi, Calcutta and Bombay.

The Regional Office at Baroda, which is under the charge of a General Manager, who looks after the exploration, drilling and production works by the Commission in the Western region.

**Sub and
Project
Offices.**

135. The Sub-office of the Commission at Delhi maintains liaison with the Ministry of Petroleum and Chemicals and other Ministries of the Government of India. The Calcutta Office maintains liaison with the Geological Survey of India. Besides this office also arranges for the transportation of imported equipment to Rudrasagar Project and other drill sites in Assam.

The Bombay Office mainly looks after the receipt of imported stores and equipments and their despatch to the respective projects/drill sites, scattered all over the country. In addition, the Project Offices are required to be set up near the drill sites to control and organise activities.

136. *The Committee are informed that the Regional Office at Baroda has been functioning efficiently and has contributed materially to greater efficiency by providing technical guidance to the projects. They understand that the Commission proposes to set up another Regional Office at Sibsagar for the Eastern Region. The Committee consider this a step in the right direction since Regional Office contributes towards greater efficiency by co-ordinating the work and reallocating technical men and material depending on the need of different projects in the region. They hope that a decision in the matter would be taken expeditiously.*

F. Location of Headquarters

137. The Headquarters Office of the Commission is located at Dehra Dun. The Committee were informed that Delhi would have been the most convenient place for locating the Headquarters of the Commission as it was more central with respect to the regions in which the Commission was carrying out its activities. Dehra Dun was chosen as it was near to Delhi and also because some other scientific institutions were situated there. The question of shifting the Headquarters of the Commission to

Delhi or Faridabad was considered both by the Commission and the Government of India in 1963. The proposal was not pursued.

138. During evidence, the Chairman of the Commission stated that it was certainly inconvenient and expensive to have the Headquarters of the Commission at Dehra Dun. The Secretary of the Ministry also felt that normally the Headquarters of the Commission should have been in Delhi as it could function much more effectively.

Location of Headquarters at Dehra Dun inconvenient and expensive.

139. *The Committee feel that in locating the Headquarters of the Commission at Dehra Dun, the Government have taken a hasty decision, without fully considering the advantages and disadvantages of the location. The Committee realise the difficulties of shifting the Head Office of the Commission at this late stage. They recommend that in future Government should give careful thought and consideration to all aspects before finally deciding upon the location of the Headquarters of a public undertaking.*

140. At present the offices of the Chairman & Member (Finance) of the Commission are located at Delhi. It is stated that the main advantages in locating these offices at Delhi are:

Location of offices of Chairman and Member (Finance) at Delhi.

- (i) Dehra Dun is not eminently convenient for keeping in touch with and visiting the Commission's Projects all over the country;
- (ii) Constant consultation with Government; and
- (iii) In the formulation of general policy and programme by the Commission, constant consultations with the Minister and Government have been found to be essential.

It is also stated that with a view to exercise day to day control and guidance, the Chairman and Member (Finance) visit Dehra Dun and officials at Dehra Dun visit Delhi frequently.

141. *The Committee consider that the maintenance of two establishments at Delhi and Dehra Dun as well as the frequent visits of officials of the Commission to Delhi and Dehra Dun is not conducive to good administration. The*

unsatisfactory state of stores accounts may partly be attributed to these two key officers being away from the Headquarters. The Committee are convinced that the Chairman and the Member (Finance) should be stationed at the Headquarters office otherwise supervision tends to be lax. Their presence at Dehra Dun would contribute to greater efficiency. The Committee recommend that the offices of the Chairman and Member (Finance) should be shifted to Dehra Dun.

G. Staff Strength

142. The category wise total staff strength of the Commission for the last four years has been as given below:—

Category	As on			
	31-3-61	31-3-62	31-3-63	31-3-64
Class I . . .	289	371	506	626
Class II . . .	56	78	107	96
Class III (Technical)	2260	3752	4750	5825
Class III (Non-Technical) .	1167	1588	2374	2727
Class IV . . .	854	1905	3029	4646
TOTAL	4626	7494	10766	13620

143. It will be seen that the total staff of the Commission rose from 4626 in 1960-61 to 13,620 in 1963-64 i.e. an increase of about 194.4%. It has been stated that the staff strength has increased in relation to the increase in the physical operations of the Commission.

Regarding the increase in the number of Class I Officers during the last four years, it has been stated that nearly all the Technical Officer belong to Class I cadre.

144. The Committee enquired whether any systematic assessment of requirements of staff had been made by the Commission. It was stated that staff requirements were assessed according to fixed norms. Where no norms existed, staff was determined in the light of past experience and actual or anticipated work load. It is thus evident that no systematic norms have been laid down for all categories of staff. The Committee consider that fixing

of norms of work load is very essential for efficient and economical utilisation of staff. In fact they feel that the rise in the number of Class I Officers from 289 on 31st March, 1961 to 626 on 31st March, 1964 is disproportionately high. The Committee recommend that steps should be taken by the Commission to determine the norms of work load for all categories of staff expeditiously and to reassess and rationalise the staff strength accordingly.

145. It is noted that the staff strength of Cambay Project has increased from 1175 in March, 1963 to 1295 in April, 1964. The Committee enquired about the justification of such a large number of staff at the project when the field had been exploited. It was explained that additional staff was required for the development and installation of gas producing facilities. In another two years, however, when the Cambay gas field went into production it would not be necessary to have more than 200 or 300 persons there.

Staff Strength at Cambay.

146. It is obvious from what has been stated above that a good many of existing staff are not employed fully. The Committee feel that there was little justification in having such a large complement of staff at Cambay, when the field has already been developed and is ready to supply gas to Dhuvaran Power Station. According to their own admission the requirements of staff at Cambay is estimated only between 200 to 300 after the supply of gas begins. This is an instance where excessive staff has been employed by the Commission irrespective of the need therefor. There appears to be no proper planning and programming for the deployment of staff. The Committee recommend that quick action should be taken to reduce the staff to the barest minimum.

147. A statement showing overtime payments made by the Headquarters and other offices of the Commission is placed at Appendix II. It will be seen from the statement that payments on account of overtime are being made regularly in these offices. The total amount of such payments during the last two years was as under:

Overtime Payments.

	Rs. lakhs
1962-63	0.91
1963-64	2.55
April, 1964 to August, 1964	1.96
	(for five months)

148. These payments work out to about 2% of the total salary bill of the Commission. The Committee understand that the supervisory staff upto the category of superintendents were also entitled to overtime payments. The representative of the Commission informed the Committee that with a view, however, to restrict the scope and limit of overtime allowance, the Commission had recently decided that overtime allowance would be sanctioned very sparingly and only on the approval of the Head of the Office or of an Officer of the rank of Deputy Director or Superintending Geologist etc.

149. *It is thus evident that strict control was not exercised on the payment of overtime allowance in the past. The Committee consider that the regular payment of overtime allowance encourages the staff to postpone work beyond the normal working hours to enable them to draw overtime. Such a practice is further encouraged when supervisory staff is also entitled to overtime allowance. The Committee trust that overtime payments would be reduced to the minimum as assured by the Chairman of of the Commission.*

VII

KOYALI OIL REFINERY

150. The Third Public Sector oil refinery is being established at Koyali near Baroda, with the technical and financial assistance extended by the Government of U.S.S.R. An agreement to this effect was signed on the 21st February, 1961. This refinery will process indigenous oil from Ankleshwar oil field. The initial capacity of the refinery will be two million tonnes per year which will be ultimately expanded to three. The original estimated cost of the refinery was Rs. 30.21 crores inclusive of foreign exchange cost of about Rs. 8.78 crores. The outlay includes a Thermal Power Station, township and other facilities. Setting up of the refinery.

151. It came out during evidence that while Koyali refinery is under the Commission, the other two refineries in the public sector are being managed by Indian Oil Corporation. *The Committee are not happy about the present arrangement as they consider that public undertakings in the same field of activity should normally be under the administrative control of one management. It is, therefore, desirable that the Koyali refinery should be transferred to the Indian Oil Corporation. They recommend that a decision in this regard may be taken without any delay.*

152. The Committee understand that the cost of Koyali refinery is under revision and it is expected that the revised estimates will be about Rs. 26.36 crores resulting in a saving of Rs. 3.85 crores. It has been stated that savings have been effected by distributing work among several contractors both on the civil and mechanical side and by procuring as much equipment as possible indigenously. Estimated Cost.

153. *The Committee appreciate the measures taken by the management in effecting savings in the cost of refinery. They trust that such efforts would continue to be made by them to reduce expenditure, wherever possible. The Committee would also like to add that when officers show such*

initiative, it is but proper that their merit should be recognised in some fitting manner and the matter given due publicity so that others could emulate them.

Time
Schedule.

154. The original and revised dates for the completion of the various units of the refineries are as under:

Unit	Original dates of completion	Revised* dates of completion
(i) Atmospheric Unit First Phase (1 million tonnes)	December, 1964	Feb./March, 1965
(ii) Thermal Power Station	December, 1964	Feb./March, 1965
(iii) Second Million tonne	Middle of 1965	September, 1965
(iv) Third Million tonne	Sometime in 1966	

155. It will be noted that one million tonne unit and Thermal Power Station which were scheduled to be completed by December, 1964, are now expected to be completed by February/March, 1965. This delay of about three months and change in the schedule were attributed to the following reasons:—

- (i) late arrival of detailed working drawings for certain units;
- (ii) late arrival of equipment from USSR; and
- (iii) delay in the construction of railway siding due to the writ application of villagers of Karachia.

*At the time of factual verification of the report, the Ministry has stated that the dates for the completion of the Koyali refinery have been further revised as follows :—

(i) First Phase (1 Million Tonnes)	.. .. .	Augst, 1965
(ii) Thermal Power Station	.. .. .	July, 1965
(iii) Second Million Tonnes	.. .. .	December, 1965

This delay is the result of a two months strike of the workers of the Erection contractors and the non-receipt of some equipment from U.S.S.R.

156. It has now been stated that on the basis of the progress hitherto achieved in the construction of the refinery and also taking into consideration the likely delay in the receipt of equipment, it should be possible to commission all the units according to the revised schedules. *The Committee trust that revised time schedules will be adhered to.*

157. The Committee are informed that the pattern of production of the Koyali refinery is based on the minimum production of motor spirit and maximum production of the middle distillates like superior kerosene, high speed diesel oil, furnace oil, etc. According to the latest thinking it is proposed to include new products like lubricating oils also in the production pattern. *Thus the Committee note with satisfaction that in determining the pattern of production of the refinery, the future requirements of the country have been kept in view.*

VIII

GENERAL MATTERS

A. Petro-Chemicals

158. The Committee are informed that the development of petro-chemical industries is being considered by the Commission. The French Institute of Petroleum which was entrusted with the study submitted a report in March, 1963. The report has been examined by Government which has approved the setting up of a petro-chemical complex in Gujarat region near Koyali refinery. This project will be implemented in phases by 1968-69 at a cost of about Rs. 100 crores. As the bulk of capital for this project would be in the form of foreign exchange, it was decided in July, 1963 to seek foreign collaboration. Some proposals received in this regard are stated to be under examination by a Working Group set up by Government.

159. *In view of the increasing demand for synthetic chemicals, fertilizers and organic polymers, the Committee cannot over-emphasise the importance of setting up of petro-chemical industries in the country. It has been stated by the Minister of Petroleum and Chemicals recently that "the growth of Petro-Chemical complex in different regions in the country will bring about an economic transformation and change in the present sluggish economy of India with new life and vitality." The Committee trust that concerted efforts will be made to set up these industries at an early date.*

B. Central Workshop, Baroda

160. The Commission has decided to set up a Central Workshop at Baroda to undertake capital repairs of Drilling Rigs and other equipment for which no facilities are at present available in the country. The Workshop will be constructed in two phases viz. (i) Repair phase and (ii) Production phase. At present only the repair phase which is estimated to cost Rs. 192.45 lakhs is being built in collaboration with Rumania. The production phase has yet to be planned. It is expected that the first phase will be completed by March, 1966.

161. The Committee enquired whether any delay in the construction and completion of the workshop was anticipated. They were informed that there had been already some delay on account of non-availability of foreign exchange for import of equipment. During their visit to Baroda in October, 1964 the Committee also learnt that there was also some delay in supply of steel and power to the workshop.

162. *The Committee are concerned at the delays in the commissioning of the workshop. It is well known that delays invariably increase the estimated cost of the projects and also put off production or repairs of parts which in the meantime have to be imported and are a drain on the foreign exchange resources. The Committee hope that every effort will now be made to complete the workshop in the least possible time.*

163. It is noted that the designs for the execution of the Repair Phase of the Workshop have been obtained from Rumania at a cost of Rs. 4.71 lakhs. This included designs for Store House, storage racks etc. Designs for the Workshop.

164. The Committee enquired why the Indian Engineers were not associated in the designing of the workshop. They were informed that as the Indian engineers were not conversant with the system of overhaul and repairs to oilfield equipment, they were not associated with the designing of the workshop. So far structural design was concerned, Indian engineers could, however, prepare it.

165. During their visit to Baroda in October, 1964, the Committee felt that the designs given by the Rumanians were costlier and not related to Indian conditions. It also transpired that the specifications and designs of the workshop are intended to bear the weight of snow in winter, a condition which does not prevail at Baroda. It has been admitted by the representative of the Commission that such a structure is not necessary and that there has been a lot of waste. *The Committee consider that the cheaper designs for these structures could have been prepared in the country itself. This has resulted not only in the payment of Rs. 4.7 lakhs to the Rumanians for these designs but in increased costs in their construction. The Committee urge that remedial measures should be taken to avoid recurrence of such cases in future.*

C. Extra expenditure of Rs. 1,92,793 on account of Faulty Estimates

166. In para 3 of Audit Report on the accounts of the Oil & Natural Gas Commission for the year 1961-62 it has been stated that in August 1961, the Commission called for tenders for laying underground pipelines at Ankleshwar oilfields for trial production of oil. The lowest quotation for this work was for Rs. 8,04,847 as against the estimated cost of Rs. 8,86,722. A Committee of officers was constituted to scrutinise the tenders which recommended the award of the contract to the lowest tenderer on estimated rates minus 9.25% mainly on the consideration that the commission would be called upon to pay more in the event of quantity of earthwork increasing, as the tendered rates for earthwork were very high.

167. During the course of actual execution, the earthwork, instead of getting increased, as contemplated by the Committee actually decreased by 6,10,765 cft. Thus as a result of the inaccurate estimation of earthwork, the Commission was put to an extra expenditure of Rs. 192,793.

168. In this connection it has been admitted by the Commission that the (i) concerned technical officer failed to work out reasonably accurate estimate of quantum of earth work, (ii) the other members of the Committee also failed to insist on any data before falling in line with the suggestions of the officer concerned, (iii) the firm to which the contract was given, was registered only one day before the award of the contract and was not experienced in the line, (iv) the firm was not even capable of filling in proper rates in the tender and was shown favour by the technical officer in as much as that their antecedents were not verified; and (v) the lopsided rates quoted by the firm in the tender were got replaced by the rates estimated by the technical officer.

169. During evidence the Chairman of the Commission stated that although the case was brought to their notice in April, 1962 by Government Audit, it was referred to the Special Police Establishment in 1963 for detailed investigation as the case was fairly serious. The Special Police Establishment have recommended regular departmental action against all the officers involved in the case. The Special Police Establishment, however, felt that no prosecution was possible.

170. It has also transpired that out of these four officers, only one is still in the service of the Commission. The technical officer has left the Commission and joined the Indian Oil Corporation. One has reverted to the Gujarat State Government and the fourth one has retired.

171. It was further stated by the Commission that the Indian Oil Corporation and the Government of Gujarat have been asked to initiate disciplinary proceedings against the two officers. The Officer who has retired has since submitted his explanation which is at present under the consideration of the Commission. The explanation of the fourth officer, who is still in the service of the Commission, has been asked for.

172. *The Committee are concerned at the serious irregularities committed in this case. The facts revealed are disquieting and indicate lapse on the part of the Commission. There has also been inordinate delay in conducting enquiries and taking disciplinary action against the concerned officers. The Committee urge that disciplinary action against all the officers, including those in the employment of Government of Gujarat and Indian Oil Corporation should be taken without further delay.*

173. *The Committee also desire to emphasise that it would encourage irregularities and indiscipline if the delinquent officers of one public undertaking are allowed to secure employment in another public undertaking or Government. They, therefore, recommend that Government should lay down guiding principles governing the employment of officers of one public undertaking by another public undertaking or Government so as to ensure that such cases do not recur.*

D. Collapse of a tank at Ankleshwar

174. The Committee understand that at Ankleshwar an overhead water tank of 50,000 gallons capacity costing Rs. 68,000 collapsed at Ankleshwar within one day of its completion, when it was being tested. A Committee which was appointed by the Commission to enquire into the accident came to the conclusion that the tank collapsed due to the failure of the supporting structure as one of the columns had failed due to ineffective bracing. Since the contractor agreed to reconstruct a similar tank at his own cost, the Committee was of view that ~~there~~ there was no financial loss to the Commission.

175. The Committee are unhappy about the accident. They feel that had proper care and supervision been exercised in the beginning by the project authorities this accident which has delayed the commissioning of an essential service would not have happened. It emphasises the necessity to take every precaution in awarding contracts in future.

E. Rent of Buildings at Dehra Dun

176. The Committee are informed that at present 38 buildings have been hired at Dehra Dun for accommodating various directorates/divisions/laboratories etc. of the Commission. The annual rent paid for these buildings came to about Rs. 1,75,176. It is stated that a proposal to construct three Blocks of four storeys each in Tel Bhavan Campus to accommodate some offices is already under the consideration of the Commission. As the Commission is paying heavy rents for hired buildings, the Committee recommend that a decision on the proposal may be taken as early as possible.

IX

CONCLUSION

177. *During their examination of the Oil & Natural Gas Commission, the Committee have kept in mind the difficulties that a new venture like the ONGC had to face in the field of oil exploration and exploitation. The task of the Commission was not an easy one particularly as oil technology was new to the country and there was a shortage of technically experienced persons. Despite these difficulties the efforts of the Commission in locating new oil/gas fields and putting the country on the oil map of the world is commendable.*

178. At the same time, the Committee have noticed several disquieting features in the working of the Commission which have been referred to in paragraphs *supra*. The more important of these are given below:—

- (i) Proper valuation of the assets which represented the initial capital of the Commission amounting to Rs. 5:58 crores had not been undertaken and the normal procedure in this regard was not followed. (para 63).
- (ii) Stores and other allied accounts of the Commission were incomplete and had not been maintained properly. (para 74).
- (iii) The purchases of stores were made without proper assessment of their requirements which resulted in unnecessary stock-piling and over purchasing of stores worth a few crores of rupees. (para 88).
- (iv) Physical verification of all the stores which at the end of March, 1963, amounted to over Rs. 15 crores had not been done properly. (para 94).
- (v) Receipt of stores particularly imported stores for which payments have been made, had not been linked up with the invoices. The value of such

unlinked stores amounted to about Rs. 6 crores. (para 98).

- (vi) Proper records of capital and non-consumable stores had not been maintained. Even the distribution registers for temporary issues of all items of stores and machinery on loan to the contractors had not been maintained properly (para 101).
- (vii) Targets of performance for Geological Field Parties were not fixed realistically. (paras 14—16).
- (viii) Rigs and other allied equipments were not fully utilised and had to remain idle for varying periods due to lack of planned programme or proper maintenance. (paras 31—33).

179. *The Committee feel that with proper management, coordination and control, most of the short-comings could have been avoided. They hope that with the appointment of a full-time Chairman as the Chief Executive of the Commission as recommended by the Committee, these lapses would not recur and the Commission would be geared to the task of exploring and exploiting the oil resources of the country at a faster pace.*

180. *The Committee have no doubt that the Commission would now direct its energies to full utilisation of its manpower and costly drilling equipment. At the same time efforts should be made to reduce dependence on imported drilling equipment by arranging its production at the Heavy Engineering Corporation or other indigenous sources as early as possible.*

NEW DELHI; PANAMPILLI GOVINDA MENON,
 April 6, 1965 Chairman,
Chaitra 16, 1887 (Saka). *Committee on Public Undertakings.*

APPENDIX I

(Vide para 5)

Functions of the ONGC as given in Section 14 of the Oil & Natural Gas Commission Act, 1959 are as follows:—

- (a) for the carrying out of geological and geophysical surveys for exploration of petroleum;
- (b) for the carrying out of drilling and other prospecting operations to prove and estimate the reserves of petroleum;
- (c) to undertake, encourage and promote such other activities as may lead to the establishment of such reserves;
- (d) to undertake, assist or encourage and promote the production of petroleum from such reserves and its refining;
- (e) for the transport and disposal of natural gas and refinery gases produced by the Commission;

Provided that no industry, which will use any of these gases as a raw material shall be set up by the Commission without the previous approval of the Central Government;

- (f) to undertake, encourage and promote geological, chemical and other scientific investigations whether in or outside the laboratory;
- (g) to undertake, assist or encourage the collection, maintenance and publication of statistics, bulletins and monographs;
- (gg) to promote and form companies in compliance with the requirements of the Companies Act, 1956 for any of the purposes aforesaid; and
- (h) to perform any other function which is supplemental, incidental or consequential to any of the functions aforesaid or which may be prescribed.

APPENDIX II

(Vide Para 147)

Statement showing the Over-time Paid to the Staff

(In Rupees)

Name of the Office/ Project	Amount		Amount paid	
	1962-63	1963-64	1963-64	April 64 to August, 1964
1. Headquarters	[55,793·55	1,01,183·30	57,600·30	
2. Ahmedabad Project	7,550·32	9,227·98	13,784·43	
3. Cambay	7,671·30	20,088·59	8,883·34	
4. Baroda . . . . .	..	21,183·24	9,872·25	
5. Hoshiarpur	1,280·00	8,606·46	976·01	
6. Calcutta	658·50	6,271·21	4,172·06	
7. Sibsagar	10,215·12	31,743·55	22,443·84	
8. Badaun	2,540·13	3,750·48	5,363·24	
9. Tilhar . . . . .	..	4,018·00	5,726·65	
10. Olpad . . . . .	..	1,462·96	747·20	
11. Bombay	946·25	1,335·75	1,534·60	
12. Ankleshwar . . . . .	..	39,804·33	29,208·88	
13. Delhi	4,082·18	2,827·50	1,543·80	
14. Raxual . . . . .	..	589·00	1,490·95	
15. Pattukkottai . . . . .	..	2,691·11	1,828·95	
16. Purnea . . . . .	..	56·85	1,411·98	
17. Jaisalmer	119·50	24·20	331·65	
18. Karaikal . . . . .	..	..	2,021·60	
19. Mohand . . . . .	..	..	300·50	

APPENDIX III

Summary of Conclusions/Recommendations

S. No.	Reference to the Para No. in the Report	Summary of Conclusions/Recommendations
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1	10	Considering the urgent need to establish indigenous sources of oil, the Committee feel that the progress of surveys made by the Oil and Natural Gas Commission is slow. They consider that the difficulties enumerated by the Commission could well have been foreseen and are certainly not insurmountable. It is regrettable that no detailed long-term and short-term plans with the targets to be achieved in each field have been set out. The Committee hope that this important aspect would receive urgent attention by the Commission.
2	12	It will be regrettable if the latest techniques and tools are not availed of for lack of foreign exchange. The Committee, therefore, urge that Government should give serious consideration to this aspect and allocate foreign exchange to the Commission for this purpose. There is also no reason why the assistance of U.S.S.R. and Rumania, which are rupee area countries may not be fully utilised for the purpose.
3	15	It seems to the Committee that allocation of work to the Geological Field Parties proceeded on area basis rather than on norms of detailed mapping to be done by them. This obviously has resulted in the Parties not being fully engaged in the areas allocated to them. Such a situation could have been avoided, had norms of work for detailed mapping been fixed for each Party. Further it will be noticed that targets have been scaled down from 1769 Km. in 1961-62 to 232 Km. in 1963-64, while there was not much difference in the number of parties employed.
		The Committee understand that the Commission has recently fixed the targets and has directed that any

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change therein should be reported to it for approval. The Committee are not happy that this essential decision was not taken by the Commission much earlier.

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The Committee consider that for planned development it is essential that targets of achievements are fixed in advance. They recommend that the targets for Field Parties should be fixed realistically and on scientific data with reference to the norms of work fixed so that assessment of performance may become easy.

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It is noted that no standard unit costs of surveying and drilling have been fixed so far by the Commission. The Committee fail to understand as to how in the absence of standard costs, the efficiency or otherwise of its operations in the matter of surveying and drilling has been judged by the Commission. The Committee recommend that an attempt should be made to fix and finalise these costs expeditiously in the light of experience gained by the Commission. Efforts should also be made to collect the costs obtaining in other countries and Oil India Limited, for judging comparative efficiency.

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The Committee are unhappy at the reduction of targets for drilling of wells from 611 to 480. As admitted by the representative of the Commission, the scaling down would affect the future production programme of the Commission. The Committee consider that urgent attention should be given to remove the difficulties encountered by the Commission. It is wasteful to allow rigs to remain idle for long periods for want of transportation equipment. The Committee have no doubt that with better utilisation of men and rigs and proper planning, the targets for the Third Plan can still be revised upwards. They, therefore, suggest that the matter may be reviewed.

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- 7 31 Whatever the reasons, the fact emerges that there have been inordinate delays in the utilisation of rigs. This indicates that the Commission had not proceeded on any planned programme with the result that there was no feeling of urgency for utilising all the rigs within a scheduled programme. The Committee feel that the appointment of a Liaison Officer in U.S.S.R. could have avoided the despatch of incomplete rigs.
- 8 33 While inclement weather may be a good reason for the rigs to remain idle for sometime, there can be no excuse for keeping them idle on account of shortage of men, material and lack of instructions from Headquarters. Maximum utilisation of rigs could only be achieved by advance planning. As idle time of rigs puts up the costs of wells, the Committee consider it of utmost importance that energetic and effective measures should be taken by the Commission to have a planned programme for maximum utilisation of rigs.
- 9 35—37 It is noted that there is wide variation in the time prescribed and the actual time taken per well for different drilling operations. It has been explained that unforeseen difficulties can arise in transporting a rig and testing of a well. The wet weather and lack of roads make the transportation of rigs difficult. The Committee consider that it was bad planning not to have taken into account these factors in fixing the norms of operations. They expect that norms once fixed are adhered to.
- 10 40 The Committee are unable to appreciate why the approach roads at drill sites at Ankleshwar were constructed in some cases after the drilling was over. They feel that there has been lack of planning in their construction. The Committee recommend that the whole question of construction of approach roads needs investigation to avoid similar situations in future.
- 11 41—42 The Committee understand that a considerable quantity of chemical mud is left at each drill site after the completion of the work and that considerable saving of cost can be effected if it is collected and used at other wells. They have been informed by the Commission that arrangements are now being made to do this. This would indicate failure to appreciate

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the economics of left out mud chemicals, which cost a good deal. The Committee trust that greater awareness of such matters which ultimately affect the economy of the Commission, will be displayed by the management in future.

- 12 44 The Committee appreciate the difficulties in supplying crude to the two oil refineries at Bombay from Ankleshwar after the Koyali refinery goes on stream. To meet this shortage these refineries will have to import crude from abroad involving an annual expenditure of about Rs. 6.64 crores in foreign exchange. This situation underlines the necessity for exploiting the oil resources in the Western region so as to attempt to maintain the present supplies to these refineries. The Committee urge that every effort should be made by the Commission to exploit as quickly as possible new oilfields in the area.
- 13 47 The magnitude of import of oil and its products in the country, the rapid increase in their consumption in future and the continuing scarcity of foreign exchange underlines the urgency and importance of exploring and exploiting the oil and gas resources in the country. Some progress has been made in discovering oil and establishing its production but the consumption of crude and refined products is rising at such a rapid rate that determined efforts have to be made by the Commission to discover more oil fields in the shortest time possible. The Committee feel that towards this end, the Commission should lay greater emphasis on rapid exploitation of areas known to be oil bearing.
- 14 52 The Committee consider it unfortunate that there has been delay in the supply of gas to the Dhuvaran and Uttaran Power Houses of Gujarat Electricity Board. This has resulted not only in deferment of revenue to the Commission but flaring up of considerable quantities of gas. Further the existing staff at Cambay is not fully employed as pointed out in para 146 infra. The Committee urge that concerted efforts should be made by all concerned to see that the supply of gas is started as early as possible, so as to avoid unnecessary wastage. They also recommend that until such time as Uttaran Power House is ready to utilise the gas, the feasibility of pumping and storing it underground may also be examined by the Commission.

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| 15 | 54 | <p>The Committee understand that the price at which the gas will be supplied to Dhuvaran and Uttaran Power Stations of Gujarat Electricity Board has not yet been settled. As there was some dispute about the sale price of gas, the matter has been referred to an Arbitrator.</p> <p>In this context the Committee feel that the price of gas or at least a formula for its fixation should have been agreed upon at the time of entering into the agreement to supply gas rather than leave it to a later date when it has become necessary to refer it to arbitration.</p> |
| 16 | 55 | <p>In the production of gas at Cambay some vapours condense into liquid hydrocarbons, technically known as condensate. With the production of about a quarter million cubic metres of gas per day, about 40 tonnes of condensate are expected to be produced. The Committee understand that the condensate can either be used in the drycleaning or in petro-chemical industries or can be blended with crude oil and refined. They hope that as and when the supply of gas begins and condensate becomes available every effort will be made to market the product so that it may not go waste.</p> |
| 17 | 59 | <p>The Committee consider that the terms and conditions governing the advance of funds to the Commission should be determined by Government as early as possible. They feel that the giving of grants of the order of Rs. 130 crores to such bodies indefinitely is not conducive to efficiency and economy as it encourages lack of cost consciousness.</p> |
| 18 | 63 | <p>The Committee fail to understand how in the absence of physical verification and proper valuation of the assets, it could be ensured that the initial capital of the Commission was represented by real assets taken over by it. It was wrong for the Commission not to have followed the normal procedure in this respect. They recommend that immediate steps should be taken to reassess and evaluate the initial capital of the Commission.</p> |
| 19 | 66—67 | <p>The Committee feel concerned at the inordinate delay of more than five years in the finalisation of the form and manner in which the accounts of the Commission are to be maintained. Action in the matter was initiated only in October, 1961, after a delay of two</p> |

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years. Even three years thereafter, the final decision has not been taken in the matter. This is a serious lapse. The Committee consider that in such cases where Government is statutorily responsible for prescribing the form of accounts and the manner in which they should be maintained, it should be ensured by them that this is done expeditiously.

- 20 69 It is surprising that although the Commission has been in existence since October, 1959, no efforts have been made by it to compile the Accounting Manual. The Committee consider that the unsatisfactory state of affairs in the maintenance of accounts particularly stores accounts, which has been referred to in paras infra, is partly due to the non-compilation of the Manual. They feel that the compilation of the Accounting Manual should have been taken up as soon as the Commission was set up. The Committee hope that at least now concerted efforts would be made to finalise and publish the Manual without delay.
- 21 70 The Committee further feel that it would be very desirable if Government in consultation with Comptroller & Auditor General of India should arrange to compile a Standard Accounting Manual for the guidance of all the public undertakings which could be adapted by them with suitable modifications wherever necessary. This should present no difficulty as there are certain basic forms which are common to all public undertakings and can be standardised.
- 22 71—74 It was admitted during evidence that there had been a serious lapse in the maintenance of accounts relating to stores and that the standard had not been upto the mark. The Committee consider that the responsibility for the unsatisfactory state of stores accounts primarily rests with the Commission. It is surprising that the Ministry was not even aware of the situation till the receipt of Audit Report in April, 1963. It is normally expected of the administrative Ministries to keep themselves informed of the true state of affairs in the public undertakings under their administrative charge. In view of the serious lapses in the maintenance of stores accounts the Committee recommend that the circumstances leading thereto should be investigated and responsibility fixed to avoid their recurrence. They urge that vigorous steps should be taken to bring the stores accounts in proper order and to reconcile the discrepancies found therein.

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- 23 78—79 The Committee are not convinced with the reasons advanced for the delay in the submission of annual accounts of the Commission. As far back as April 1958, the Estimates Committee in para 44 of their Twenty-second Report (Second Lok Sabha) relating to Oil & Natural Gas Commission, had recommended that the Commission should take immediate steps to draw up and maintain their accounts in commercial form. It is apparent that both the Commission and the Ministry did not realise the urgency or the need to finalise and submit the accounts within the time provided in the Act. In fact Rules were amended to cover the delays. The Committee cannot but regard it as extremely unsatisfactory. They recommend that concerted efforts should at least now be made to prepare and finalise the annual accounts by due dates as in the absence of such accounts the operation and performance of the Commission cannot be properly evaluated.
- 24 80 The Committee note that at present the audited accounts of the Commission are not included in its Annual Report and the two documents are presented to Parliament separately. They suggest that as far as possible the audited accounts should be included in the Annual Reports of the Commission.
- 25 83 The Committee appreciate the steps which have now been taken by the Commission to augment indigenous production of stores, plant and machinery. They, however, feel that with a view to reduce dependence on imports and save scarce foreign exchange, greater effort is needed to establish expeditiously indigenous production of Stores and Spares, drilling and other equipment connected with the exploration and exploitation of oil. The Committee suggest that Government may conduct a survey of the existing capacity for manufacture of engineering equipment in the country so that machinery, equipment and spare parts which can be indigenously produced may not be imported.
- 26 88 It is evident that stores were purchased without proper assessment of requirements, which resulted in unnecessary stock piling and over purchasing of stores

worth crores of rupees. Since most of these stores are imported, their over-stocking has involved not only blocking of capital but unnecessary expenditure of foreign exchange, apart from the danger of their deterioration, wastage and pilferage. It is vital that inventories should be related to the actual requirements. The Committee cannot over emphasise the imperative need of proper planning and systematic assessment of the requirements of stores and spares etc. They recommend that a suitable procedure should be evolved to ensure a proper check and control over the purchase and consumption of stores. It will be desirable to fix maximum and minimum limits for various categories of stores, taking into consideration their supply position.

- 27 94 The Committee are greatly concerned at the unsatisfactory state of store accounts in the Commission. Firstly, the capital stores have not been physically verified. Secondly, non-capital stores in all the units have also not been verified. Thirdly, the prescribed procedure for verification of stores was not followed till 1962-63. Fourthly, discrepant items had not been reconciled. The Committee deplore that such a sorry state of affairs was allowed to develop. It is a sad reflection on the control exercised in this regard by the Commission. They recommend that the matter needs thorough investigation not only to remedy the state of affairs but also to fix responsibility therefor.
- 28 98 The Committee consider that the non-linking of stores, particularly the imported ones for which payments have been made is a serious lapse. In the absence of linking, it is difficult to ensure whether the stores have been received. It is expected of every organisation to ensure that stores which have been paid for have been actually received. It is regrettable that the Commission did not make any effort to do this from the beginning. It may be difficult at this stage to link all the outstanding items of stores as they pertain to periods as far back as 1959-60. Nevertheless, the Committee recommend that energetic and effective steps should be taken to link the receipts of stores and spares with the invoices within a specified period.

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- 29 101 The Committee are informed that records relating to the purchases and issues of capital and non-consumable stores were not properly maintained in most of the store formations of the Commission. The Committee consider the position as extremely unsatisfactory. It is surprising that proper records of the issues made to the departments and parties have not been maintained. Considering the nature of the articles issued, the Committee are not sure whether they can now be located and recovered. It is not unlikely that the Commission will be forced to write off most of them ultimately. Nevertheless the Committee recommend that every effort should be made to trace all the articles and complete all the registers. They also recommend that the circumstances leading to this state of affairs need to be investigated and responsibility fixed.
- 30 102-103 It has been pointed out that the distribution registers for temporary issues of various items of stores on loan to contractors etc., had not been maintained properly in most of the projects. In some of the projects, these registers were not maintained at all. The Committee regret to observe that this is yet another instance of failure to maintain proper records by the Commission. The default is all the more serious as it relates to non-maintenance of records of temporary issues on loan to the contractors. The Committee, recommend that not only energetic efforts should be made to recover the items and complete the records, but action should also be taken to fix responsibility for the default.
- 31 105 The Committee feel that the unsatisfactory state of affairs in the Stores Organisation is partly due to the fact that top managerial persons in the Stores Organisation had not the requisite experience in organising stores of this magnitude with the result that procedures for proper accounting and control of stores were not introduced in time. It is surprising that the inadequacy of the Chief Controller of Stores and Purchase in this regard could only be detected after a lapse of about three years. The Committee recommend that while recruiting persons for specific jobs, every care should be taken to ensure that they possess the necessary qualification and experience.
- 32 108 The Committee are unhappy at the delay in purchasing the fire fighting equipment by the Commission which

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resulted in the payment of hire charges of over Rs. 3 lakhs to the Ahmedabad Municipality. It is obvious that the acquisition of such equipment for an organisation which deals with highly inflammable petroleginous material, was a must from the beginning. That the Government's approval to the proposal and the actual purchase of this equipment should have taken about 2½ years is really surprising. What is more surprising is the action of the Commission in taking nearly 3 years to order an enquiry into this matter. The Committee hope that expeditious action will at least now be taken to finalise the inquiry which has been pending for more than a year. The purpose of enquiries is lost unless they are completed expeditiously and disciplinary action taken promptly, where necessary.

- 33 ¶ 109—111 The Committee do not wish to go into the merits of the case referred to in paras 109 & 110 of the report, as the matter is under investigation by the Special Police Establishment. They also consider that this case underlines the need for issue of specific instructions by Government regarding the purchase of goods manufactured in one public undertaking and required by another. In the opinion of the Committee, it would be desirable if public sector undertakings buy their requirements of goods directly from the undertakings manufacturing them rather than through private agencies. In the absence of such directions, it is likely that cases of this nature might recur. The Committee, therefore, recommend that the matter may be examined by Government.
- 34 113 The Commission was not able to state whether the arrangements made for the proper storage accommodation of stores etc., at various projects were adequate or not. In this connection the Committee desired to be furnished with information regarding the value of stores (i) which were lying uncovered at the various projects and (ii) got deteriorated or became unserviceable on account of non-availability of proper storage accommodation. They regret to observe that the information is still awaited.
- 35 114 The Committee are constrained to observe that the Commission has failed to assess properly its requirement of storage accommodation for stores worth several crores of rupees. They recommend that immediate steps should be taken by the Commission to

assess properly its requirements in this regard and initiate expeditious action to provide the same by a phased programme, if necessary.

- 36 118 The Committee feel that if the standard of efficiency in the Commission is to be improved, it is desirable that there should be a 'Chief Executive' who should have overall responsibility for the working of the Commission. The Committee suggest that the desirability of appointing the full time Chairman as 'the Chief Executive' of the Commission might be examined by Government. This will not only enable the Chairman to exercise better day to day control and supervision over the various activities of the Commission, but will also lead to expeditious implementation of the policies and programmes of the Government and the Commission. Both the Secretary of the Ministry and Chairman of the Commission agreed with this view.
- 37 120 The Committee find that until recently the strength of the Commission was only three including the Chairman. They feel that unless the requisite strength is there, the obvious advantage of having a composite body will not be available for the efficient functioning of the Commission. They, therefore, suggest that the matter may be examined by Government in consultation with the Chairman of the Commission.
- 38 123 The Committee feel that with a view to represent the point of view of the Finance and administrative Ministries as well as for maintaining close liaison and co-ordination with the Commission, it is very desirable that a representative each of these Ministries is appointed as a part-time Member on the Commission. The Secretary of the Ministry agreed that there should be a representative of the administrative Ministry on the Commission.
- 39 124 The Committee find that there is no direct co-ordination between the Commission which is a wholly Government-owned body and Oil India Ltd., where Government holds 50 per cent shares. Neither any Member of the Commission has been represented on the Board of Directors of Oil India Ltd., nor the Government Director on that Board has been appointed as a Member of the Commission. The Committee feel that since Oil India Ltd. and ONGC are both engaged on similar

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activities *viz.* exploration and production of crude oil, it is desirable that there is co-ordination between the two organisations. The Secretary of the Ministry informed the Committee that the matter was very much under the consideration of Government. The Committee recommend that an early decision in the matter should be taken by the Government.

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At present neither any specific procedure nor any qualifications and experience are laid down by the Government for the selection of the Chairman and Members of the Commission. In para 30 of their 52nd report (Third Lok Sabha) on 'Personnel Policies of Public Undertakings' the Estimates Committee had expressed a hope that an early decision would be taken by Government in the matter of determining the qualifications of the members of the Board of Public Undertakings. The Committee consider that a decision in the matter is long over due and should be taken at an early date.

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The Committee note that even the Third Five Year Plan envisages that the Central Ministries concerned with industrial development should take early steps to organise well equipped technical planning cells to be maintained a permanent nuclei to concentrate on the broader technical and economic aspects of the projects and on the study of different stages of execution and of the various related steps which require co-ordination at the level of policy and administration. The Committee regret to note that the Ministry has not organised a cell for this purpose. They suggest that expeditious action may be taken to set up such a cell in the Ministry of Petroleum & Chemicals.

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The practice of submission of Quarterly Reviews by Financial Advisers of Government Companies to the Ministry of Finance was introduced in December, 1961. The Committee note that no such Quarterly Reviews were submitted by the Financial Adviser of the Commission to the Government till March, 1964. It is surprising that the Ministry of Finance did not insist on the submission of these reviews for over two years. It is not clear as to how in the absence of these reviews the Ministry satisfied itself that the funds provided by them were being properly expended. Perhaps this partly explains as to why the Ministry was unaware of the unsatisfactory state of stores accounts till the receipt of Audit Report in April, 1963. The Committee feel that the matter needs looking into.

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- 43 131 The Committee are rather surprised to note that despite the existence of such a large number of reports and returns, the Ministry gets no clear picture of the problems and progress of the Commission. For example unsatisfactory state of stores accounts of the Commission came to the notice of Government only through the Audit Reports in April, 1963. Obviously these reports have not served the purpose for which these might have been introduced. The Committee are also doubtful whether all these reports are at all necessary. The Committee, therefore, recommend that the form and number of reports and returns should be reviewed by Government immediately, with a view to rationalising them and increasing their utility.
- 44 136 The Committee are informed that the Regional Office at Baroda has been functioning efficiently and has contributed materially to greater efficiency by providing technical guidance to the projects. They understand that the Commission proposes to set up another Regional Office at Sibsagar for the Eastern Region. The Committee consider this a step in the right direction since Regional Office contributes towards greater efficiency by co-ordinating the work and reallocating technical men and material depending on the need of different projects in the region. They hope that a decision in the matter would be taken expeditiously.
- 45 139 The Committee feel that in locating the Headquarters of the Commission at Dehra Dun, the Government have taken a hasty decision, without fully considering the advantages and disadvantages of the location. The Committee realise the difficulties of shifting the Head Office of the Commission at this late stage. They recommend that in future Government should give careful thought and consideration to all aspects before finally deciding upon the location of the Headquarters of a public undertaking.
- 46 141 At present the offices of the Chairman and Member (Finance) of the Commission are located at Delhi. The Committee consider that the maintenance of two establishments at Delhi and Dehra Dun as well as the frequent visits of officials of the Commission to Delhi and Dehra Dun is not conducive to good administration. The unsatisfactory state of stores accounts may partly be attributed to these two key officers being away from the Headquarters. The Committee are convinced that the Chairman and the Member (Finance)

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| | | should be stationed at the Headquarters office otherwise supervision tends to be lax. Their presence at Dehra Dun would contribute to greater efficiency. The Committee recommend that the offices of the Chairman and Member (Finance) should be shifted to Dehra Dun. |
| 47 | 144 | It is evident that no systematic norms of work have been laid down for all categories of staff. The Committee consider that fixing of norms of work load is very essential for efficient and economical utilisation of staff. In fact they feel that the rise in the number of Class I Officers from 289 on 31-3-1961 to 626 on 31-3-1964 is disproportionately high. The Committee recommend that steps should be taken by the Commission to determine the norms of work load for all categories of staff expeditiously and to reassess and rationalise the staff strength accordingly. |
| 48 | 146 | It is obvious from what has been stated in para 145 that a good many of the existing staff at Cambay Project are not employed fully. The Committee feel that there was little justification in having such a large complement of staff at Cambay, when the field has already been developed and is ready to supply gas to Dhuvaran Power Station. According to their own admission the requirements of staff at Cambay is estimated only between 200 to 300 after the supply of gas begins. This is an instance where excessive staff has been employed by the Commission irrespective of the need therefor. There appears to be no proper planning and programming for the deployment of staff. The Committee recommend that quick action should be taken to reduce the staff to to the barest minimum. |
| 49 | 149 | It is evident that strict control was not exercised on the payment of overtime allowance to the employees in the past. The Committee consider that the regular payment of over time allowance encourages the staff to postpone work beyond the normal working hours to enable them to draw overtime. Such a practice is further encouraged when supervisory staff is also entitled to overtime allowance. The Committee trust that overtime payments would be reduced to the minimum as assured by the Chairman of the Commission. |
| 50 | 151 | It came out during evidence that while Koyali Oil refinery is under the Commission, the other two |

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refineries in the public sector are being managed by Indian Oil Corporation. The Committee are not happy about the present arrangement as they consider that public undertakings in the same field of activity should normally be under the administrative control of one management. It is, therefore, desirable that the Koyali refinery should be transferred to the Indian Oil Corporation. They recommend that a decision in this regard may be taken without any delay.

- 51 153 The Committee appreciate the measures taken by the management in effecting savings in the cost of Koyali refinery. They trust that such efforts would continue to be made by them to reduce expenditure, wherever possible. The Committee would also like to add that when officers show such initiative, it is but proper that their merit should be recognised in some fitting manner and the matter given due publicity so that others could emulate them.
- 52 155—156 It is noted that there has been a delay of about three months in the completion of one million tonne unit and Thermal Power Station of the Koyali Oil refinery. It has now been stated that on the basis of the progress hitherto achieved in the construction of the refinery and also taking into consideration the likely delay in the receipt of equipment, it should be possible to commission all the units according to the revised schedules. The Committee trust that revised time schedules will be adhered to.
- 53 157 The Committee note with satisfaction that in determining the pattern of production of the Koyali refinery, the future requirements of the country have been kept in view.
- 54 159 In view of the increasing demand for synthetic chemicals, fertilizers and organic polymers, the Committee cannot over-emphasise the importance of setting up of petro-chemical industries in the country. It has been stated by the Minister of Petroleum and Chemicals recently that "the growth of Petro-Chemical complex in different regions in the country will bring about an economic transformation and change in the present sluggish economy of India with new life and vitality." The Committee trust that concerted efforts will be made to set up these industries at an early date.

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- 55 162 The Committee are concerned at the delays in the commissioning of the Central Workshop at Baroda. It is well known that delays invariably increase the estimated cost of the projects and also put off production or repairs of parts which in the mean-time have to be imported and are a drain on the foreign exchange resources. The Committee hope that every effort will now be made to complete the workshop in the least possible time.
- 56 165 The Committee feel that the designs given by the Rumanians for the Central Workshop, Baroda, are costlier and not related to Indian conditions. It also transpired that the specifications and designs of the workshop are intended to bear the weight of snow in winter, a condition which does not prevail at Baroda. It has been admitted by the representative of the Commission that such a structure is not necessary and that there has been a lot of waste. The Committee consider that the cheaper designs for these structures could have been prepared in the country itself. This has resulted not only in the payment of Rs. 4.7 lakhs to the Rumanians for these designs but in increased costs in their construction. The Committee urge that remedial measures should be taken to avoid recurrence of such cases in future.
- 57 166—172 The Committee are concerned at the serious irregularities committed in the case referred to in paras 166 to 171. The facts revealed are disquieting and indicate lapse on the part of the Commission. There has also been inordinate delay in conducting enquiries and taking disciplinary action against the concerned officers. The Committee urge that disciplinary action against all the officers, including those in the employment of Government of Gujarat and Indian Oil Corporation should be taken without further delay.
- 58 173 The Committee also desire to emphasise that it would encourage irregularities and indiscipline if the delinquent officers of one public undertaking are allowed to secure employment in another public undertaking or Government. They, therefore, recommend that Government should lay down guiding principles governing the employment of officers of one public undertaking by another public undertaking or Government so as to ensure that such cases do not recur.

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| 59 | 175 | The Committee understand that at Ankleshwar an overhead water tank of 50,000 gallons capacity costing Rs. 68,000/- collapsed at Ankleshwar within one day of its completion, when it was being tested. The Committee are unhappy about the accident. They feel that had proper care and supervision been exercised in the beginning by the project authorities this accident which has delayed the commissioning of an essential service would not have happened. It emphasises the necessity to take every precaution in awarding contracts in future. |
| 60 | 176 | The Committee are informed that at present 38 buildings have been hired at Dehra Dun for accommodating various directorates/divisions/laboratories etc. of the Commission. The annual rent paid for these buildings came to about Rs. 1,75,176. It is stated that a proposal to construct three Blocks of four storeys each in Tel Bhavan Campus to accommodate some offices is already under the consideration of the Commission. As the Commission is paying heavy rents for hired buildings, the Committee recommend that a decision on the proposal may be taken as early as possible. |
| 61 | 177 | During their examination of the Oil & Natural Gas Commission, the Committee have kept in mind the difficulties that a new venture like the ONGC had to face in the field of oil exploration and exploitation. The task of the Commission was not an easy one particularly as oil technology was new to the country and there was a shortage of technically experienced persons. Despite these difficulties the efforts of the Commission in locating new oil/gas fields and putting the country on the oil map of the world is commendable. |
| 62 | 179—180 | The Committee feel that with proper management, coordination and control, most of the short-comings in the working of the Commission could have been avoided. They hope that with the appointment of a full-time Chairman as the Chief Executive of the Commission as recommended by the Committee, these lapses would not recur and the Commission would be geared to the task of exploring and exploiting the oil resources of the country at a faster pace. |

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The Committee have no doubt that the Commission would now direct its energies to full utilisation of its manpower and costly drilling equipment. At the same time efforts should be made to reduce dependence on imported drilling equipment by arranging its production at the Heavy Engineering Corporation or other indigenous sources as early as possible.
