

FIFTH REPORT
STANDING COMMITTEE ON
PETROLEUM & CHEMICALS
(1994-95)

(TENTH LOK SABHA)

MINISTRY OF PETROLEUM & NATURAL GAS
DEMANDS FOR GRANTS (1994-95)

Presented to Lok Sabha on
Laid in Rajya Sabha on



LOK SABHA SECRETARIAT
NEW DELHI

April, 1994/Chaitra, 1916 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM AND
CHEMICALS (1994-95)

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Shri Sriballav Panigrahi

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3. Dr. Ravi Mallu
4. Shri Surinder Singh Kairon
5. Shri Sant Ram Singla
6. Shri A.G.S. Rambabu
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27. Shri Simon Marandi
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29. Shri Muhiram Saikia
30. Dr. Jayanta Rongpi

(iv)

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38. Shri Yerra Narayanaswamy
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40. Shri Balbir Singh
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42. Shri Dineshbhai Trivedi

SECRETARIAT

1. Shri G.L. Batra – *Additional Secretary*
2. Shri G.R. Juneja – *Deputy Secretary*
3. Shri Brahm Dutt – *Assistant Director*

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- *43. Shri Vishvjit P. Singh
44. Shri S.S. Surjewala
45. Shri Dineshbhai Trivedi
- **46. Shri Chimanbhai Haribhai Shukla

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2. Shri G.R. Juneja – *Deputy Secretary*
3. Shri Brahm Dutt – *Assistant Director*

* Ceased to be Member of the Committee consequent upon his/her retirement from Rajya Sabha w.e.f. 2.4.1994

** Nominated to the Committee w.e.f. 3.4.1994

INTRODUCTION

1. the Chairman, Standing Committee on Petroleum and Chemicals having been authorised by the Committee (1994-95) to submit the Report on their behalf, present this Fifth Report on Demands for Grants of the Ministry of Petroleum & Natural Gas for the year 1994-95.

2. The Committee (1993-94) examined/scrutinised the Demands for Grants pertaining to the Ministry of Petroleum & Natural Gas for the year 1994-95 which were laid on the Table of the House on 17th March, 1994.

3. The Committee (1993-94) took evidence of the representatives of the Ministry of Petroleum & Natural Gas at their sittings held on 23rd March, 1994.

4. The Committee (1994-95) feel obliged to the members of the Committee (1993-94) for the useful work done by them in taking evidence and sifting information which forms the basis of this Report.

5. The Committee (1994-95) wish to express their thanks to the Officers of the Ministry of Petroleum & Natural Gas for furnishing the material and information which they desired in connection with the examination of Demands for Grants of the Ministry for the year 1994-95 and for giving evidence before the Committee.

6. The Committee (1994-95) considered and adopted the report at their sitting held on 8th April, 1994.

7. For the sake of convenience, the recommendations have been printed in bold letters.

NEW DELHI;
April 8, 1994

Chaitra 18, 1916 (Saka)

SRIBALLAV PANIGRAHI,
Chairman,
Standing Committee on
Petroleum and Chemicals.

REPORT

CHAPTER I

PLAN OUTLAY DURING 7TH & 8TH FIVE YEAR PLANS

The Ministry of Petroleum and Natural Gas is entrusted with the responsibility of exploration and production of oil and natural gas, their refining, distribution and marketing, import and export as well as conservation of petroleum products also fall within the purview of this Ministry. All these activities are carried out through various public sector undertakings and other organisations under the administrative control of the Ministry.

Seventh Plan Outlay vis-a-vis expenditure

1.2 The approved 7th Plan (1985—90) Outlay for this Ministry was Rs. 12,920.37 crores, against which actual utilisation was Rs. 16,326.99 crores. The break-up of these figures, sector-wise, is as follows:

(Rs. in crores)		
Sector	Approved Outlay	Actual Expenditure
1. Exploration & Production	10652.67	14403.88
2. Refining & Marketing	1975.00	1613.19
3. Petro-chemicals	243.10	251.62
4. Engg. Units	49.60	58.30
Total	12920.37	16326.99

Actual utilisation exceeded the approved outlay by 26.37%.

1.3 As against the above expenditure, the position regarding the physical achievements in respect of the main parameters was as under:

- | | |
|--|---------------|
| (i) Crude Oil Production | About 158 MMT |
| (ii) Refinery Crude throughput | About 237 MMT |
| (iii) Production of Petroleum Products | About 222 MMT |

1.4 From the item-wise details it is noticed that while ONGC achieved its targets except in drilling, OIL could not achieve its targets fully in respect of survey (GLKM), drilling and production of crude oil and LPG. The crude oil throughput in refineries in the terminal year of Seventh Plan (*i.e.* 1989-90) was originally envisaged at 48.89 million tonnes and the actual throughput was 51.94 million tonnes. This was due to better capacity utilisation of most refineries than planned.

Eighth Plan Outlay

1.5 Approved 8th Plan (1992-97) outlay of this Ministry is Rs. 26,552.00 crores. Sector-wise break-up is as follows:

Sector	Outlay (Rs. in crores)
1. Exploration & Production	20,000.00
2. Refining & Marketing	4,000.00
3. Petro-chemicals	2,427.00
4. Engg. Units	125.00
	26,552.00

1.6 Sector wise details of the Annual Plan outlay for the year 1990-91 onwards are as under:

(Rs. in crores)							
Sl. No.	Name of the PSU	Actual 1990-91	Expenditure		Budget Estimates 1993-94	Revised Estimates 1993-94	Budget Estimates 1994-95
			1991-92	1992-93			
A.	Exploration & Production	3068.69	2722.26	4726.40	9315.00	8689.21	8123.66
B.	Refining & Marketing	523.36	617.57	972.06	2208.81	1970.93	3263.31
C.	Petro-Chemicals	16.39	37.77	82.62	549.75	396.71	839.14
D.	Engineering Units	15.48	18.18	41.01	40.25	33.01	26.79
	Total	3623.92	3395.78	5822.09	12113.81	11089.86	12252.90

1.7 The above outlays were mainly met by the concerned PSUs out of their internal resources and extra-budgetary resources like commercial borrowings, issue of debentures etc. The budgetary support during the years 1992-93, 1993-94 and 1994-95 has been of the order of Rs. 326.39 crores, Rs. 266.39 crores and Rs. 135.90 crores respectively which constitute only 5.61%, 2.2% and 1.11% respectively of the total plan outlay for the respective years.

1.8 During the course of evidence of the representatives of the Ministry of Petroleum and Natural Gas the Committee pointed out that the allocation of about Rs. 26000 crores for the petroleum sector for the 8th Five Year Plan was not sufficient even for the first three years of the plan i.e. 1992-93, 1993-94 and 1994-95 and enquired as to how they proposed to fill up the funds gap. The Petroleum Secretary informed the Committee:

“For that, we have already finalised our plans. We have submitted our plans to the Cabinet Committee for infrastructure. It will be about Rs. 5,000 crores. We want the oil companies to invest enough in exploration activities so that at the end of the three years they have generated adequate reserves and conceive projects which would start producing. The Planning Commission

has cleared it and we expect to take our note to the Cabinet Committee. We have asked the oil companies to be in readiness to go ahead with the scheme in the next year.”

1.9 When asked as to how the funds could be made available during the mid-plan, the witness stated that since the oil companies were in a position to raise the resources from their internal resources or commercial borrowings on their own the problem of availability of funds would not be there.

1.10 He further explained:

“There is a very little budgetary support in the oil sector. The oil companies have been told that subject to Government keeping 51 per cent equity, they can increase their capital part and go into the market. In some of the companies, the Government has already divested upto 30 per cent. The Government in principle, has asked these companies to bring specific proposals keeping in view how much they can absorb so that they can go to the capital market. ONGC and others have engaged financial consultants. The exercise is on. They will be able to go to the market by the end of June. The Government’s policy permits the public sector undertakings to raise the capital abroad in addition to raising their capital in India. The bulk of the foreign exchange requirement can be met by floating their shares in the overseas market.”

1.11 The Committee pointed out that the actual expenditure on Annual Plan which was about Rs. 3395 crores during the year 1991-92 had increased to about Rs. 11089 crores during the year 1993-94 while the crude oil production which was about 34 million tonnes in 1989-90 was at the level of about 27 million tonnes during the last 2-3 years. Asked about the reasons for it the Petroleum Secretary stated that the projects which were taken up during the last 2-3 years would help to raise the oil production from next year (1994-95) onwards.

1.12 The Committee further pointed out that the Annual Plan for the year 1993-94 which was fixed at Rs. 12,113.81 crores was revised to Rs. 11089.81 crores and thus there was reduction of over Rs. 1000 crores during a single year. Asked about its impact particularly on exploration and production programmes and whether it had any relation with the coming of multinational companies in the field, the witness stated:

“We are confident that in this year’s production, we are able to make up this gap. The oil production will be up in the next two or three years. The policy is not to reduce the activity of the companies but to enhance their activities not only in oil production in this country but also abroad. We encourage them to invest. ONGC has already been converted into a company so that they can raise more resources for their increased activities as well as for going abroad. The involvement of foreign oil companies is to ensure more capital for oil production as well as to get their technology and management. So that the country can have increased oil production. There is nothing in the policy to reduce the scope of activities of public sector oil companies. In fact there are plans which we have so far undertaken and the foreign oil companies will come in the last year of the plan.”

1.13 Asked about the reasons for reduction in annual plan outlay of ONGC from Rs. 9219.35 crores (restricted to Rs. 8100 crores) in 1993-94 to Rs. 6798.36 crores in 1994-95, the Chairman, ONGC replied that the big projects like Neelam, L1 and L2 which were under implementation during last 2-3 years were likely to be completed within next six months or so and as much the capital expenditure in the annual plan for 1994-95 was less.

1.14 The Committee note that as against the approved plan outlay of Rs. 12920 crores for 7th Five Year Plan for the Petroleum Sector, the actual expenditure was higher by 26% i.e. Rs. 16326 crores. The approved outlay for 8th Five Year Plan (1992-97) for petroleum sector has been fixed at Rs. 26,552 crores. The Committee, however, find that this allocation is not sufficient even for the first 3 years of the Plan i.e. 1992-93, 1993-94 and 1994-95. In this connection the Petroleum Secretary informed the Committee that proposals of various projects amounting to further sum of Rs. 5000 crores have been approved by the Planning Commission and the same have also been submitted for Cabinet approval. Since the funds of this magnitude are to be mobilised by the concerned PSUs either through their internal resources or through commercial borrowings, the Committee feel that these should have been included in the original plan. Accordingly the Committee recommend that realistic plan allocations should be made in the Five Year Plans so that implementing PSUs/other agencies are also to plan and execute their projects in time. This will not only help in creating additional production capacity in time but in saving the scarce money by reducing the cost over-runs which take place due to not taking up the projects in time.

1.15 The Committee note that the actual annual plan expenditure by various PSUs under the Ministry which was Rs. 3395 crores in 1991-92 increased to Rs. 11089 crores in 1993-94 whereas the annual production of crude oil had been stagnating at about 27 million tonnes during last 2-3 years. The proposed annual plan outlay for the year 1994-95 is Rs. 12252 crores. The Committee have been informed by the Ministry that some of the major projects concerning oil production are likely to be completed soon and from 1994-95 the production of oil is expected to rise. The Committee would like the Ministry to ensure completion of these projects in time to avoid cost escalations. The Committee also recommend that projects which are under Cabinet approval should start within stipulated time so that the rising trend of crude oil production is maintained.

CHAPTER II

ANALYSIS OF THE DEMANDS FOR GRANTS (1994-95)

2.1 The Demands for Grants of the Ministry of Petroleum & Natural Gas (Demand No. 64) contains the following figures of Revenue as well as Capital expenditure:

(In thousand of Rupees)			
Charged	Revenue	Capital	Total
Voted	2,75,00	135,90,00	138,65,00

2.2 The details of the actual Revenue and Capital expenditure for the years 1992-93, Budget Estimates and Revised Estimates for 1993-94 and Budget Estimates for 1994-95 of the Ministry are as under:

Revenue Section

(In thousand of Rupees)							
Sl. No.	Major Items Head	Plan/ Non-Plan	1992-93 Actuals	1993-94 B.E.	1993-94 R.E.	1994-95 B.E.	
1.	3451	Secretariat Economic Services	Non-Plan	2,60,10	2,60,00	2,79,00	2,75,00
2.	2802	Special Equip- ments for Bombay Off-shore Projects	Plan	3,64,39	—	—	—
Total: Revenue Section				6,24,49	2,60,00	2,79,00	2,75,00

Capital Section

(In thousand of Rupees)							
Sl. No.	Major Items Head	Plan/ Non-Plan	1992-93 Actuals	1993-94 B.E.	1993-94 R.E.	1994-95 B.E.	
3.	4802	AA. Capital Outlay on Petroleum	Plan	—	—	—	—
		AA1(I)(1) IBP Co. Ltd.	Plan	26,39,00	26,39,00	26,39,00	
		AA2(1)(1) Gas Authority of India Ltd.	Plan	—	—	—	3,90,00
Total: Major Head			4802	26,39,00	26,39,00	26,39,00	3,90,00

4. 6802 BB. Loan for Plan Petroleum Externally Aided Projects/Schemes				
(i) ONGC Ltd.	2,60,00,00	1,70,00,00	170,00,00	34,00,00
(ii) OIL	40,00,00	70,00,00	70,00,00	98,00,00
Total Exploration and Production of Crude Oil & Gas	300,00,00	240,00,00	240,00,00	132,00,00
Total Capital Section	326,39,00	266,39,00	266,39,00	135,90,00
Grand Total	332,63,49	268,99,00	269,18,00	138,65,00

2.3 It may be seen from the above that as against the actuals of Rs. 332.63 crores during 1992-93, the Budget Estimates for the year 1993-94 were Rs. 268.99 crores which were subsequently revised to Rs. 269.18 crores. The Budget Demands for the year 1994-95 have been further reduced to Rs. 138.65 crores. Under Revenue Section Rs. 2.75 crores has been provided which is for Secretariat Services. Under Capital Section provision has been made for Rs. 135.90 crores for loans for exploration and production of oil and gas etc. The head-wise demands are discussed in succeeding paragraphs.

Revenue Section

Major Head "3451"

Sub-Head A. Secretariat Economic Services

2.4 In the B.B. for the year 1994-95 a provision of Rs. 2.75 crores has been made for the above head as against the B.B. of Rs. 2.60 crores for the year 1993-94 which were subsequently revised to Rs. 2.79 crores. The actual expenditure under the head during the Financial Year 1992-93 was Rs. 2.60 crores. From the item wise details it is noticed that out of Rs. 2.75 crores, Rs. 1.58 crores will be on salaries, Rs. 10 lakhs on Overtime Allowance, Rs. 18 lakhs on Travel Expenses, Rs. 78.10 lakhs on Office Expenses, Rs. 1.50 lakhs on payment of Professional and Special Services, Rs. 4 lakhs on Publication, Rs. 0.40 lakhs on Hospitality Expenses/Sumptuary Allowances and Rs. 5.00 lakhs on Departmental Canteen.

2.5 During the course of examination the Committee enquired whether provision of Rs. 2.75 crores would be sufficient for 1994-95 particularly when the estimated expenditure during 1993-94 was Rs. 2.79 crores. The Ministry of Petroleum and Natural Gas replied in a note that the original proposal of this Ministry was for the provision of Rs. 2.97 crores in the B.B. for 1994-95

considering the possible increase in the expenditure on different counts. However, the Ministry of Finance agreed to the provision of Rs. 2.75 crores only. Accordingly, a detailed exercise was conducted by this Ministry and cuts in the projected expenditure were made to arrive at the reduced figure of Rs. 2.75 crores. All possible efforts will be made to keep the expenditure within the given limit.

2.6 When asked to elaborate the areas where the Ministry proposed to effect economy, the Ministry replied in a note:

“Since the Ministry of Finance has already curtailed the proposed amount and the cuts in expenditure on various counts have been planned, further curtailment would not be feasible as budgeting has been done keeping into consideration the need to effect economy.”

Sub-Head A1(3) Travel Expenses

2.7 In the Budget Estimates for the year 1994-95 a provision of Rs. 18 lakhs has been made for travel expenses as against the Budget Estimates of Rs. 10 lakhs in 1993-94 which were subsequently revised to Rs. 20 lakhs. The actual expenditure incurred during 1992-93 was Rs. 7.98 lakhs under the Head. It was also noticed that the ratio of domestic travel to foreign travel expenses which was 5:3 in 1992-93 is 1:1 in 1993-94. Asked about the sharp increase in travel expenditure particularly in foreign travels, the Ministry stated in a note as under:

“The general increase in travel expenses has been due to transfer of a few officers and study tours undertaken by officers on training, which could not be taken into consideration at the time of preparation of Budget Estimates. In the context of the new liberalised economic policy of the Government and the need for attracting private investments including foreign investments in the exploration, production and other areas of the oil sector, officers of the Ministry had to undertake foreign tours for negotiations etc. thereby leading to an increase in the foreign travel expenses.”

Capital Section

Major Head “4802”

Sub-Head A.A.2 (1) (1)—Gas Authority of India Ltd.

2.8 A Provision of Rs. 3.90 crores has been made for the year 1994-95 for investment in GAIL. Presently entire share capital of the company is held by Government. When asked to explain the reasons for a further provision of Rs. 3.90 crores for GAIL, the Ministry in a written reply informed the Committee that the Government of Denmark through DANIDA is assisting GAIL in setting up a Gas Training Institute at NOIDA. A provision for Rs. 3.90 crores has been made for the year 1994-95 as the aid from DANIDA has to be routed through the Ministry’s Budget.

*Major Head "6802"**Sub-Head BB—Loan for Petroleum*

2.9 The projected loan for exploration and production of oil and gas for the financial year 1994-95 has been dropped to Rs. 132.00 crores from Rs. 300 crores in 1992-93 and Rs. 240 crores in 1993-94. During the course of evidence the Committee asked whether the drastic cut in loans for the projects relating to exploration and production of oil and gas would not adversely affect the exploration and production programmes of the oil companies which was crucial for increasing the self-sufficiency level in the matter of petroleum products, the Petroleum Secretary replied:

“The amount of Rs. 132 crores is a technical requirement. The earlier procedure was that the loans were routed through the Budget. Now, the system has changed. The loans directly go to the oil companies. We do not find that amount. If that had been reflected, the amount would have been more. Since they are directly getting the amount, they are taking more money. This is an old loan and old procedure is being followed. This loan is tapering off. In future, the loans which they take will not come through the Budget. This should not be construed to mean that less money is going to the oil exploration activity etc.”

2.10 The examination of the Demands for Grants of the Ministry by the Committee has revealed that the budget allocations to the Ministry under the Demands for Grants hardly reflect the size and magnitude of the petroleum sector. As against the Annual Plan of Rs. 12252 crores for the various PSUs under the Ministry for the year 1994-95, the budgetary support is only Rs. 135.90 crores which is little over 1% of the Annual Plan outlay. The Committee also note that the total Demand provisions have come down from Rs. 332.63 crores in 1992-93 to Rs. 269.18 crores in 1993-94 and further to Rs. 138.65 in 1994-95. Out of this expenditure for the Secretarial Services *i.e.* salary etc. for the Ministry's staff constitute Rs. 2.60 crores in 1992-93, Rs. 2.79 crores in 1993-94 and Rs. 2.75 crores in 1994-95. The major component is loan for exploration and production which has come down from Rs. 300 crores in 1992-93 to Rs. 240 crores in 1993-94 and further to Rs. 132 crores in 1994-95. As for reduction in loans for exploration and production activities, the Secretary Petroleum deposed before the Committee that earlier foreign loans like World Bank Loans used to be routed through the Ministry. This procedure has changed and now concerned PSU's could raise their requirement from within and outside the country. He also stated that in the years to come such provisions will not be there in the Budget. The Committee note that PSUs are under administrative control of the Ministry and performance of these PSUs is being reviewed periodically through review meetings. Government nominees on the Board of PSUs are required to provide necessary feed back to the Ministry about the functioning of PSUs.

The Committee also find that Ministry's representatives take part in the negotiations held for arranging loans from World Bank and other international agencies. To ensure accountability of PSUs to Parliament and for better transparency of the financial status of PSUs, the Committee desire that the earlier system of showing loans etc. in the Demands of the Ministry should be continued. The Committee would, however, like the Ministry to do away the earlier system of providing money to the concerned PSUs on reimburse basis. A new system should be evolved wherein the loan money could be given directly to PSUs so that particular projects could be taken up without any financial constraints."

2.11 The Committee find that as against the estimated expenditure of Rs. 2.79 crores on account of Secretariat Economic Services *i.e.* Salary etc. for the Ministry's staff for the year 1993-94, a provision of Rs. 2.75 crores has been made for the year 1994-95. This is reportedly at the instance of Planning Commission which pruned the Ministry's estimates of Rs. 2.97 crores to Rs. 2.75 crores. The Committee would like the Ministry to take necessary effective measures in restricting the expenses on items like traveling, overtime allowance, petrol/diesel consumption etc. from the very beginning so that the Ministry's budget does not exceed the projections made in Demand for Grants and at the same time Ministry of Finance or Planning Commission need not be approached for supplementary or additional Grants.

2.12 The Committee also find that there are several PSUs under the administrative control of the Ministry and some of them are quite big like IOC and ONGC which are in international reckoning. In the context of overall economy in the petroleum sector the Committee recommend that Ministry should instruct these PSUs to effect economy in their operations in all possible areas. Some of such steps could be reduction in wasteful and avoidable expenditure on items like travelling, (including foreign visits) overtime allowance, excessive use of vehicles, office expenses etc. Necessary steps should be taken to evolve the ideal work culture so as to make them competitive.

CHAPTER III

NON PROVISION OF OUTLAY FOR THE PROJECTS ANNOUNCED BY GOVERNMENT—SOUTHERN GAS GRID

3.1 During the course of examination it came out that Southern Gas Grid project which on earlier occasions had been announced by the Govt. in Parliament as also outside the Parliament does not figure either in Demands for Grants of the Ministry or Annual Plans of any of the oil companies for the year 1994-95. The Committee enquired as to why no provision was made for the project for the year 1994-95. The Petroleum Secretary replied as follows:—

“Normally unless we have a concrete plan and unless a particular expenditure is seen in that particular year or plan, it is not shown in the Budget. Till certain things are crystallised, whether these should be left to public sector or private sector or State sector, it is not necessary that it should be reflected in the Master Plan. Once we crystallised the Plan and find that there is any bearing in the public sector project, we will show that in the plan and indicate to the Planning Commission giving the time-frame, expenditure and other details. If some money is needed, they will allow line entry and the project then appears.”

He added:—

“My submission is that the absence of a provision will not stop the progress of any project.”

3.2 Asked about the present position in regard to setting up of Southern Gas Grid, the witness stated:—

“The Government took a decision and accepted the recommendations of an inter-ministerial group in 1992—in principle—that a southern gas grid should be laid. At that time the group could only identify some surplus gas in Western offshore fields. That quantity was not sufficient for a viable gas grid. The Government looked at, what are the potential areas of additional gas. At that time a new plant was there for LNG which could be expedited and put in the gas grid. Taking all this into account the Government agreed that a grid which could carry 12 to 15 million cubic metres of gas could be laid. This announcement was made in Parliament. Since then a few questions have also been answered.

According to the study report, the gas will be available by the turn of the century and the Oman Oil Company comes up and they will explore the possibility of importing gas from the Middle-East.

Similarly, there is another serious proposals from Iran and both these proposals are considered and therefore, the possibilities of importing natural gas much earlier than what we can produce are there. Officially, this is an exercise which is being done now to arrive at the details, like the cost of the

gas and at what cost it can be used. We have already written to the Southern States on the advice of the Planning Commission to indicate their requirements or estimates of the gas required.

The Hon. Minister is convening a meeting of the four Chief Ministers of the Southern States at Bangalore this Saturday to elicit the views of the State Governments and their requirements etc. for this purpose."

3.3 On being pointed out that when Planning Commission had accepted the project in principle then there should not be any problem for making some provision in the current budget for the activities like preparing feasibility/project report, awarding the contracts etc., the witness stated:

"The Planning Commission has fully supported this concept and the economics are on. When all these are crystallised, it is for the Ministry to go to the Planning Commission and requests them to make a provision under this Head and since they have already supported the entire concept of having Southern Gas Grid, I think, there should be no problem in showing a provision in the Plan."

3.4 In reply to a further question, he stated:—

"There is no objection or technical difficulty from the Ministry..... All these things are to be done by a public sector company. It should ultimately find place in their plan. There is no need for the Ministry to make any provision from the Consolidated Fund of India. It should be a plan under the Ministry or it should be under a public sector company. If it is so strongly felt, we can consider a token plan provision for one of the PSUs. But nothing is required to be shown under the Demand for the Ministry."

3.5 The Committee's examination has revealed that all Govt.'s pronouncements are not taken into consideration at the time of finalisation of Demands for Grants. One such glaring instance is the Southern Gas Grid which has been announced in and outside the Parliament in recent past. The Committee find that no provision has been made for the project either in the Demands for Grants or in Annual Plans of any of the oil companies for the year 1994-95. The Petroleum Secretary deposed before the Committee that unless projects are finalised and approved, no such provision is made in the budget or demands. He, however, agreed that there was no difficulty in making provision in one of the PSUs plan as there was no need to show it under Demands. The Committee strongly recommend that some provision should be made for this project either in Demands or Annual Plan of one of PSUs in this financial year itself so that in the coming years this important project is not lost sight off.

CHAPTER IV

COST AND TIME OVER-RUNS IN THE PROJECTS—UNDER IMPLEMENTATION

4.1 From the details given in the statement showing Revised Cost Estimates of Projects of PSUs in the Demands for Grants (1994-95) of the Ministry it is noticed that there are huge cost and time over-runs in the projects being undertaken by the various PSUs under the administrative control of the Ministry. Following are some of such projects.

No.	Name of Project	Year of Sanction	Original Cost	Revised Cost	Original Completion Schedule	Revised Completion Schedule
1.	Digboi Refinery Modernisation IOC	June 89	143.74	346.34	Sept. 93	Nov. 95
2.	Kandla-Bhatinda Product Pipeline including Development of TOPS/Terminal Facilities—IOC	Aug. 90	917.55	2391.84	May 93	May 95
3.	Setting up of Catalytic Reformer at Digboi—IOC	Feb. 91	34.17	112.00	Nov. 93	Sept. 96
4.	Setting up of Catalytic Reformer at Barauni—IOC.	Feb. 90	77.95	248.11	Nov. 93	Sept. 96
5.	Neelam Oil Field—ONGC	Feb. 91	2022.20	3541.85	Mar. 94	Mar. 94

4.2 Asked about the reasons for huge cost escalations in the above projects, Ministry replied in a note as follows:—

“The reasons for cost over-runs in the above projects are mainly due to change in foreign exchange rate, variation in the rates of duties/taxes, scope-change, abnormal market conditions, increase in financial cost and these factors are beyond the control of the project authorities.”

4.3 During the course of evidence, the Committee pointed out that there was huge cost and time over-runs in the above projects. Asked about the progress made in regard to Kandla-Bhatinda Project Pipeline which was to be completed by May 1993, a representative of IOC stated that work was in progress and an amount of Rs. 187 crores had been spent so far.

4.4 When pointed out that out of Rs. 2300 crores, only an amount of Rs. 187 crores had been spent on the project so far and how it could be completed even by revised schedule of May 1995, the witness stated that different contractors were carrying out the job and they were hopeful to complete it by May 1995.

4.5 Asked about the reasons for delay the Petroleum Secretary replied:—

“Since this is a contractual condition, he has to do within that time. The delay is because of delay in selecting the consultant, the bids have to be obtained and withdrawal has to be made from the World Bank and it is to be totally done under IOC funding. Time was lost. 1993 has no actual relation to today. Corresponding to 1995, whatever is prescribed in the tender, we must see the date of award of the work completion.”

4.6 Enquired whether the other projects will now be completed as per the revised schedule, the Ministry stated that it was expected that these projects will now be completed as per revised cost and time schedule except that ONGC's Neelam Field Development Project which was now anticipated to be completed two months late *i.e.* by May 1994.

4.7 Incidentally, it also came out during evidence that Karnal/Panipat Refinery for which Foundation stone was laid in 1986-87 and land for the project had also been acquired long ago, much progress has not been done on the project. Asked about the reasons for slow progress on the project, the Petroleum Secretary stated:—

“What happened then was because there was a resource constraint in the earlier plan. This was a joint venture so it was brought back as a 100 per cent IOC project. According to that, scheduled date is April 1997. It is a fact that during the period when this joint venture was taken up, there was no progress. All sanctions have been given as far as civil works are concerned. What happens is, the equipment etc. is done at the vendor's site and they will give according to their plan chart. Whatever equipment is required it will come on site accordingly. Today it is 100 per cent. IOC project, everything is under control.”

4.8 When asked whether the persons whose land had been procured for the project were being given preference in employment, a representative of IOC replied that presently private contractors are carrying out the various jobs for setting up the Refinery and once the Refinery is ready, employment would be given to the persons whose land had been acquired for the project.

4.9 From the details given in the Demands for Grants about five big projects under implementation by ONGC and IOC, the Committee find that there is huge cost and time over-runs in each of such projects. The cost-estimates of Digboi Refinery modernisation (IOC) were revised from Rs. 143.74 crores to Rs. 346.34 crores, in case of Kandla-Bhatinda Project (IOC) from Rs. 917.55 crores to as high as Rs. 2391.84 crores, in case of Catalytic Reformer at Digboi (IOC) from Rs. 34.17 crores to Rs. 112 crores,

Catalytic Reformer at Barauni (IOC) from Rs.77.95 crores to Rs. 248.11 crores and in case of Neelam Oilfield Project (ONGC) from Rs. 2022.20 crores to Rs. 3541.85 crores. Apart from cost escalations there has been delay in completion of these projects ranging from 2 to 3 years. From the above details the Committee cannot but conclude that the project planning and execution machinery in various PSUs need to be strengthened. The Committee therefore, recommend that the project planning and implementation systems in all PSUs should be reviewed and the existing short-comings should be removed. The Committee would also like the Ministry to instruct its nominees on the Board of various PSUs to keep a close watch on implementation of on-going projects so that there is no laxity in execution of the projects well in time.

CHAPTER V

MISCELLANEOUS—AUDIT OBJECTIONS ON THE ACCOUNTS OF MINISTRY OF PETROLEUM & NATURAL GAS

It has been stated in the Annual Report of the Ministry that in the draft inspection Report on the account of the Ministry of Petroleum & Natural Gas for the year 1992-93 audit has raised the following 24 objections:—

- (i) Royalty payable by ONGC—Non-maintenance of records by the Ministry
- (ii) Rehabilitation of Biecco Lawrie Ltd.
- (iii) Gas Sweetening Plant Phase-II SBM at Hazira
- (iv) Petroleum exploration licence and petroleum mining
- (v) Right basis purchase of fully convertible debentures issued by the IBP Co. Ltd., Calcutta
- (vi) Share capital investment in PSUs—position as on 31.3.93
- (vii) Delay in Surrender of savings
- (viii) Rush of expenditure in breach of financial regularity
- (ix) Infructuous expenditure on the purchase and maintenance of air conditioners
- (x) Non-observance of Govt. of India's order regarding economy in expenditure on T. A.
- (xi) Non-compliance of Govt. instruction resulting in an avoidable expenditure of Rs. 1,41,367.00 on telephones
- (xii) Considerable increase in expenditure on telephones
- (xiii) Steep increase in the payment of overtime allowance during 1991-92 and 1992-93
- (xiv) Non adjustment of contingent advances amounting to Rs. 75,790.00
- (xv) Non recovery of income tax of Rs. 3024.78 from contractors/private parties
- (xvi) Over payment of pay & allowances amounting to Rs. 15,424.60 due to irregular grant of increment
- (xvii) Over payment of pay & allowance amount to Rs. 294/- due to excess credit of leave
- (xviii) T.A./L.T.C. advance register

- (xix) Unusual expenditure on the repairs and maintenance of staff cars
- (xx) Patronising private firms in violation of the provision of GFR
- (xxi) Irregularities in the stores accounts
- (xxii) Library account-irregularities therefor
- (xxiii) Non-fulfilment of conditions of motor car/scooter advance non recovery of penal interest of Rs. 9618/-
- (xxiv) Non fulfilment of conditions of house building advance lack of follow up action

5.2 Asked about the action taken on each of the above audit objections, the Ministry in a detailed note brought out that necessary action was being taken to remove the objections.

5.3 During the course of evidence the Committee pointed out that in such case relevant records were not made available to audit. In this connection Petroleum Secretary replied:—

“I will submit the fact as ascertained that it is not that records were not produced. But on that particular day the staff who were dealing the records were busy. I am sure the records will be made available. We cannot take objection of the Audit Report. I have looked into the matter and the fact is that records are available and we will make it available to them. We have already spoken to them. A team is coming in advance and we will be placing before them the records.”

5.4 The Committee regret to note that there were as many as 24 objections raised by the Audit on the Accounts of the Ministry for the year 1992-93. The Ministry is reported to have initiated action to remove these objections. The Committee would like the Ministry to ensure that all audit objections are resolved/rectified so that these lacune do not re-occur in future. Needless to point out that accounting system should be as per the procedure prescribed by the Ministry of Finance and C & AG instructions.

NEW DELHI;
April 8, 1994

Chaitra 18, 1916 (Saka)

SRIBALLAV PANIGRAHI,
Chairman,
Standing Committee on
Petroleum and Chemicals.