

COMMITTEE ON PUBLIC UNDERTAKINGS

[THIRD LOK SABHA]

FOURTEENTH REPORT

Action taken by Government on the recommendations contained
in the Thirty-Fourth Report of the Estimates Committee
(Third Lok Sabha)

INDIAN REFINERIES LTD.

[Since merged with the Indian Oil Corporation Ltd.]

MINISTRY OF PETROLEUM AND CHEMICALS



PARLIAMENT LIBRARY

Central Govt. Reports

25823(6)

24/3/66

LOK SABHA SECRETARIAT
NEW DELHI

March, 1966

Phalgun, 1887 (Saka)

Price: Re. 0.35 Paise

**LIST OF AUTHORISED AGENTS FOR THE SALE OF
LOK SABHA SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
ANDHRA PRADESH			11.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay . . .	30
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8	12.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1	60
2.	G. R. Lakshmipathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District . . .	94	13.	Deccan Book Stall, Ferguson College Road, Poona-4 . . .	65
ASSAM			RAJASTHAN		
3.	Western Book Depot, Pan Bazar, Gauhati .	7	14.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City .	38
BIHAR			UTTAR PRADESH		
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur . . .	37	15.	Swastik Industrial Works, 59, Holi Street, Meerut City . . .	2
GUJARAT			16.	Law Book Company, Sardar Patel Marg, Allahabad-1 . . .	48
5.	Vijay Stores, Station Road, Anand . . .	35	WEST BENGAL		
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6 . . .	63	17.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas .	10
MADHYA PRADESH			18.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta . .	44
7.	Modern Book House, Shiv Vilas Palace, Indore City . . .	13	19.	Firma K. L. Mukhopadhyay, 6/1A, Banchharam Akkur Lane, Calcutta-12 .	82
MAHARASHTRA			DELHI		
8.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2 . . .	6	20.	Jain Book Agency, Connaught Place, New Delhi.	1
9.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1	22	21.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi . . .	3
10.	The International Book Service, Deccan Gymkhana, Poona-4 .	26	22.	Atma Ram & Sons, Kashmere Gate, Delhi-6 .	9
			23.	J. M. Jaina & Brothers, Mori Gate, Delhi .	11

C O R R I G E N D A

Fourteenth Report of the
Committee on Public Undertakings
on Action Taken by Government on
the recommendations contained in
the Thirty-Fourth Report of the
Estimates Committee (3rd Lok Sabha)

Page 2, line 1,

for 'exports'
read 'experts'

Page 7, line 3,

for 'of'
read 'at'

Page 19, line 5 from bottom,

for 'or'
read 'on'

CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	ii
INTRODUCTION	iii
I. Recommendations that have been accepted by the Government .	i
II. Recommendations which the Committee do not desire to pursue in view of the Government's reply.	12
III. Recommendation in respect of which reply of Government has not been accepted by the Committee	19
APPENDIX	
I. Analysis of the action taken by Government on the recommendations.	20

COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

CHAIRMAN

Pandit D. N. Tiwary*

MEMBERS

2. Shri Homi F. Daji
3. Shri Surendranath Dwivedy
4. Shri S. Hansda
5. Shrimati Subhadra Joshi
6. Shrimati Savitri Nigam**
7. Shri Kashi Nath Pandey
8. Shri Krishna Chandra Pant
9. Shri S. V. Ramaswamy**
10. Shri N. G. Ranga
11. Shri Abid Ali
12. Shri Lokanath Misra
13. Shri M. N. Govindan Nair
14. Shri T. S. Pattabiraman
15. Shri M. Govinda Reddy.

SECRETARIAT

Shri A. L. Rai—*Deputy Secretary.*

Shri H. C. Paranjpe—*Under Secretary.*

*Appointed as Chairman w.e.f. 24-1-1966 *vice* Shri Panampilli Govinda Menon, ceased to be a member of the Committee on his appointment as Minister.

**Elected w.e.f. 23-2-1966 in the vacancies caused by appointment of Shri P. Govinda Menon as Minister and resignation of Shri Harish Chandra Mathur.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Fourteenth Report on the action taken by Government on the recommendations contained in the 34th Report of the Estimates Committee (Third Lok Sabha) on the Indian Refineries Ltd. (since merged with the Indian Oil Corporation Ltd.).

2. The 34th Report of the Estimates Committee was presented to the Lok Sabha on the 25th March, 1963. Government furnished their replies indicating the action taken on the recommendations contained in that Report on the 10th September and 21st October, 1963, 27th April, 1964 and 18th November, 1965. As Public Undertakings are now to be examined by this Committee, the replies of Government to the recommendations made by the Estimates Committee in the aforesaid Report have been considered by this Committee. The draft Report was adopted by this Committee on the 23rd December, 1965.

3. The Report has been divided into the following three chapters:—

- I. Recommendations that have been accepted by Government.
- II. Recommendations which the Committee do not desire to pursue in view of Government's reply.
- III. Recommendation in respect of which reply of Government has not been accepted by the Committee.

4. An analysis of the extent of acceptance of the recommendations is given in Appendix.

March 4, 1966.

Phalguna 15, 1887 (S.).

D. N. TIWARY,

Chairman,

*Committee on Public
Undertakings.*

CHAPTER I

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 2)

The Committee appreciate the reasons for seeking minority foreign participation in the share capital of the proposed fourth refinery in the South. They hope that majority participation on behalf of Government in this refinery would be provided under the integrated organisation suggested by them in para 8 of the Report. (paragraph 9).

REPLY OF THE GOVERNMENT

While the integrated organisation referred to is still under consideration, the majority participation on behalf of the Government have been provided for in the agreement concluded on 27th April, 1963, with Phillips Petroleum Co. of U.S.A. and Duncan Brothers & Co. Ltd., of Calcutta for the establishment of an oil refinery of a capacity of 2.5 million tons.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 3)

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

REPLY OF THE GOVERNMENT

Noted. The hydraulic testing of the kerosene refining unit was undertaken on the advice and responsibility of the Rumanian experts. This has unfortunately caused some corrosion in vessels, tubes, etc. Besides corrosion, mechanical troubles persist in the compressor installed in the unit. All efforts are being made to rectify these

mechanical troubles with the assistance of the experts deputed by the manufacturers as well as the consultants from Rumania.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 4)

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

REPLY OF THE GOVERNMENT

Noted.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 5)

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

REPLY OF THE GOVERNMENT

• Noted. The change in the pattern of production in the Gauhati Refinery was necessitated by the change in the characteristics of the crude oil, this was brought to the notice of the company after the designs of the refinery had already been prepared. With the experience now gained, the company hope to stabilise the pattern of production of the Refinery as soon as the Refinery has run on full scale operations for some longer period.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 6)

As supplies of crude oil through tank wagons to Nunmati refinery had to be resorted to because of the delay in the commissioning of the crude oil pipeline, the laying and operation of which was the responsibility of the Oil India Ltd., the I.R.L. had claimed reimbursement of the additional expenditure in transportation of crude oil from the Oil India Ltd. The Committee are informed that the Oil India Ltd. had agreed to the re-imbursement of these claims to I.R.L. They suggest that when projects are interlinked, efforts should invariably be made by the authorities concerned to complete them in accordance with the time schedule as otherwise financial and other difficulties are likely to be encountered which may ultimately affect the economics of these projects. (paragraph 22).

REPLY OF THE GOVERNMENT

Noted. From the very beginning, the Indian Refineries Limited, the Oil India Limited and Government endeavoured to synchronise the completion of the Gauhati Refinery and the crude oil pipeline. Owing to certain factors beyond the control of the Oil India Ltd., the pipeline could not be completed by the time the refinery was commissioned.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 7)

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

REPLY OF THE GOVERNMENT

Noted. Jute Batching Oil was substituted by lubricants in the case of Barauni Refinery because its cost of production was higher than the cost in the private sector refineries. An additional reason was that by the time the Barauni Refinery project report came to be considered, enough capacity for the production of jute batching oil had already been established in the country. The pattern of

production in the refineries is invariably decided having regard to the existing and the future demands of petroleum products in the country.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 8)

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

REPLY OF THE GOVERNMENT

Noted. The present site of the Barauni Refinery was selected after undertaking technical investigations to the extent necessary at the site including the examination of technical data made available to the company by the Bihar Government. The difference in the soil which came to notice during the excavations of some of the heavier foundations was, however, very unusual and an unexpected phenomenon. However, definite criteria already exist for selecting a site for the location of the refinery.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 9)

The Committee hope that every effort will now be made to complete all the stages of the Barauni refinery in accordance with the latest time schedule as the delays in such cases invariably increase the estimated costs of the projects and put off production. (paragraph 34).

REPLY OF THE GOVERNMENT

Noted. Save for exceptional and unforeseen situations, the company hope to complete all the stages of the refinery in accord-

ance with the latest time schedules and every effort is being made in that direction by the Indian Refineries Ltd.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 10)

The Committee hope that the experience of civil engineers and technical staff of the Barauni refinery, in the construction of the refinery will not be allowed to go to waste and every effort will be made to employ them in the new refineries. (paragraph 35).

REPLY OF THE GOVERNMENT

The Indian Refineries Ltd. is already working on this idea. Some of the surplus engineering staff who were willing to be posted out from Gauhati Refinery, have already been diverted to Barauni and Gujarat Refineries. The same procedure will be followed when the Barauni Refinery is completed.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 11)

The Committee are surprised that although Nunmati Oil Refinery had gone on stream over a year ago, the terms and conditions including the price at which the Naharkatiya crude oil will be sold has not yet been finalised between the parties concerned. They hope that an early decision will now be taken in the matter having regard to the price of crude oil paid by the refineries in the private sector. (paragraph 41).

REPLY OF THE GOVERNMENT

This matter is under examination of the Government.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

The terms and conditions of sale of crude oil by O.I.L. to I.R.L. have been finalised. A detailed payment procedure on account of crude oil supplies to I.R.L. has also been formulated in consultation with the authorities concerned.

[Ministry of Petroleum & Chemicals O.M. No. 15/37/63-OR dated the 27th April, 1964.]

Recommendation (Serial No. 12)

The Committee were given to understand that some new oil fields have already been located in the Sibsagar areas of Assam. They

urge that vigorous efforts should be made by the Government to locate and explore new oil fields if the future needs of crude oil for these two refineries are to be ensured. (paragraph 42).

REPLY OF THE GOVERNMENT

The Oil & Natural Gas Commission and the Oil India Limited have intensified steps to explore new areas in Assam for oil. Government is keeping a close watch on the operations.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 13)

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

REPLY OF THE GOVERNMENT

Accepted. The Indian Refineries Ltd. were inclined to set up a plant at Gauhati for the calcination of the petroleum coke but the plant would have been set up only after a year or so after the completion of the Refinery. Having regard to this factor and the fact that a private party had already secured a licence from the Government for the setting up of a plant, it was decided to sell the Gauhati refinery's raw petroleum coke to that party.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 17)

The Committee trust that the matter would be given due consideration and suitable steps would be taken to put the Russian Hostel at Barauni to appropriate use after the Russians leave the place. (paragraph 53).

REPLY OF THE GOVERNMENT

Noted. The Indian Refineries Limited are already alive to the need for effective use of the 100-roomed Russian Hostel at Barauni after the Russian technicians leave Barauni.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 18)

The Committee were informed that the Government of India had recently appointed a Consular Office of Odessa Port in the U.S.S.R. to assist the Company for proper marking and shipment etc. They hope that there will not be any difficulty in future in the proper shipment of equipment etc. for the Barauni Refinery. (paragraph 54).

REPLY OF THE GOVERNMENT

The initial difficulties faced by the Indian Refineries Ltd. in the shipment of refinery materials and equipment from Odessa Port to Calcutta owing to lack of markings, mistakes in shipping documents, etc. have been largely overcome. The bulk of the consignments for refinery have already arrived at the site.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 19)

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

REPLY OF THE GOVERNMENT

Para (23) of Commercial Contract No. 046 dated 16th June, 1961 provides *inter alia* that the equipment will be carried by ships of the Soviet and Indian Shipping lines and the utilisation of additional shipping, if necessary, connected with the fulfilment of this contract shall be regulated on the basis of the Agreement between the Government of India and the Government of USSR of 6th April, 1956 and 30th October 1958 and relevant amendments and alterations thereto. Up to the end of May 1963, the proportion between the Indian and Soviet ships worked out to 1:1.513 respectively. The parity clause existed only in the West-bound trade and not in case of East-bound trade; but this has since been made uniform for traffic on either side with effect from the new Indo-Soviet Shipping Service Agreement dated 1st January, 1963.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 22)

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

REPLY OF THE GOVERNMENT

The experience gained at the Gauhati Refinery was well utilized in the case of the Barauni Refinery, the detailed project report of which provided for the cost of production of various products at that refinery. The same is the case with the Gujarat Refinery. Therefore, it is now being ensured that the detailed project report of the refinery does include the cost of production of the various products also.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 24)

The Committee would draw attention to para 33 of their 33rd Report (Second Lok Sabha) on Hindustan Steel Ltd., and para 28 of 86th Report (Second Lok Sabha) on the State Trading Corporation of India wherein they recommended that for better administration more full-time Directors should be appointed on the Board of public undertakings and each of them entrusted with responsibility for certain departments. The Committee have in para 8 already recommended the setting up of an organisation for dealing with the three wings of the oil industry in the public sector. They feel that after the integrated agency for the exploration, refining and marketing of oil has been set up, it would be necessary to appoint more full-time Directors as the magnitude of operations of the company would increase considerably. Such functional and technical Directors could be drawn from amongst the officers of the company who had distinguished themselves in the service of the industry and who could be entrusted with the responsibility of manning the various departments of the Company. (*paragraph 72*).

REPLY OF THE GOVERNMENT

This recommendation is linked with the recommendation No. 1 and is under examination of the Government. However, it may be

added that in the O. & N.G.C., there are three wholetime members and two part-time.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

More full-time directors will be appointed in the integrated organisation as envisaged in reply to S. No. 1 (para 8).

[Ministry of Petroleum & Chemicals O.M. No. 15 (37)/63-OR dated the 27th April, 1964].

The following full-time Directors have been appointed in the integrated organisation viz. Indian Oil Corporation Limited:—

- (1) Shri P. A. Gopalkrishnan, Managing Director, Indian Oil Corporation (Marketing Division) (date of appointment—2nd June, 1962).
- (2) Shri N. N. Kashyap, Managing Director, Indian Oil Corporation (Refineries Division) (date of appointment—1st September, 1964).
- (3) Shri M. Gopal Menon, Director-in-charge, Indian Oil Corporation (Pipelines Division) (date of appointment—11th March, 1965).
- (4) Maj. Gen. Sardanand Singh, Director-in-charge, Indian Oil Corporation (Gujarat Refinery Project) (date of appointment—1st April, 1965).

[Ministry of Petroleum & Chemicals O.M. No. 13/4/65/10C, dated 18th November, 1965.]

Recommendation (Serial No. 25)

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

ment the plans and programmes entrusted to him, will ensure continuity of his knowledge and experience and improve the general efficiency of the company. (paragraph 74).

REPLY OF THE GOVERNMENT

Noted. The present incumbent is already holding the office of the Managing Director since 16th December, 1960.

[Ministry of Mines & Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963].

Recommendation (Serial No. 26)

The Committee note that in a number of public undertakings like the Neyveli Lignite Corporation Ltd., the National Mineral Development Corporation Ltd., the Indian Oil Company Ltd., etc. the Chairman is the Chief Executive combining in himself the duties of Chairman and the Managing Director. The Committee would suggest that the Government may examine whether the same pattern may not be adopted in this case also. They have discussed this matter in detail in their Thirty Second Report (Third Lok Sabha) on the N.C.D.C. Ltd., Ranchi. (paragraph 76).

REPLY OF THE GOVERNMENT

This is under examination of the Government.

[Ministry of Mines and Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963].

This has since been implemented in the Indian Refineries Ltd.

[Ministry of Petroleum & Chemicals O.M. No. 15(37)/63-OR dated the 27th April, 1964].

Recommendation (Serial No. 28)

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

REPLY OF THE GOVERNMENT

Noted. A training centre has been established at Gauhati under the charge of a full-time Training Officer. An apprenticeship training programme under the Central Apprenticeship Act, will soon be started. Training courses are arranged for the post-graduate students of the Indian Institute of Technology at Kharagpur, during their vacation period. Some of these students will be absorbed as probationary Foremen and will be further trained to hold and discharge supervisory responsibilities. Training programme for training of operators of the Barauni Refinery are also under way and the Training will be started soon. The assistance of the private sector refineries will also be obtained as and when available.

[Ministry of Mines & Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963].

Recommendation (Serial No. 29)

The Committee feel that the question of training has been tackled in a very casual manner from the beginning. The Company, it would seem, failed to seize the opportunity of training their engineers in the designing of refineries when the agreements with the foreign Consultant had clearly provided for such training. The Committee cannot over-emphasise the necessity for such training especially when the present policy of Government in the matter of expansion of oil refinery capacity in the country is that at least 51 per cent of the refinery capacity should be in the public sector. (paragraph 82).

REPLY OF THE GOVERNMENT

Noted. A training in designing refinery was an important part of the curriculum of training worked out for our trainees in Rumania and USSR but the real difficulty was the extent upto which the Consultants would impart training in designs. The Company is fully aware of its future responsibilities in independently designing new refineries and expanding the existing ones and is taking steps to develop a nucleus of engineers who could successfully undertake such responsibilities.

[Ministry of Mines & Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963].

CHAPTER II

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

Recommendation (Serial No. 1)

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

REPLY OF THE GOVERNMENT

This is under examination of Government.

[Ministry of Mines & Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963].

Indian Refineries Ltd., and Indian Oil Company are being integrated into one organisation which will be entrusted with refining and marketing operations of the oil industry in the public sector. As regards exploration and production, it has been decided that these two operations will remain with the Oil & Natural Gas Commission,

as it is necessary to expand activity in these two fields on a very large scale and may involve operations outside the country.

[Ministry of Petroleum & Chemicals O.M. No. 15/37/63-OR dated the 27th April, 1964].

Recommendation (Serial No. 14)

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

REPLY OF THE GOVERNMENT

The question of utilisation of refinery gases at Nunmati and Barauni has been examined by experts including the expert of the French Petroleum Institute who was engaged to advise on the establishment of petro-chemical industries. The conclusion reached is that refinery gases both at Nunmati and Barauni should be utilised first for heating purposes within the refinery, and that the balance left at Barauni should be used for the production of Liquid Petroleum Gas. As for Nunmati, the balance left will be so small that, in the view of experts, petro-chemical production would not be economic. Recommendation contained in the last sentence of the para is noted.

[Ministry of Mines & Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963].

Recommendation (Serial No. 15)

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

by 1966 the country would be able to reach the targetted production capacity. (paragraph 50)

REPLY OF THE GOVERNMENT

According to the present indications, the expansion of Gauhati and Barauni oil refineries is likely to be achieved by the beginning of 1966. The Gujarat refinery is expected to be completed as under:

1st Stage—by the end of 1964.

2nd Stage—4 to 6 months thereafter.

As regards construction schedule of Cochin Refinery, it is estimated that the period required for the design and construction of the refinery will be approximately 30 months from the date of the Formation Agreement which was executed on 27-4-1963.

[Ministry of Mines & Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963].

Recommendation (Serial No. 20)

The Committee trust that every effort would be made to complete the two Product Pipeline Projects and Lubricating Oil Project in accordance with the time schedule. (paragraph 61)

REPLY OF THE GOVERNMENT

According to the time schedule, the construction of the Gauhati-Siliguri Product Pipeline is likely to be completed by August 1964. The progress achieved so far indicates that this schedule will be adhered to.

As regards the Barauni-Haldia-crude-cum-product pipeline and the Barauni-Kanpur product pipeline, steps are being taken to finalise the contracts.

The lubricating oil project is still in the consideration stage and no decision has been taken to set up this plant. However, O. & N. G.C. are tentatively considering the possibility of setting up this plant integrated with the O. & N.G.C.'s refinery at Koyali.

[Ministry of Mines & Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963].

Recommendation (Serial No. 21)

The Committee were informed that the Government of India had since decided to allow the State Governments financial

participation to the extent of 15% of the equity capital investment involved in the refinery projects located within each State.

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

The Committee do not feel happy about the policy adopted by Government in this matter. It is not unusual for a State Government to offer land free of cost for the location of a public undertaking because it is to the advantage of the State that it should be so located and in fact such an offer might act as one of the factors in deciding their location in that State. It is hardly necessary to point out that it is highly inappropriate to alter the position of a free grant of land into financial participation by the State Governments, in lieu of the price of that land particularly after an undertaking has actually been set up in that State. It might lead also to similar claims for financial participation by the State Governments in respect of other Public undertakings wherever they had offered land free of cost. The Committee recommend that Government should now take a firm decision whether or not they will allow the State Governments to go back on their earlier offers in this regard. (paragraphs 63-64)

REPLY OF THE GOVERNMENT

In so far as the Assam and Bihar Governments are concerned, a decision to permit them to participate in the share capital of the Company was taken in the circumstances already explained to the Estimates Committee. However, while considering similar requests if any from the State Governments, the recommendation made by the Estimates Committee will be borne in view.

[Ministry of Mines & Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 23)

The Committee does not feel happy about the Company advancing a sum of about Rs. 3½ lakhs for renting the office accommodation

as such a procedure does not seem to be normal. In this connection reference is also invited to the report of the Committee on Heavy Electricals Ltd., wherein the Committee have recommended the desirability of constructing a building for the use of all public undertakings in Delhi. (paragraph 69)

REPLY OF THE GOVERNMENT

An advance payment of about Rs. 3½ lakhs for renting the existing office accommodation by the Company at Link House was made by way of a commercial transaction as a result of which the Company is at an advantage, *vis-a-vis* the other tenants in the same building.

The question whether a common building for the use of all the public undertakings' offices should be constructed at Delhi will be borne in view. However, O. & N.G.C. are already considering a proposal for putting up a building at Delhi for the offices of O. & N.G.C., Indian Refineries Ltd. and Indian Oil Company.

[Ministry of Mines & Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 27)

It appears that no proper assessment about the requirements of the staff had so far been made by the company. The Committee recommend that the assessment of the staff requirements of the company should now be completed without any delay. In this context they should also invite a reference to para 209 of their Thirty Second Report (Third Lok Sabha) on N.C.D.C. Ltd., wherein they have recommended the establishment of a personnel Commission for the recruitment etc. of officers in public undertakings. (paragraph 77)

REPLY OF THE GOVERNMENT

Noted. Long before the Gauhati refinery came to the stage of operation, the Company had worked out the organisation needed on a permanent basis, having regard to the recommendations made by the Rumanian authorities and the results of studies carried out on the personnel employed by other oil refineries operating in India. However, the many operational troubles that have been encountered over a prolonged period and the heavy work arising in consequence on repairs, modifications and revision have upset the Company's estimates of staff requirements on maintenance of the refinery. As

soon as normal conditions prevail, the Company expect to be able to rectify any excesses in the staff strength.

[Ministry of Mines & Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Recommendation (Serial No. 30)

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

REPLY OF THE GOVERNMENT

The work to be done in the Research and Training Institute under the O. & N.G.C., Dehra Dun, is going to be distinct from that to be done in the Petroleum Institute, the former dealing with the petroleum geophysics, drilling, production techniques and the latter dealing with the stage after the production of oil comprising refining, petro-chemicals, transport etc. It will thus be seen that specialisation in these two institutes will be in entirely distinct spheres requiring the services of experts of different categories. The Indian Institute of Petroleum as constituted at present, is engaged in research work and studies on various aspects of the petroleum industry subsequent to the production of crude oil, e.g., refining, marketing etc. The Indian Institute of Petroleum does not undertake research/training in the field of petroleum exploration and development.

The Research & Training Institute (also called Institute of Petroleum Exploration), which has been set up by the O.N.G.C., is intended to undertake applied research, to organise refresher course for personnel already in service and to train new personnel required each year for the implementation of petroleum exploration and development programme of the Government. The functions and responsibilities of this Institute are, therefore, different and distinct from and complementary to the functions of the Indian Institute of

Petroleum. In the present stage of the development of oil industry in India and the large volume of work to be done in each Institute it is not considered advantageous or even administratively feasible to have a single institute in the place of the two existing institutes.

However, it is recognised that the functions and responsibilities of both these institutes form a constituent part of the overall policy for research and training on petroleum. It is, therefore, necessary to ensure close coordination and cooperation between the two industries. To this end, a decision has been recently taken to keep the identities of the two institutes separate but to have them in the same place, viz. Dehra Dun and to ensure cooperation between the two bodies by having, as far as possible, common personnel on the managing bodies of the two institutes.

[Ministry of Mines & Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

CHAPTER III

RECOMMENDATION IN RESPECT OF WHICH REPLY OF GOVERNMENT HAS NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 16)

The Committee note that at present there is no uniformity in the matter of charging rent of the houses built by the various public undertakings. They feel that as far as possible a uniform pattern should be followed in this regard by all the public undertakings to prevent any dis-satisfaction amongst the staff of the other public undertakings on this account. The Committee suggest that the desirability of laying down a uniform policy on this subject, may be considered by Government. (paragraph 52)

REPLY OF THE GOVERNMENT

This matter is under consideration of the Government.

[Ministry of Mines & Fuel O.M. No. 15/37/63-OR dated the 10th September, 1963.]

Some undertakings no doubt observe the same rules regarding charging of rent as prescribed by Government. It would, however, not be practicable to insist upon strict uniformity in a matter like this, because each undertaking must be given some latitude to vary the basis to suit local conditions particularly when practices prevailing in the same industry in other undertakings cannot altogether be ignored.

[Ministry of Mines & Fuel O.M. No. 15/37/63-OR dated the 21st October, 1963.]

COMMENTS OF THE COMMITTEE

This recommendation is being pursued in the Action Taken Report on Fifty-Second Report of Estimates Committee or personnel Policies of Public undertakings.

NEW DELHI;

March 4, 1966.

Phalgun 15, 1887 (S).

D. N. TIWARY,

Chairman,

Committee on Public
Undertakings.

APPENDIX

Analysis of action taken by Government on the recommendations contained in the 34th Report of the Estimates Committee (Third Lok Sabha).

I. Total Number of recommendations made	30
II. Recommendations that have been accepted by Government (<i>vide</i> recommendations at S. Nos. 2 to 13, 17 to 19, 22, 24 to 26, 28 and 29)	
Number	21
Percentage to total	70%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendations at S. Nos. 1, 14, 15, 20, 21, 23, 27 and 30)	
Number	8
Percentage to total	26.7%
IV. Recommendation in respect of which reply of Government has not been accepted by the Committee (<i>vide</i> recommendation at S. No. 16).	
Number	1
Percentage to total	3.3%
