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**STANDING COMMITTEE ON
PETROLEUM & CHEMICALS
(1996-97)**

ELEVENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

TWELFTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

June, 1997/Asadha, 1919 (Saka)

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TWELFTH REPORT
STANDING COMMITTEE ON
PETROLEUM AND CHEMICALS
(1996-97)

(ELEVENTH LOK SABHA)

MINISTRY OF PETROLEUM AND NATURAL GAS

[Action taken by Government on the recommendations contained in the 9th Report of Standing Committee on Petroleum & Chemicals (1996-97) on Demands for Grants (1997-98) of the Ministry of Petroleum & Natural Gas (Part I).]

Presented to Lok Sabha on.....

Laid in Rajya Sabha on 29 JUL 1997



LOK SABHA SECRETARIAT
NEW DELHI

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COMPOSITION OF THE STANDING COMMITTEE
ON PETROLEUM AND CHEMICALS
(1996-97)

CHAIRMAN

Shri A.R. Antulay

MEMBERS

Lok Sabha

2. Dr. L.N. Pandey
3. Shri Chandubhai Deshmukh
4. Shri Dileep Sanghani
5. Shri Tejvir Singh
6. Shri Ratilal Verma
7. Shri Dwarka Nath Das
8. Dr. G.L. Kanaujia
9. Shri Ashok Argal
10. Shri Bhanu Pratap Singh Verma
- *11. Shri Anadi Charan Sahu
12. Shri Oscar Fernandes
13. Shri Paban Singh Ghatowar
14. Dr. Girija Vyas
15. Shri Kodikunnil Suresh
16. Shri Shantibhai P. Patel
17. Shri Satyajitsinh D. Gackwad
18. Shri Girdhari Yadav
19. Shri Surendra Yadav
20. Shri M. Shahabuddin
21. Shri Uddhab Barman
22. Dr. Asim Bala
23. Shri K. Kandasamy
24. Shri Ram Sagar
25. Shri P. Shanmugam
26. Shri Satyanarayana Kaikala

*Nominated w.e.f. 2.12.1996 vice Shri Kamaluddin Ahmed.

27. Shri Mohan Rawale
28. Shri M. Selvarasu
29. Shri Sanat Kumar Mandal
30. Shri Bir Singh Mahato

Rajya Sabha

31. Shri Karnendu Bhattacharjee
32. Shri H. Hanumanthappa
33. Shri Gundappa Korwar
34. Shri Hiphci
35. Mohd. Masud Khan
36. Shri Nabam Rebia
37. Shri Parmeshwar Kumar Agarwalla
38. Shri Narain Prasad Gupta
39. Shri Chimanbhai Haribhai Shukla
40. Shri Naresh Yadav
41. Shri E. Balanandan
42. Shri R.K. Kumar
43. Shri Ram Gopal Yadav
44. Dr. Y. Lakshmi Prasad
45. Shri Parag Chaliha

SECRETARIAT

1. Dr. A.K. Pandey — *Additional Secretary*
2. Shri J.P. Ratnesh — *Joint Secretary*
3. Shri Devender Singh — *Deputy Secretary*
4. Shri Brahm Dutt — *Under Secretary*

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (1996-97) having been authorised by the Committee to submit the Report on their behalf present this Twelfth Report on Action Taken by Government on the Recommendations contained in the Ninth Report of the Standing Committee on Petroleum and Chemicals (1996-97) (Eleventh Lok Sabha) on 'Demands for Grants of the Ministry of Petroleum & Natural Gas for the year 1997-98.'

2. The Ninth Report of the Committee was presented to Lok Sabha on 30th April, 1997. The Committee had asked the Government to furnish compliance report in respect of their recommendations relating to import of crude oil within a month's time. While furnishing the action taken reply, the Government requested the Committee to review some of the recommendations made by the Committee in their Ninth Report.

3. The replies of the Government were considered by the Committee on 20th June, 1997. Since the Committee did not want to come in the way of carrying out a specific job of Indian Oil Corporation by one consultant, they decided to submit a special Report on the subject pending a regular Action Taken Report which would be finalised by the Committee on receipt of complete Action Taken replies of the Government.

4. The Committee would like to place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

NEW DELHI;
June 30, 1997
Asadha 9, 1919 (Saka)

A.R. ANTULAY,
Chairman,
Standing Committee on
Petroleum & Chemicals.

REPORT

The Committee in their 9th Report on Demands for Grants of the Ministry of Petroleum & Natural Gas for the year 1997-98 presented to Lok Sabha on 30th April, 1997 had noted that several risk management techniques including Hedging were being followed in the international market for purchasing the crude oil/petroleum products at cheaper rates, whereas the Indian Oil Corporation, a sole canalising agency for import of crude oil, was not using these techniques. In this connection, the Committee were informed that IOC had appointed Arthur Anderson as Consultants for review and guidance on international trading activities. Based on the evidence of concerned officials of the Ministry and written notes furnished by the Ministry and written submissions made to the Committee by one of the companies (who had made presentation before the Empowered Standing Committee/IOC), the Committee had recommended that the appointment of M/s Arthur Anderson be kept in abeyance and the whole matter regarding the selection process of Consultants including the evaluation of the offers made by any or all the seven companies/Consultants should be examined afresh.

2. While furnishing the reply, the Government have made the following submission to the Committee:—

“..... Though the Consultant M/s Arthur Anderson was to commence the work from 5th May, 1997, considering the recommendations of the Committee, IOC has advised the consultant that a mutually convenient date for starting the work shall be advised by IOC in due course. In view of the foregoing, indulgence of the Committee is kindly requested to review its recommendation of keeping the appointment of M/s Arthur Anderson in abeyance and permit commencement of work by the consultant.”

3. Since the Committee do not want to come in the way of carrying out a study by the consultant already appointed by the IOC namely Arthur Anderson for a specific matter, the Committee do agree to the request of the Government and allow commencement of work by the consultant *viz.* Arthur Anderson, as the Government is indeed keen that the Consultant commence their work!

4. The Committee are, however astonished to note that even though the IOC/ESC allowed M/s Keyser Inc. to give presentation on 25th January, 1997, they have now found that “M/s keyser Inc. is not a very well known company in London and does not appear to have experience in oil trading/risk management and consultancy assignments. In the assessment of IOC, it may not benefit by dealing with this company”.

The Government have also stated that:

“It appears that their offer for introductory presentation was similar to that of other presentations voluntarily offered by the companies in the past who had been actual operators/ players in the market”.

5. From the above submission of the Government, it appears that the Government /IOC/ESC, somehow, allow anybody and everybody to have presentation made before them on his/her mere offer to do so; without prior verification of the requisite reputation, standing and stature of the respective companies and thus in the process give undue legitimacy to these companies that is the precise reason why even the Committee took them seriously even though they (the Committee) did not give them opportunity to make presentation to them inspite of their “offers” to do so.

6. The Committee while acceding to the fervent/earnest request of the Government, may examine in detail the Government's Action Taken Replies on the subject alongwith the other Action Taken notes to be furnished by the Government in response to the recommendations made by the Committee in their 9th Report.

NEW DELHI;
June 30, 1997
Asadha 9, 1919 (Saka)

A.R. ANTULAY,
Chairman,
Standing Committee on
Petroleum & Chemicals.

APPENDIX

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (1996-97)

Twenty Third sitting

20.6.1997

The Committee sat from 16.30 hrs. to 17.15 hrs.

PRESENT

Shri A. R. Antulay — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Shri Oscar Fernandes
4. Dr. Girija Vyas
5. Shri Satyajitsinh D. Gaekwad
6. Shri Girdhari Yadav
7. Shri Surendra Yadav
8. Shri P. Shanmugam
9. Shri Mohan Rawale
10. Shri R.K. Kumar
11. Shri Dwarka Nath Das
12. Shri Anadi Charan Sahu
13. Shri Gundappa Korwar
14. Shri Naresh Yadav
15. Shri E. Balanandan

SECRETARIAT

1. Shri Devender Singh — *Deputy Secretary*
2. Shri Brahm Dutt — *Under Secretary*

2. The Committee took up consideration of Draft Report on action taken by Government on the recommendations contained in 9th Report of the Standing Committee on Petroleum & Chemicals on Demands for Grants (1997-98) of the Ministry of Petroleum and Natural Gas (Part-1).

3. After some discussion the Committee adopted draft report with some minor changes.

4. Since the Report of the Committee is in pursuance of Government request to allow commencement of a specific work of IOC by the consultant, it was decided that the Report may be presented to Hon'ble Speaker, Lok Sabha under Rule 280 of the Rules of Procedure and conduct of business in Lok Sabha and Direction 71A of the Directions issued by H.S. Accordingly, the Committee authorised the Chairman to finalise the Report and present the same to the Hon'ble Speaker. Thereafter the Report could be presented to the House in the ensuing Session of Parliament.

5. The Committee further decided to hold their next sittings on 2nd, 3rd and 14th July, 1997.

6. The Committee also decided to undertake an on-the-spot study visit to Bangalore, Mangalore and Chennai from 17th to 22nd July, 1997 and authorised the Chairman to obtain necessary permission from Hon'ble Speaker for the same.

The Committee then adjourned.