

**COMMITTEE ON PUBLIC UNDERTAKINGS
(1968-69)**

**TWENTY-FOURTH REPORT
(FOURTH LOK SABHA)**

**Action taken by Government on the recommendations
contained in the Thirty-Sixth Report of the
Committee on Public Undertakings
(Third Lok Sabha)**

**INDIAN OIL CORPORATION LTD.
(REFINERIES DIVISION)**

**(MINISTRY OF PETROLEUM AND CHEMICALS)
(DEPARTMENT OF PETROLEUM)**



**LOK SABHA SECRETARIAT
NEW DELHI**

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Twenty-Fourth Report of Committee on Public Undertakings (1968-69) on Action Taken by Government on the recommendations contained in the Thirty-Sixth Report of the Committee on Public Undertakings (3rd Lok Sabha) on Indian Oil Corporation Ltd. (Refineries Division).

Page	Sl.No. of recommendation	Line	For	Read
(ii)	-	last line	8	58
(v)	-	2	have	having
6	(Sl.No.17)	17 - 18	precautions safeguards	precautions/ safeguards
7	(Sl.No.19)	11	had	has
8	(Sl.No.25)	2	is	in
9	(Sl.No.26)	9	after "have"	insert "been"
11	(Sl.No.33)	2	man..acture	manufacture
13	(Sl.No.42)	11	LSH	LSHS
17	(Sl.No.51)	1 - 2	"by the plants, the Managing Director should utilise"	delete
17	"	8	researches	researchers
18	(Sl.No.56)	2	formulations	formulations
40	(Sl.No.34)	4	the	be
43	(Sl.No.41)	(last word)	composition	composition
46	(Sl.No.49)	19 last line	on	of

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**COMMITTEE ON PUBLIC UNDERTAKINGS
(1968-69)**

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Shri M. M. Mathur, *Under Secretary.*

INTRODUCTION

1. The Chairman, Committee on Public Undertakings, have been authorised by the Committee to submit the Report on their behalf, present this Twenty-fourth Report on the Action Taken by Government on the recommendations contained in Thirty-sixth Report of the Committee on Public Undertakings (Third Lok Sabha) on Indian Oil Corporation Ltd. (Refineries Division).

2. The Thirty-sixth Report of the Committee on Public Undertakings was laid on the Table of the two Houses of Parliament on the 20th March, 1967. Government furnished their replies indicating the action taken on the recommendations contained in the Report on the 15th September and 7th October, 1967. Additional information in respect of certain recommendations was called for from the Government on the 27th November, 1967, 21st February and 29th August, 1968 and replies thereto were received on the 8th January, 25th April and 11th October, 1968 respectively. The replies of Government to the recommendations contained in the aforesaid Report were considered by the Committee on the 29th November, 1968 and the Chairman was authorised to finalise the Report on the basis of the decisions of the Committee.

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

I. Report.

II. Recommendations that have been accepted by Government.

III. Recommendations which the Committee do not desire to pursue in view of the Government's reply.

IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.

V. Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Thirty-sixth Report of the Committee is given in Appendix II. It would be observed therefrom that out of the 68 recommendations made in the Report 66.2 per cent have been accepted by Government and the Committee do not desire to pursue 33.8 per cent of the recommendations in view of Government's reply.

NEW DELHI;
16th January, 1969.

G. S. DHILLON,
Chairman,
Committee on Public Undertakings.

CHAPTER I

CENTRAL DESIGNS ORGANISATION—PARA 132 OF 36TH REPORT

Recommendation (Serial No. 41)

In their recommendation No. 41, the Committee on Public Undertakings expressed the hope that "if earnest efforts are made, it will be possible to obtain several refinery equipment like heat-exchange equipment, pressure vessels, pumps, compressors, steam turbines, pipes and fittings and process control and measuring instruments in India. The basic necessities in regard to the indigenous manufacture are stated to be the lack of specifications, composition of construction material drawing and technical know-how. This is the field in which the Central Designs Organisation can play a vital role".

2. In their reply, the Government only "noted" the recommendation. The Committee therefore enquired the specific steps taken towards procurement and manufacture of spare parts indigenously and the value of imports of such spare parts separately by each of the three refineries per annum during the last three years. The Government furnished a statement showing the efforts made towards procurements and manufacture of spare parts indigenously and also the value of imports of such spare parts per annum during the last three years (see pages 43—46).

While accepting the reply, the Committee feel that much remains to be done and further sustained efforts are required in this direction to make some head-way.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 2)

Every month a coordination meeting is held in which the representatives of all the three Divisions are present. The month-to-month problems of production, marketing and movement are discussed at these meetings and decisions taken. This is a step in the right direction. Such coordination meetings should have been held before.

While the Committee appreciate the changes made to effect coordination, they emphasise that close coordination should exist between the Divisions. The three Divisions of the Corporation should not work like water-tight compartments, looking only to the Chairman or the Board of Directors as the connecting link. The Senior Officers should enter into communication at their own levels to solve mutual problems and carry out policies to the maximum advantage of the Corporation. (Para 27-28).

REPLY OF GOVERNMENT

Noted. The senior officers of the three Divisions of the Indian Oil Corporation are constantly in touch with one another and meet periodically to discuss problems of common interest.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67.]

Recommendation (Serial No. 4)

The Committee feel that conditions of service of the staff is a matter which requires looking into carefully while the pay scales could be different depending upon the peculiar nature of duties in each Division, it might be desirable that the terms and conditions of service of the staff working in the same public undertaking should be common with peculiarities relating to certain categories of posts being taken care of by separate provision, which should be in the form of exceptions to the general rule. The Committee are not happy over ad hoc concessions made to one group of employees, while ignoring others of the same status in another group. This is bound to have an undesirable effect on the staff.

The Committee suggest that the Chief Personnel Officers of the three Divisions should be constituted into a Committee which should go into the entire matter of service conditions, pay scales, etc., of the various Divisions and suggest how uniformity can be achieved. (Para 31 & 32).

REPLY OF GOVERNMENT

Noted.

Certain decisions have already been taken by the Board of Directors in recent months with a view to bringing uniformity in the matter of pay scales of certain categories of officers of all the divisions, house rent allowance, T.A. and D.A. rules, P.T.O. concessions, certain aspects of leave rules and disciplinary and conduct rules, and other terms and conditions of service. The Financial Director has specially been asked to look into these aspects and in doing so, he will also consult the Chief Personnel Officers and other concerned officers of the three Divisions before formulating his recommendations for the consideration of the Board.

[*Ministry of Petroleum & Chemicals, O.M. No. 22 (14) /67-OR, dated 15-9-67.*]

Recommendation (Serial No. 7)

The Committee understand that it is proposed to increase the throughput capacity of the Gauhati Refinery to 1 or 1.1 million tonnes but that no final decision has been taken on this matter yet. Part of this proposed increase in throughput should be achieved by utilising the in-built capacity of the existing plant. The Committee hope that Indian know-how and equipment will be utilised, instead of depending on foreign help. (Para 43)

REPLY OF GOVERNMENT

The proposals already formulated regarding the expansion of the Gauhati Refinery are based on the maximum utilisation of the in-built capacity of the existing plant, Indian know-how and indigenous equipment to the fullest extent possible.

[*Ministry of Petroleum & Chemicals, O.M. No. 22 (14) /67-OR, dated 15-9-67.*]

Recommendation (Serial No. 8)

Judging from the facts available, the Committee are not convinced that the accumulation of reduced crude at Gauhati was an inevitable result of the Crude Distillation Unit starting before the

Coking Unit. That this should have happened is unfortunate. (Para 49).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67.]

Recommendation (Serial No. 9)

The Committee recommend that the building of extra storage tanks for keeping reduced crude should be reviewed by the top management of the Refineries Division during the expansion phase. There is no justification to add to the capital cost of the Refinery unless the reasons are extremely compelling. (Para 50).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67.]

Recommendation (Serial No. 10)

The Committee understand that the Indian Institute of Petroleum, Dehra Dun is studying the question of alternative uses of iomex, but that the results were not known to the I.O.C. yet. It should be possible to find out how other countries are utilising this product and whether it would be economical to utilise it in the same way in India also. The Committee hope that the Indian Institute of Petroleum will be able to offer a solution to this problem. (Para 57)

REPLY OF GOVERNMENT

Noted. The matter is being pursued with the Indian Institute of Petroleum.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67.]

Recommendation (Serial No. 13)

The Committee found that the reduced sale of calcined coke by Messrs. India Carbon Limited was due to the fact that import licences had been granted to several users of calcined coke in the country during 1963-64 with the result that these users, who had accumulated huge stocks, did not make their purchases in India. It is a matter of regret that import licences are granted and foreign

exchange wasted on import of material which is available in India and the factory producing it has to close down for a part of the year for want of market for it. (Para 60)

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67.]

Recommendation (Serial No. 14)

The Committee find that there is no clause in the contract whereby it is obligatory for M/s. India Carbon Ltd., to lift the coke at specified periods. The Committee suggest that such a clause should be introduced in the agreement at the time of renewing to prevent repetition of the incident which occurred in 1964-65. (Para 62)

REPLY OF GOVERNMENT

Noted. The original agreement executed in 1961 between the erstwhile Indian Oil Company Ltd. and India Carbon Ltd. stipulates that the contract shall be renewable for a further period of 5 years on the same terms and conditions, except as to price which may be mutually agreed upon. But efforts will be made to include the upliftment of coke at specified periods as recommended by the Committee.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67.]

Recommendation (Serial No. 15)

The present staff position at Gauhati is that after standardising the staff strength, nearly 200 employees will be rendered surplus out of the existing strength. The Committee were informed that there was some difficulty in retrenching these men, because of opposition from the Union. The Committee recommend that constant efforts should be made to find alternate employment for the surplus staff either at Gauhati or in nearby towns. The help of the Govt. of Assam may also be taken in regard to this matter. (Para 64)

REPLY OF GOVERNMENT

Noted. The Government of Assam and other public sector undertakings in the area, such as the Fertilizer Corporation of India, Namrup, Oil & Natural Gas Commission, and undertakings of the Government of Assam have all been contacted about the problems posed by the surplus employees at Gauhati Refinery. The question of

finding alternative employment for the surplus staff is constantly before the management.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67-OR, dated 15-9-67.]

Recommendation (Serial No. 17)

The Committee feel that in retrospect it was an entirely wrong decision to have located the Barauni Refinery at its present site—a decision taken in spite of strong objections on technical grounds both from the Indian and Russian experts. That facts proved the experts to be right and the decision makers wrong is all too obvious. It is doubtful even today whether satisfactory safe-guards have been taken against severe flood and earthquakes in spite of the colossal extra expenditure incurred in providing safeguards. As the Refinery is already fast accompli, the Committee suggest that a study at regular intervals should be undertaken by the Refinery authorities to ensure that the foundations of the various Units of the Refinery are intact and do not show any sign of damage or subsidence. If contra indications exist, immediate steps should be taken to safeguard against any catastrophe. (Para 77).

REPLY OF GOVERNMENT

Both the Soviet and Indian experts and the Management of the Refinery feel that already adequate and reasonable precautions safeguards have been taken against flooding and earthquakes. Further steps will be taken as suggested by the Committee.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 19)

The Committee are not happy over the delays that have taken place in the construction of the Barauni Refinery. To begin with, the Refinery was dogged by ill-luck in having floods and rains. A proper soil investigation would have saved six months delay. In spite of the knowledge that the soil was extremely unfavourable, it is surprising that detailed investigations were not carried out in the initial stages. As regards delays in receipt of equipment, Government might consider whether agreements with suppliers could stipulate some compensation for losses due to delays in receipt of equipment. There appears to have been no such clause in the present agreement. (Para 82).

REPLY OF GOVERNMENT

With regard to the soil investigations, it has already been explained to the Committee that besides the soil data made available by the State Government, necessary bore-holes were also dug at certain distances in the area as indicated by the experts to determine load bearing capacity, etc. However, at the time when some of heavy foundations were excavated it was noticed that the soil was unsuitable requiring further treatment. This phenomena occurred only at certain places in the area whilst at other places no difficulty was experienced.

Government had noted the recommendation in so far as it relates to insertion of a penalty compensation clause.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 20)

As regards the contractors, the Committee found that both the firms entrusted with the mechanical and civil works were given contracts worth more than Rs. 5 crores each. According to the IOC "their performance has not been generally satisfactory", and "they had generally exhibited lack of deligence in organising men and materials for execution of works". It is doubtful whether a careful study was made initially of the capacity of these two firms to handle such a large volume of work themselves. That they were unable to fulfil their monthly quotas, itself indicates their incapacity. The Committee regret to point out that necessary care was not exercised in this matter by the Management of the Refinery. The proper thing would have been to split up the total volume of work into small contracts and to engage several contractors as was done at Koyali. According to the I.O.C., about 60 per cent of the overall delay could be attributed to the poor performance of the contractors. The Committee hope that Government will benefit by this unfortunate experience and lay down proper guidelines for the future. (Para 83).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 21)

The Refinery withdrew a part of the work of the mechanical contractor with the intention of undertaking it departmentally. This would indicate that in the initial stages no proper assessment was made as to what work could be undertaken departmentally and what work could be given out on contract. If this had been done, considerable amount of money and time could have been saved. (Para 84).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 24)

It was learnt that the Hathidah Colony was taken over from the Railways and that most of the buildings were of a temporary nature. The Committee hope that this Colony will not be made into a permanent township in view of its distance from the Refinery and other practical disadvantages like lack|cost of transport etc. (Para 87).

REPLY OF GOVERNMENT

The Hathidah Colony is being used only as a temporary township and action is being taken to dispose of it.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 25)

The Committee are distressed to note the failure of the Indian authorities is having accepted the detailed Project Report of the Colcing Unit of the Barsuni Refinery which very clearly indicated that furnace oil of Indian specification could not be produced in that Unit. The problems of disposal of the product, the specification of which was indicated in the Detailed Project Report, or the difficulties in regard to the levy of excise duty on new types of blended products which were neither furnace oil nor L.D.O. according to Indian specification, do not seem to have been considered properly. If only the problems, which were very clearly evident at the time of the Detailed Project Report, had been tackled and revision of the design sought, as was done much later, the working of the Refinery

would have been happier. The Committee hope such mistakes would not be committed in future. (Para 94)

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 26)

Between April, 1965 and June, 1966 the Barauni Refinery has been able to operate only to the extent of 75 per cent of its installed capacity of the 1st million tonne stage. The 2nd Atmospheric Vacuum Unit was ready for commissioning in February, 1966, but could not be commissioned because of the Coking Unit. The loss incurred by the Refinery on account of the reduced throughput of the 1st million tonne stage and the non-commissioning of the 2nd tonne stage for over a year is great. This is besides the spending of valuable foreign exchange on importing products which could have produced there. This unfortunate and enormous loss is most regrettable. (Para 95).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 29)

The facts regarding the Atmospheric Vacuum Units at Barauni which were brought to the notice of the Committee reveal lack of coordination in that arrangements for sales should have been made simultaneously with production. If this is not remedied the situation will be further aggravated when the second and third million stages go into stream. There is need for a very urgent action in this matter by the Marketing Division. Unless the motor spirit is sold as soon as it is produced, the Refinery will come to a halt. Apart from the loss to the Refinery, such shutdowns will also involve unnecessary waste of foreign exchange required in importing deficit products which could otherwise have been produced locally. The Government should also keep a watch over this aspect and ensure that such shutdowns do not take place. (Para 106).

REPLY OF GOVERNMENT

Noted. Programmes of monthly production and distribution of products and allied problems are regularly discussed and settled at the Monthly Coordination Meetings, convened by the Chairman of the Indian Oil Corporation. The Government also keeps a watch on refinery production and gives suitable directions whenever necessary.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 32)

It was seen from the figures furnished that in most months, placements of the wagons have been much below than the actual indents and also that the rejection of wagons actually placed has been rather heavy. During oral evidence, the Committee were informed that rejections took place mostly of wagons which were leaking or otherwise not worthy of use. Sometimes, the type of wagons indented were not the same as were actually supplied, e.g. white-oil tank wagons for black-oil tank wagons and vice versa. The facts reveal a none too satisfactory state of affairs. This difficulty would not arise when the pipelines to Kanpur and Maurigram are commissioned. Till this is achieved, it has to be ensured that movement of products is not hampered because of wagon shortage. The Railway Board and the Marketing Division of I.O.C. should give adequate attention to this matter. (Para 114)

REPLY OF GOVERNMENT

Noted. The pipeline from Barauni to Kanpur had been commissioned gradually from the 26th September 1966. The Barauni-Maurigram section will be ready for operation soon. The wagon position is reviewed daily by the Indian Oil Corporation, the Ministry of Petroleum and Chemicals and the Railways and there is no special difficulty now.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 33)

The Committee understand that calcination of coke is an extremely profitable industry. In view of this and need for calcined coke in considerable quantities in the country, Government should have set up this Plant for calcination of coke alongwith the Refinery itself at Barauni. The Committee understand that this coke has many

industrial uses especially in the making of carbon black electrodes used in the manufacture of aluminium, manufacture of abrasives, artificial graphite, calcium carbide and electric furnace resistors and linings, etc. The Committee recommend that early steps should be taken by Government to set up a calcination plant at Barauni. (Para. 116)

REPLY OF GOVERNMENT

Noted. A proposal for the setting up of Coke Calcination Plant has since been approved by the I.O.C. Board and the Government.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 36)

While considering the delays that take place in the construction of refineries one basic fact which has to be remembered is that imports have to be made to meet the demand of refined petroleum products in the country. The Committee understand that according to pre-devaluation prices, Rs. 113 worth of products could be manufactured from one tonne of crude oil costing Rs. 72. In short, a delay of one month in a one million tonne plant using indigenous crude would amount to a waste of foreign exchange to the extent of Rs. 94 lakhs. This is a considerably large sum of money and if the delays at Gauhati, Barauni and Koyali are taken into consideration for the calculation of this avoidable expenditure of foreign exchange, it will amount to Rs. 48 crores. The Committee, therefore, urge that in planning and executing future refineries and in expanding the present refineries this aspect of the matter should be borne in mind by Government. (Para. 123)

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 37)

The estimates for the two million tonne stage of the Gujarat Refinery was Rs. 30.21 crores. The actual expenditure amounted only to Rs. 27.50 crores. The third million stage was expected to cost only Rs. 2.91 crores. As such, this expenditure would be met from the savings of the second million stage. It was stated that with some minor modifications it would be possible to raise the throughput to

four million tonnes by utilising the in-built capacity of the plant and equipment. In short, the refinery was expected to achieve a through put of four million tonnes at the estimated cost of a two million tonne refinery.

The Committee are happy that the Management of the Gujarat Refinery have been able to achieve this success which is in heartening contrast to the state of affairs at Barauni. (Para. 124-125)

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 38)

The Committee suggest that after the construction phase is over, the Head Office of the Refineries Division should make a complete and detailed assessment of the entire cost structure of the three Refineries to determine factors that have contributed to the success at Koyali as compared to the Gauhati and Barauni Refineries. This analysis should stand in good stead for construction of the future refineries intended to be put up during the Fourth Plan period. (Para 126).

REPLY OF GOVERNMENT

Noted. The analysis recommended will be undertaken by the Indian Oil Corporation Limited (Refineries Division).

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 40)

The Committee feel that the pattern and design of equipment for the proposed expansion schemes of the Refineries should also be subjected to a scrutiny by the Central Designs Organisation, with a view to locate possible performance difficulties. The Committee have in mind instances like the Coking Unit at the Barauni Refinery whose difficulties could perhaps have been avoided if the design had been subjected to a close scrutiny at the preparation stage. If improvements in technology are capable of being made at this stage, the Committee see no reason why this should not be done, instead of waiting for the construction to be over before making modifications. (Para. 131)

REPLY OF GOVERNMENT

Noted. In this connection, it will be of interest to note that the Central Designs Organisation was closely connected with the designs for the expansion of Barauni and Gujarat Refineries.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 42)

The Committee feel that it would be an unhappy situation if the Gujarat Refinery has to work at a reduced throughput, because of lack of off-take of products. The Committee are not aware if serious efforts had been made to blend LSHS with other products to produce something which is easily marketable. If such a solution is possible it would help the Refinery to tide over its difficulties. Even if all of its prospective consumers fulfil their commitments fully, it is very likely that the Refinery will have surplus LSHS on its hands when the proposed increase in its throughput from three million tonnes to four million tonnes takes place. Unless a solution for the problem of disposal of LSH is found, either by formulating it into another product or sale to other customers, the de facto expansion is not likely to take place. (Para. 136)

REPLY OF GOVERNMENT

The arrangements already finalised ensure the off-take of LSHS from the Gujarat Refinery at 2 million and 3 million tonnes throughputs. No problem, therefore, exists in the disposal of LSHS. Difficulties can of course arise in the event of failure in the consuming units. Studies have therefore been initiated regarding further unit within the refinery for processing LSHS in such a contingency.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 43)

The I.O.C. might benefit by examples of the working of other Refineries in foreign countries like the example quoted by the Committee. (Para 137).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 44)

The problem of disposal of naphtha exists in all the Refineries and it is vital that the Marketing Division finds out a satisfactory solution to it, as otherwise, the alternative is for the Refinery to close down for short periods of work to reduced throughputs. It would be a pity if this were to happen. When even at the one million tonne stage, the Gujarat Refinery has had to face this difficulty, the problem is likely to be more acute when the throughput reaches the figure of four million tonnes, unless very special efforts are made. The Committee suggest that the Government should appoint a special study team for the purpose of finding out an immediate solution for the disposal of naphtha. In the meanwhile, intensive efforts should be made for the export of motor spirit and naphtha. (Para 138).

REPLY OF GOVERNMENT

The general question of the disposal of naphtha is already being tackled vigorously by the Government and Indian Oil Corporation is hopeful of finding suitable outlets in the present case. When the fertilizer projects as planned come into operation by 1970, there will be no surplus naphtha as these will all be utilized locally. In fact, by 1971, there may even be a need to import naphtha to help the new fertilizer projects that may be established.

[Ministry of Petroleum & Chemicals O. M. No. 22(14)|67-OR, dated 15-9-67].

Recommendation (Serial No. 45)

The Committee are not happy over the movement of products and feel that unless great care is taken to ensure that off-take of products is regular and unhampered, the Gujarat Refinery would have to work to reduced throughputs specially after the expansion takes place. It is suggested that the matter should be discussed with the Marketing Division and a decision taken as to the minimum requirements of storage capacity that would be required for the various products. The efficiency of the Marketing Division should be ensured at an optimum level and shortcomings in this regard should not be made responsible for increasing the capital outlay at the Refinery by building extra storage tanks. (Para 141).

REPLY OF GOVERNMENT

Noted. Steps have been taken to ensure regular and adequate off-take of products from the Gujarat Refinery after expansion.

[Ministry of Petroleum & Chemicals O. M. No. 22(14)|67-OR, dated 15-9-67].

Recommendation (Serial No. 46)

The Committee were informed that in regard to movement of products, from the operational angle, the loading facilities at the Refinery have the drawback of having no facility of loading any product at any loading point and this usually resulted in lot of shunting operations. The Committee recommend that efforts should be made to streamline the design and layout of the loading facilities so that optimum efficiency is obtained and operations are carried out smoothly. (Para 142).

REPLY OF GOVERNMENT

Noted. Certain improvements have already been effected to ensure the loading of products without undue delay. The commissioning of the Koyali-Ahmedabad (Sabarmati) Pipeline has also helped in considerably lessening the burden on the loading racks.

[Ministry of Petroleum & Chemicals O. M. No. 22 (14) |67-OR, dated 15-9-67].

Recommendation (Serial No. 47)

The Committee understand that the French method used for the water supply scheme at Koyali had been a great success especially as the water was obtained from below the surface of the river bed. This eliminated the possibility of shortage of water when the river turned course as happened at Gauhati. In view of the success of this method, which incidentally was stated to be also cheaper, the Committee would suggest that Government should bring this matter to the notice of all State Governments and major municipalities. In all major Government projects which require considerable quantities of water, it might be advisable to adopt the system introduced at Koyali. (Para 144).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals O. M. No. 22 (14) |67-OR, dated 15-9-67].

FURTHER INFORMATION CALLED UP BY THE COMMITTEE

The specific action taken to implement the recommendation may be indicated.

[L.S.S. O.M. No. 34-PU/67, dated 27-11-1967].

FINAL REPLY OF GOVERNMENT

Government have taken action on 14-9-1967 to inform all Ministries, Governments of all States and Union Territories and all Municipal Corporations|Committees of the French method for water supply used in Gujarat refinery, in order to enable them to consider the adoption of the same, if they so wish.

[Ministry of Petroleum & Chemicals O. M. No. 22(14)|67-OR, dated 8-1-1968].

Recommendation (Serial No. 48)

The Committee were informed that the original design of the Refinery had not provided for any water treatment. It was stated this was perhaps a slip on the part of the designers. It was noticed that salts were deposited in the coolers. If allowed to continue, this might have affected production. Action had been taken to correct this by treating the water with chemicals. It was hoped that the problem would be solved satisfactorily. The result would be known only after six months. The Committee wonder why such slips should occur if the designs are carefully scrutinised. It is, however, fortunate that the defect was noticed in time. The Committee hope that the action taken will prove satisfactory. (Para 145).

REPLY OF GOVERNMENT

The action taken has proved adequate.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 51)

It is inevitable that technical problems will often arise in the plants for which the plant requires an expert opinion or advice. The Head Office should be in a position to offer such advice. One solution is for the Head Office to have a well qualified senior technical expert with considerable experience in refining technology who can give opinions on technical problems. With the country's limited experience in this field, however, such a person might be difficult to obtain. However, it would be desirable to appoint the best available and groom him for this task. During this period of grooming, the Committee suggest the formation of a Committee consisting of one technical expert each from the Head Office, the three Refineries, and the Indian Institute of Petroleum. This Committee may be the technical adviser to the Managing Director, who should refer to it all the technical matters on which he requires advice. Besides the problems referred to

him by the Plants, the Managing Director should utilise by the Plants, the Managing Director should utilise this Committee to find solutions to some fundamental problems like new product manufacture, maximum utilisation of surplus products by blending or conversion of more saleable products, maximising production, etc. This Committee should also have the advantage of a first class technical library, contributing to good technical journals brought out in various countries and a team of researches to find out the progress being made in refinery technology elsewhere. (Para 158).

REPLY OF GOVERNMENT

Noted. The Committee's suggestion is already being implemented in substance. For example, a refinery's technical people formulate a proposal or solution to any technical problem and submit it to the Managing Director. The latter takes the advice of his own engineers at the Head Office and, if necessary, the advice of Indian Institute of Petroleum or other experts is sought. Meanwhile, efforts are being made to reinforce the Head Office with a competent expert.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14) /67--OR, dated 15-9-1967].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The specific action taken to implement the recommendation may be indicated.

[L.S.S. O.M. No. 34-PU/67 dated 27-11-1967]

FINAL REPLY OF GOVERNMENT

The Indian Oil Corporation's efforts to locate a suitable incumbent to work as Technical Adviser to the Managing Director of the Refineries Division at the Head Office are still continuing.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14) /67--OR, dated 8-1-1968].

Recommendation (Serial No. 54)

It is obvious that no importance has been attached by the Division to a study of the economics of refining which is a vital aspect of Management. This is unfortunate. The Committee suggest that a well organised research cell should be organised at the Head Office to make continuous studies of the economics of operations of the three Refineries with a view to cost control, maximising of utilisation of production, etc. Cost and operational data of refineries in other countries and the private refineries in India should be analysed where the figures are available and comparisons made. Efforts should also be made to obtain cost and operational data from friendly foreign refineries and

if possible, some of these Refineries should be persuaded to train some of our officer on the techniques employed by them for economic operations. (Para 162).

REPLY OF GOVERNMENT

Noted. The Indian Oil Corporation's Management is alive to the need for a systematic study of the economics of refining. Every month, a detailed operational report is prepared by the Planning and Co-ordination Department under the guidance of the Deputy General Manager (Technical), which contains data with regard to the crude processed, yields obtained, chemicals used, losses in process and handling despatches, stocks, etc. These performance data are further studied with the design data so as to judge the actual results achieved. The Finance Department is thereby enabled to calculate the monthly losses or gains from the refineries' operations for reporting to the Management. The system certainly needs to be strengthened and the Head Office of the Refineries Division is taking steps in this direction.

The Committee's suggestion in the last sentence is also noted.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR, dated 15-9-1967].

Recommendation (Serial No. 55)

The Committee were surprised to learn that the flare loss and handling and storage losses were as high as 2.5 per cent on an average. For a three million tonne plant, 1 per cent amounts to 30,000 tonnes of products. If the difference in a public sector refinery is as high as even 5 per cent, it amounts to a figure of 1,50,000 tonnes per annum. The question arises as to where the public sector refineries can increase their production to match the figures of the private sector refineries, and if so, how best this can be done. Serious thought should be bestowed to this matter by the technical experts. (Para 166).

REPLY OF GOVERNMENT

Noted. The question of obtaining maximum percentage of products from the crude processed and to reducing the flare losses is under constant examination of the Management.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR, dated 15-9-1967].

Recommendation (Serial No. 56)

Instead of waiting till the Refineries have gone into full production, the Committee suggest that the matter relating to formulations

should engage the attention of the Head Office of the Refineries Division now. The cost aspects of various schemes should be worked out and a programme drawn up keeping in view the product requirements of the country. (Para 167).

REPLY OF GOVERNMENT

Noted. This is being done.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR, dated 15-9-1967].

Recommendation (Serial No. 57)

The Committee suggest that an O. & M. Team under a well qualified and experienced officer should be set up in all the Refineries to make continuous studies in all the units with a view to increase efficiency, point out wasteful methods and practices and reduce costs. Adequate incentives might also be given by way of monetary awards for suggestions by staff on cost control measures. (Para 168).

REPLY OF GOVERNMENT

Noted. This task is already being undertaken by an Industrial Engineer who has completed studies at Gauhati refinery, is currently at Barauni refinery and thereafter will deal with Gujarat refinery.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR, dated 15-9-1967].

Recommendation (Serial No. 58)

The Committee have not gone into the details of the cost control system followed and are, therefore, not able to express any opinion on its merits. However, it is very essential that each Refinery should know the individual costs of its various operations and make comparisons of "performance" and "promise" with a view to enable the Management to take timely action to control adverse trends. How satisfactorily this is achieved at present is for the management to judge, but the Committee hope that efforts will be made to improve upon and perfect the system so that it becomes an excellent tool in the hands of the management for cost control. The Committee would also suggest that advice of an outside expert may also be taken in making improvements. (Para 170).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67-OR, dated 15-9-1967].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The specific action taken to implement the recommendation may be indicated.

[L.S.S. O.M. No. 34-PU/67, dated 27-11-1967].

FINAL REPLY OF GOVERNMENT

The existing system of Budgetary and Cost Control through periodic Revenue, Expenditure, Capital, Purchase and Additional Facilities Budgets, and watching of actuals against budgeted figures through monthly profit and loss statements which are submitted to the top management monthly and to the Board of Directors quarterly, is considered to be quite an effective tool in the hands of Management for cost and production control. However, constant efforts are being made to improve the system. Senior officers are being encouraged to attend seminars held by the various Costing and Finance institutions to learn about improvements and latest methods. Assistance from outside parties viz. Ministry of Finance, Bureau of Public Enterprises, Planning Commission etc. is being sought whenever necessary. At present a team of the Planning Commission is examining the Budgetary system with special emphasis on Performance Budgets. Any suggestions given by them will help improving the existing system further.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67--OR, dated 8-1-1968].

Recommendation (Serial No. 60)

The Head Office should constantly review the staff position and devise suitable formula whereby the expenditure on staff in each unit is expressed as a ratio of the output. Constant endeavour should be made to make inter-refinery comparisons, to publicise successful efforts in increase of staff efficiency and to foster a healthy sense of compensation. (Para 175).

REPLY OF GOVERNMENT

This is being done.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 61)

The Committee found that there were considerable variations in the strength fixed for the various units as between the three refine-

ries. While this could be easily explained in the case of the technical departments, process, electrical, maintenance, etc., as they would depend upon the peculiarities of the refineries, the figures should be comparable in so far as the service departments are concerned. (Para 176).

REPLY OF GOVERNMENT

Noted. This recommendation is already under implementation. [Ministry of Petroleum & Chemicals, O.M. No. 22 (14) /67-OR, dated 15-9-67].

Recommendation (Serial No. 62)

The Committee are inclined to feel that the strength of the technical departments have also been fixed without consideration of any norm. The Committee desire that this matter should be gone into by a committee of experts chosen from the three refineries and the Head Office who should determine what should be the strength of each department in each Refinery. (Para 177).

REPLY OF GOVERNMENT

The suggestion of the Committee is under implementation. [Ministry of Petroleum & Chemicals, O.M. No. 22 (14) /67-OR, dated 15-9-67].

Recommendation (Serial No. 63)

The Committee feel that there should be uniformity in the pay-scales of posts carrying the same designation in the Division. If a lower or higher scale is intended to be given in a particular Refinery on account of any special responsibility attached, then it would be better to call the posts senior and junior or grade I and grade II so that the distinction is clear. (Para 179).

REPLY OF GOVERNMENT

Noted. The disparity in pay-scales is due to historical reasons and its removal is engaging the Management's attention.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14) /67-OR, dated 15-9-67].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

What action has been taken to eliminate the disparity in pay-scales of posts carrying the same designation and when does Indian Oil Corporation expect to achieve uniformity in this respect?

[L.S.S., O.M. No. 34-PU/67, dated 21-2-1968].

FINAL REPLY OF GOVERNMENT

The scales of pay for similar posts in various refineries of Indian Oil Corporation, are identical in most cases. In case of pay-scales of junior categories of staff, certain cases are under examination on grounds of regional disparities. It may be mentioned that Supreme Court has ruled that wages should be governed on the basis of region/area/industry.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67-OR, dated 25-4-1968].

Recommendation (Serial No. 64)

The Committee were informed that the staff were being trained in the observance of safety measures and that all precautions were being taken in this regard. The figures of the accidents during the past two years given above, do not present a happy picture. This is a matter in which constant vigilance has to be exercised by the Management. It is a fact that experienced staff sometimes tend to take safety regulations for granted. The safety regulations should be enforced rigidly and individual staff violating them should be warned or punished for endangering security. (Para 182).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67-OR, dated 15-9-67].

Recommendation (Serial No. 65)

While adequate safety measures are necessary to prevent accidents from happening and controlling losses arising from accidents, adequate security measures in the Refinery are vital to prevent mishaps arising from the action of unsocial elements, miscreants and enemies. This is a matter which should engage the considered attention of the top management in the organisation. Unlike most other industries refining of petroleum products is of vital importance in the country's economy, more so, in times of emergency, and the I.O.C. cannot afford to take any risks in this regard. (Para 183).

REPLY OF GOVERNMENT

Noted. The Management is alive to the need for effective security measures in the Refineries. Adequate watch and ward staff duly strengthened by the armed police lent by the State Govts. are posted at the Refineries. In addition, the recommendations of the Security

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Teams of the Govt. of India who have visited the Refineries have also been implemented.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14) /67-OR, dated 15-9-67].

Recommendation (Serial No. 66)

The Committee find that the circumstances which led to the sinking of the tube wells in connection with the water supply scheme at Barauni were not wholly unjustified. It is true that there was an apparent delay in initiating the project and in coordinating it with other aspects of the construction of the Refinery. This has, however, to be seen in conjunction with the difficulty of obtaining the pumps, a matter which was not in the hands of the Refinery. While the extra expenditure was unfortunate, the Committee did not find a case for blaming the management of the Refinery. (Para 189).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14) /67-OR, dated 15-9-67].

Recommendation (Serial No. 67)

Audit have taken the view that the decision to continue payment of construction allowance beyond the construction phase was irregular and involved a recurring expenditure of Rs. 51,680, per annum in both the Refineries. Though wrong in principle in view of the subsequent decision of the Board, the Committee do not wish to comment upon this matter. (Para 196).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14) /67-OR, dated 15-9-67].

Recommendation (Serial No. 68)

The Committee hope that in view of the technical competence and skill acquired in the refining industry attempts will be made during the expansion of the existing refineries and the construction of new ones to manage without the aid of foreign help. It is only when this is done can one say that the industry has come of age. (Para 199).

REPLY OF GOVERNMENT

This will be implemented to the maximum extent practicable.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67].

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENTS REPLY

Recommendation (Serial No. 1)

The intention behind amalgamating the Indian Refineries Ltd. and the Indian Oil Company Ltd. was to achieve economy, efficiency and coordination as also to eliminate duplication of effort and wasteful expenditure as enunciated in the recommendation of the Estimates Committee contained in para 8 of their Thirty-Fourth Report (Third Lok Sabha). It appears that the actual working of the Corporation after amalgamation has not achieved any of these objectives. (Para 26).

REPLY OF GOVERNMENT

Noted. The amalgamation of the Indian Refineries Ltd. and the Indian Oil Company Ltd. has, in fact, achieved economy, efficiency and coordination between the Marketing, Refining and Pipelines functions. For example, a single Board of Directors now exists instead of two Boards earlier. Thereby coordination in some of the major functions of the Marketing and Refining Wings came to be effected for the first time. Many problems between the two organisations, such as the prices chargeable by the Refineries to the Marketing organisation, especially in respect of the non-formula products, the requirements of funds and investments, outstanding dues from the Marketing to the Refining Wing, etc. have been dealt with effectively. Another important consequence of the amalgamation has been the creation of a climate of unity and oneness amongst the members of the two wings, so necessary for the efficient growth of the organisation.

[Ministry of Petroleum & Chemicals, O.M. No. 22 (14)/67-OR, dated 15-9-67].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The exact nature of economy achieved as a result of the merger may be specified in terms of manpower and equipment. Has it resulted in reduction of staff? What is the financial impact of this economy?

[L.S.S., O.M. No. 34-PU/67, dated 21-2-1968].

FINAL REPLY OF GOVERNMENT

Although it is difficult to measure the exact economies achieved in terms of manpower and equipment, the merger did result in significant saving to the Corporation on account of Sales Tax. Prior to the merger, the sale of petroleum products by the erstwhile Indian Refineries Limited ex-Gauhati and Barauni Refineries to the Indian Oil Company Limited was subjected to Sales Tax. Thereafter, when the same products were sold by the Indian Oil Company Limited to the consumers, sales tax was again levied. As the sales tax was recoverable from the consumer only once there was an additional burden of sales tax either on the Indian Refineries Limited or the Indian Oil Company Ltd. This additional burden has been eliminated by the merger.

Economy in terms of manpower was principally at the level of the Board of Directors and the corporate Headquarters. Instead of the two Boards for the erstwhile Indian Oil Company Limited and the Indian Refineries Ltd. having an authorised total strength of 25 Directors, the strength of the Directors after the amalgamation was reduced to 15. The advantage of the single Board of Directors in ensuring better co-ordination, efficiency and over-all economies in the functioning of the three Divisions are obvious. There were also certain economies in the corporate Headquarters set up e.g. as relating to the Company Secretaries and connected staff.

[Ministry of Petroleum and Chemicals, O.M. No. 22(14)/67, dated 25-4-1968].

Recommendation (Serial No. 3)

The Committee agree that till the construction of the Refineries is over, it might be advantageous for the Refineries Division to be in Delhi for the purpose of contacting the various foreign parties, DGS&D etc. After this is over, it might be examined whether it would not be advantageous for all the Divisions of the IOC to be under one roof, preferably in its own building. If this takes place, it would be possible for the various Divisions of the Corporation to have common service departments to cater to the needs of all the Divisions. For example, there could be common departments for personnel, accounts, legal affairs, labour, civil engineering, stores and purchase, public relations etc. The Committee feel that considerable duplication in these matters exist at present and should be done away with. (Para 29)

REPLY OF GOVERNMENT

Government has carefully considered this matter and has come to the conclusion that, on the balance of the considerations involved, it is preferable to continue the present arrangements.

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67-OR, dated 15-9-67].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Reasons for not accepting the recommendations may please be stated.

[L.S.S. O.M. No. 34-PU/67, dated 27-11-1967]

FURTHER REPLY OF GOVERNMENT

At present the Headquarters of the Marketing Division are located at Bombay and the Headquarters of the Refineries and Pipelines Divisions are in Delhi. Government have already agreed, in principle, to merge the Pipelines Division with one of the aforesaid two Divisions. The various divisions could be brought at one place either by shifting Marketing Division to Delhi or by shifting the Refineries Division to Bombay. The main reasons for not shifting the Marketing Division from Bombay are:—

- (i) Business considerations especially the need to maintain close touch with the other oil companies necessitate the continuance of the I.O.C. (Marketing Divn.) at Bombay.
- (ii) Shifting a staff of 820 officers and others of the Marketing Division to Delhi would add considerable pressure to office and residential accommodation in Delhi, the position of which is already acute.

On the other hand the staff of the Refineries Divn. to Bombay presents the following difficulties:

- (i) The pressure on accommodation in Bombay is greater than in Delhi.
- (ii) From the operational point of view (i.e. for the purposes of keeping in touch with the various refineries and for planning the development of the Haldia refinery project) also Bombay is not a suitable place for locating the Refineries Division at present.

2. For the foregoing reasons, it is considered that the *status quo* should be maintained until more favourable conditions for the shifting of offices arise.

[Ministry of Petroleum and Chemicals, O.M. No. 22(14)/67-OR, dated 8-1-1968].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The Committee would like to have definite information as to when the Government expects to bring all the Divisions of Indian Oil Corporation under one roof.

[L.S.S. O.M. No. 34-PU/67, dated 21-2-1968]

FINAL REPLY OF GOVERNMENT

It would be premature at the present stage to say as to when it would be feasible to bring all the divisions of Indian Oil Corporation under one roof. In the meantime, Indian Oil Corporation has taken steps to see that all its offices located in Delhi, are moved to one building. For this purpose, Indian Oil Corporation's proposals for putting up a multi-storeyed office building in Delhi has already been accepted by the Government, and Ministry of Works, Housing & Supply are considering IOC's request for the allotment of a suitable plot for the purpose.

[Ministry of Petroleum and Chemicals, O.M. No. 22 (14)/67-OR, dated 25-4-1968].

Recommendation (Serial No. 5)

The Committee wonder whether there has been any definite advantage in effecting the separation of the Pipelines Division from the Refineries Division. It has certainly added to the overhead expenditure. That there has been lack of coordination between this Division and the Marketing Division, is only too obvious. It is only now that the co-ordination meetings have been taking place at which the Pipelines Division is represented. The product pipelines are managed by the Pipelines Division and monetary transactions between the Pipelines Division and the Marketing Division entail several accounting procedures and accounts staff. The Committee do not consider that this had led to efficiency and economy. It should be examined whether the Division could be amalgamated with either the Refineries Division or the Marketing Division. (Para 35).

REPLY OF GOVERNMENT

Government agree with the recommendation that the Pipelines Division may be merged with one of the two Divisions, namely, Refineries and Marketing of the Indian Oil Corporation Ltd.

[Ministry of Petroleum and Chemicals, O.M. No. 22 (14)/67-OR, dated 7-10-1967].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

(a) *Whether studies have been carried out with a view to seeing the economics of merging the Pipelines Division with either the Refineries or the Marketing Division and if so, what would be the savings? A copy of study may also be supplied.*

(b) *Copies of the relevant correspondence and the Minutes of Board meeting, when this decision was taken may be forwarded.*

[L.S.S. O.M. No. 34-PU/67, dated 21-2-1968].

FINAL REPLY OF GOVERNMENT

(a) Detailed study on the precise economies as a result of the merger of the Pipelines Division with either the Refineries Division or the Marketing Division has not yet been carried out. However, certain economies, as a result of the merger, are obvious. For example, the post of Director-in-Charge has been abolished with effect from the 23rd February, 1968. There is also some scope for reduction of certain other posts in the Finance & Accounts, Personnel, Administration and Technical departments of the Pipelines. This is under detailed examination in the light of impending reorganisation of the work of the Pipelines.

(b) Copies of the relevant correspondence and the Minutes of Board Meetings on this subject are attached hereto. [See Appendix I].

[Ministry of Petroleum & Chemicals, O.M. No. 22(14)/67--OR, dated 25-4-1968]

Recommendation (Serial No. 6)

The Committee feel that it should be possible for both the Gauhati and Barauni Refineries to increase their rated capacities to a considerable extent by utilising the in-built capacity of the plant and equipment. Like the Gauhati Refinery, the Atmospheric Vacuum Unit-1 of Barauni is stated to have achieved a throughput rate of 1.15 million tonnes in June, 1966 against the related capacity of 1 million tonne. This indicates the extent of extra capacity. The Committee hope that this matter will be actively pursued and suitable modifications for increasing the throughput of the Refineries thought of. It might be desirable for the Head Office of the Refineries Division to specifically entrust this task to certain experts in the Refineries and call for regular reports in regard to plans and progress in this direction. (Para 42)

REPLY OF GOVERNMENT

Noted. Efforts are being and will be made to achieve maximum throughput, keeping in view the demands of the market.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 15-9-1967]

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The efforts made to achieve the maximum throughput may be indicated along with the results thereof.

[L.S.S. O.M. No. 34-PU/67 dated 21-2-1968]

FINAL REPLY OF GOVERNMENT

Experiments conducted on the operations of the refineries have established that all the three refineries can be run on throughputs in excess of designed capacities. However, the increase in throughput depends upon several factors including the adequate availability of crude oil, marketability of products and synchronized and sustained operations of all the units of the refineries over a considerable length of time.

The Gauhati and Barauni refineries process the Assam crude, the availability of which up to now has not been in such quantity as to enable these refineries to run on a throughput in excess of the designed capacities. Furthermore, the marketing of certain products like Iomex from Gauhati Refinery and L.S.H.S. from Barauni Refinery, has been posing problems which when satisfactorily solved will help in increasing the throughputs of these refineries in a balanced way. In the case of Barauni Refinery, the late commissioning of Lube Oil Units and the mal-functioning of the Bitumen Unit has also been a handicap in increasing its throughput. Recently a Soviet Delegation has visited Barauni and as a result action is in hand to carry out certain modifications with the Soviet assistance.

In the case of Gujarat Refinery, although the availability of crude oil in adequate quantities is assured, the problem, however, is in the disposal of reduced crude for which efforts are being made to develop more markets. It has been planned that during the financial year 1968-69, all the three refineries will be run at increased throughputs, when problems mentioned above are expected to have been solved.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 25-4-1968]

Recommendation (Serial No. 11)

Since in the Western India there is a great dearth of L.D.O., the Committee suggest that it may be examined whether Iomex could be sent to the Gujarat Refinery for being blended with other products to produce L.D.O. If this is possible, it will take care of the Iomex production at Gauhati and the deficit of L.D.O. in the Kandla-Okha area. (Para 58).

REPLY OF GOVERNMENT

The Iomex produced at the Gauhati Refinery is a composite extract and is not fractionated into heavy and light aromatic extracts. The flash point of this composite Iomex is around 40 degree C and it may not be possible to blend it for L.D.O. production at the Gujarat Refinery in view of the flash point limitation of L.D.O. being a minimum 66 degree C. However, the technical feasibility and connected problems of transshipment etc. are being examined. The freight on this movement may be prohibitive.

In the meantime, the manufacture of L.D.O. at the Gujarat Refinery has been started from mid May, 1967.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 15-9-1967].

Recommendation (Serial No. 12)

As far as economics of the production of superior kerosene is concerned, the I.O.C. would perhaps prefer things to stand as they are because more production of superior kerosene at Gauhati would mean firstly marketing it in the economic zone of the Barauni Refinery and secondly, incurring an under-recovery of freight on such sales. This arises out of the present pricing policy of petroleum products, which takes only ports as the pricing points and not the Refineries. While the I.O.C. would be justified in taking a purely commercial view of the situation, it has to be remembered that superior kerosene is imported into the country and paid for in foreign exchange while there is idle capacity in the country for production of kerosene. This anomalous situation arises as a result of Govt.'s policy on pricing about which the Committee have dealt with in their Report on the Marketing Division. The Committee have also recommended there that Govt. should devise a method of compensating the IOC for the heavy losses it incurs as a result of under-recoveries of freight. Once this is done, the IOC should be able to revise its policy in the matter of production of superior kerosene at Gauhati and elsewhere so as to produce the maximum quantity possible. (Para 59).

REPLY OF GOVERNMENT

The production of superior kerosene at the Gauhati Refinery is restricted partly because of the difficulties in the disposal of iomex. As the iomex market picks up, the production of superior kerosene will be stepped up. Inferior kerosene and superior kerosene are generally used for the same purposes and as such the non-production of superior kerosene at Gauhati from inferior kerosene should not have any bearing on imports of superior kerosene.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 15-9-1967].

Recommendation (Serial No. 16)

The Committee recommend that the Refineries Division should examine the staff position in detail in each Refinery and determine norms for each department and category of operations. These norms should be applied while fixing the permanent staff strength of each Refinery... The Refineries Division should also evaluate the productivity of the staff in the various departments of each Refinery and make a comparative study inter se. The Committee also suggest that the Research Department of the Refineries Division should try to obtain information on staff productivity techniques employed in other countries and suggest their application in the Refineries. (Para 66)

REPLY OF GOVERNMENT

Noted. Work studies for fixing norms of staff required for operations have been conducted at the Gauhati Refinery. Such studies have now been started at the Barauni Refinery. The Gujarat Refinery will be taken up next. Studies on the productivity of staff will also be initiated in due course.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 15-9-1967].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The work studies for fixing norms of staff in the various Refineries has been taken up piece-meal. Why has it not been possible to take up the job simultaneously in all the Refineries and Divisions?

[L.S.S. O.M. No. 34-PU/67, dated 21-2-1968].

FINAL REPLY OF GOVERNMENT

The work study for fixing norms of staff in different refineries could not be taken up simultaneously as the refineries were at differ-

ent stages of construction, when the staff strength was bound to be fluctuating widely. It is only after the operations of the refineries have been stabilised for some time that it was considered necessary, in the light of the experience gained, to introduce work studies. Accordingly, a common team of Industrial Engineers has been entrusted with detailed studies of all the refineries by turn. A common team was considered desirable from the point of view of establishing uniform and standard norms of all the refineries. If the studies were to be taken up simultaneously it would have been necessary to engage three sets of Industrial Engineers at some additional costs and the object of attaining uniform and standard norms would not have been achieved as the recommendations of the three teams could have been somewhat different in the case of each refinery. Apart from this, the work study being a specialised field, it would have been difficult to obtain experienced and competent Industrial Engineers for short periods.

[Ministry of Petroleum & Chemicals O.M. No. 22 (14) /67-OR, dated 25-4-1968]

Recommendation (Serial No. 18)

As regards the development of the area around Barauni as a sequel to the location of the Refinery, progress has been rather slow. One would have expected that the area would be developed with petroleum based industries including a petro-chemical complex and a fertilizer plant based on naphtha. This has unfortunately not come about, the main reasons being the fact that Barauni not being a pricing point for petroleum products has great disadvantages in so far as the prices of its products are concerned. The Committee in their Report on the Marketing Division have dealt with this matter in detail. Suffice it to say here that when Barauni goes into full production, the I.O.C. will lose Rs. 3 crores per annum on under-recoveries if the present pricing policy of Government is not changed.

Private entrepreneurs should be attracted to Barauni to establish industries there. This can be done only by making the raw material cheaper at Barauni than say at Calcutta. The Committee also feel that vigorous efforts are required both by the Central Government and the Government of Bihar to carry out the policy of economic development of the north Bihar as a direct consequence of locating the Refinery there. The locational disadvantages of the Barauni Refinery can only be compensated if development of the area results from such a location. (Para 78-79)

REPLY OF GOVERNMENT

The whole question of pricing petroleum products has been examined in detail recently by the Working Group on Oil Prices which was constituted by Government of India for this purpose. The present pricing system is based on the recommendations of this body, which were accepted by Government after due consideration. It is Government's view that at least in the near future, no departure can or should be made from the pricing policy based on import parity at the ports.

Regarding the Committee's recommendation for the establishment of petroleum based industries near Barauni, Government feels that it may not be necessarily achieved simply by lowering the prices of Barauni Refinery products. The growth of industries in a particular area depends upon a number of favourable techno-economic factors and the cost of raw material is only one of these. Government is, however, taking steps to promote industrial growth around Barauni and a coke calcination plant is proposed to be set up there shortly by the Indian Oil Corporation. It has been also decided to establish a fertilizer factory at Barauni with a capacity of 3,30,000 tonnes of urea per year. With the establishment of these and other industries, considerable progress will be achieved for other entrepreneurs to share in the speedy industrialisation of the area.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 15-9-1967].

Recommendation (Serial No. 22)

In spite of specific clauses in the contracts for compensation in case of avoidable delays on their part, the Committee observe that the contractors have been leniently treated. The Chief Engineer and the General Manager of the Refinery have been too indulgent in so far as the contractors were concerned. There are no indications that they exercised proper control and if they had things might not have come to such a pass. (Para 85)

REPLY OF GOVERNMENT

The progress of the contractor was being reviewed at Weekly Progress Review Meetings and the contractors were pressed constantly to show better results. When the Management found that the progress of Mechanical Contractors was very slow, a decision was taken in October 1963 to withdraw a part of their work and do the same departmentally. The Contractor, however, challenged the

Management's right to withdraw a part of the work under the Contract and moved the Calcutta High Court for restraining the Management's action. After initial hearing, the Management felt that the dispute would further worsen the situation and it was decided to revise the earlier decision.

[Ministry of Petroleum & Chemicals O.M. No. 22 (14) /67-OR, dated 15-9-67].

Recommendation (Serial No. 23)

The lack of supervision on the part of the supervisory staff of the Refinery over the work of the contractors has also contributed to the delay. The staff lived in Hathidah Colony—five miles away from the site on the south bank of the river Ganges. Adequate facilities did not exist for transport, because apart from Refinery's own transport, there was hardly any public transport available. The roads were also poor and weather conditions often unfavourable. The site itself was often slushy and muddy. The Committee do not wish to under-rate the heavy odds against which the staff had to work to fulfil their tasks. The Committee's only contention is that by locating the township so far away, supervision became lax. (Para 86)

REPLY OF GOVERNMENT

The impression that supervision by Departmental Officers of the Refinery was lacking on account of the fact that they lived far away from the refinery site at Hathidah Colony is not well-founded. The contractors worked at the Refinery site generally on day shift and the timings of the refinery engineers were fixed in a manner that in every zone the Departmental Engineers and their staff were present to supervise the work at all times. The fact that they were residing at a long distance from the Refinery site did not affect the supervision.

[Ministry of Petroleum & Chemicals O.M. No. 22 (14) /67-OR dated 15-9-67].

Recommendation (Serial No. 27)

The Committee feel that there has been a lack of proper planning in regard to the Kerosene Treating Units at the Barauni Refinery. At the moment, the capacity of the Units is almost double of what is required at the 2nd million stage. Unnecessary capital has been blocked up and the high capital cost adds unnecessarily to the expenses of operations. These could have been avoided if all the

factors had been taken into consideration at the planning stage and the extra requirements communicated clearly to the Russian experts.
(Para 100)

REPLY OF GOVERNMENT

The details of the working of the Kerosene Treating Units have already been submitted to the Committee. As stated in para 98 of the Report, the yield pattern of Kerosene and Diesel is under the active consideration of Refineries' technical experts, keeping in view the capacity of Kerosene Treating Units and the market requirements.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 15-9-67].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The yield pattern of Kerosene and Diesel is stated to be under the active consideration of Refineries' technical experts. The results of the investigations carried out in this regard may be indicated.

[L.S.S. O.M. No. 34-PU/67, dated 21-2-68].

FINAL REPLY OF GOVERNMENT

The yield pattern of kerosene and diesel is kept under constant review by Indian Oil Corporation. Barauni Refinery has been examining the possibility of increasing the yield of straight run kerosene from the units, now that the production of high-speed diesel oil has reached a stage of near self-sufficiency. The present yield of straight-run kerosene does not justify the running of the second kerosene unit, specially in view of the fact that it has been possible to process the said kerosene at a rate of about 3,30,000 tonnes per year in one unit itself as against its designed capacity of 300,000 tonnes. The Second kerosene unit is likely to be utilised when the third-million-tonne Atmospheric unit goes on stream in the latter part of 1968-69.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 25-4-1968].

Recommendation (Serial No. 28)

The Committee hope that there will not be waste of manpower in the Kerosene Treating Units. The personnel attached to these Units should be given training in the work of two or three other units so that they could be of use there when the Kerosene Treating Unit shutdown. It should also be examined how far the personnel

of Kerosene Treating Unit No. I can manage the Kerosene Treating Unit No. II. Only the minimum staff should be recruited for Kerosene Treating Unit No. II, so that overheads are kept to the minimum. The Committee, however, cannot but express regret at this state of affairs. (Para 103).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 15-9-67].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Steps taken to avoid wastage of man power in the Kerosene Treating Units may be indicated.

[L.S.S. O.M. No. 34-PU/67, dated 21-2-1968].

FINAL REPLY OF GOVERNMENT

As already reported to the Committee, out of a total number of 55 personnel required for both the Kerosene Treating Units, the actual number recruited is 37. Necessary training has been provided to the personnel working in the Kerosene Treating Units to equip them to take up alternative jobs when their services are not being effectively utilized in the Kerosene Treating Units.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 25-4-1968].

Recommendation (Serial No. 30)

The Committee cannot escape the conclusions that the Management of the Barauni Refinery made no efforts to find out indigenous sources of materials or to reduce expenditure. Comparisons with other public sector refineries are inevitable and the failure at Barauni is all the more glaring when a comparison is made with the Gujarat Refinery. The Committee hope that for the third million stage, imports will be made only when inevitable. The Government of India should also make a comparative and detailed study of the Barauni and Koyali construction with a view to provide guidance for the other public sector refineries envisaged in the Fourth Plan. (Para 109).

REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 15-9-1967].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

What has been done by the Government with regard to making a comparative and detailed study of the Barauni and Koyali construction with a view to provide guidance for the other public sector refineries envisaged in the Fourth Plan?

[L.S.S. O.M. No. 34-PU/67, dated 21-2-1968].

FINAL REPLY OF GOVERNMENT

As a result of experience gained from the getting up of Barauni and Koyali Refineries, certain steps have already been taken in connection with the design and construction of Haldia Refinery. These can be summarised as under:—

1. Foreign collaborators in design and construction are being assisted by two Indian consultancy organisations—Indian Institute of Petroleum and Engineers India Limited. The process design and detailed engineering of off-site facilities would be done mostly in India by E.I.L.
2. Representatives of Indian Oil Corporation are being closely associated with the foreign collaborators during crude evaluation, optimisation and process design studies.
3. It has been decided to make Haldia Refinery a comparatively more integrated unit than other refineries, which is likely to reduce the costs. Thus Haldia Refinery is to have a single topping unit for 2.5 million tonnes while other refineries at Barauni and Koyali have three units of 1 million tonne capacity each.
4. Indigenous material shall be used to the maximum possible extent for construction of the refinery in order to reduce foreign exchange components and to help the growth of specialised industries in the manufacture of refinery equipments.
5. Staffing pattern is being devised on a more realistic basis.

The above efforts are put in with a view to reach a stage when the future refineries could be designed and built with the maximum of Indian know-how and equipment.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 25-4-1968].

Recommendation (Serial No. 31)

The Committee are not happy over the movement of products from Barauni. There has been an apparent lack of coordination

between the Refineries Division and the Marketing Division or an inability on the part of the Marketing Division to sell products in time. As only the first million stage of the Refinery had gone into stream, there is no reason to believe that it was difficult to sell the products as and when they were produced. The area served by this Refinery is highly industrialised one, with a proportionately larger consumption of petroleum products than in the other parts of the country. In view of this, marketing difficulties cannot be a valid excuse for the accumulation of products in the Refinery. The Committee would urge a close scrutiny of this matter by the top management of the I.O.C. and the Government with a view to devising adequate safeguards to prevent the Refinery's operation from coming to a stand-still or its working at reduced throughputs. (Para 112).

REPLY OF GOVERNMENT

Effective steps have already been taken to coordinate production and distribution at different levels in the I.O.C. and these matters are kept under daily watch. The loading pattern of the Railways is also regulated in a manner so as to give the first preference to the movement of products produced at inland refineries which process wholly indigenous crude.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 15-9-67].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The precise steps taken by Government/Indian Oil Corporation to regulate the movement of products from Barauni may be stated.

[L.S.S. O.M. No. 34-PU/67 dated 21-2-1968].

FINAL REPLY OF GOVERNMENT

The Barauni-Kanpur section of the products pipeline was completely commissioned by 31st March, 1967 and Barauni Maurigram (Calcutta) Section was commissioned on 23rd September 1967. Commissioning of these products pipelines has resulted in faster movement of products in the Northern and Eastern Regions.

The Chairman, Indian Oil Corporation, conducts a Co-ordination meeting every month, attended by the concerned officers of the Refineries Division, Marketing Division and the Pipelines, for drawing up a proper production and movement plan for each following month. At this meeting, a detailed review is also carried out of the problems arising and efforts to overcome those problems.

These measures have gone a long way in assisting the movement of products from Barauni Refinery.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 25-4-1968].

Recommendation (Serial No. 34)

During their visit to Barauni, the Committee saw the huge stocks of coke spread out in the open area around the Refinery. It was stated that such exposure for long period was likely to deteriorate the equality of the material. Vigorous efforts must, therefore, be made to find out a market for the coke. Because of the reduced sale each year to M/s. India Carbon Ltd., stock accumulation each year will be heavier in future and as such it is necessary to find out a proper market for the coke. The Committee understand that efforts are being made through the S.T.C. for its export to certain Middle East countries. This should be actively pursued. The I.O.C. may perhaps investigate whether it would be possible also to interest private parties in effecting exports. Even if the Refinery does not make much profit on this deal, it will at least save it from the problem of storing these vast stocks with the attendant possibility of loss by deterioration. (Para 117)

REPLY OF GOVERNMENT

Noted. The suggestions made by the Committee have already been implemented substantially and the accumulated stock at Barauni is being cleared up. A quantity of about 15,300 tonnes has been exported. This will be followed by another 15,000 tonnes of export during September, 1968. In addition, certain quantities have been offered to buyers in the country including India Carbon Ltd. These measures will help to eliminate the accumulation at Barauni.

[Ministry of Petroleum & Chemicals O.M. No. 22(14)/67-OR dated 15-9-67].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

- (a) Has the entire stock of accumulated petroleum coke been disposed off by now?
- (b) Are there any Indian and foreign buyers, whose demands for this coke have not been met fully or partially?
- (c) How much of it had been exported and to whom?
- (d) The prices at which exported to foreign parties and sold to the Indian parties may be stated?

[L.S.S. O.M. No. 34-PU/67, dated 21-2-1968].

FINAL REPLY OF GOVERNMENT

(a) No. The stock of coke at Barauni Refinery as on 1-3-1968 was about 31,000 tonnes.

(b) M/s. India Carbon Limited are the major consumer in India of raw petroleum coke, besides about a dozen other small-scale consumers. Supplies to India Carbon Limited are being made according to a mutually agreed programme. There have however been occasional shortfalls in supplies due to restrictions by the railways resulting from the priorities given to food-grains movement, etc.

(c) The quantities of coke to be exported are reviewed and decided from time to time and negotiations finalised considering the stocks and prices offered. About 4,400 tonnes of coke was exported during 1966-67 to Mombasa and another quantity of about 30,000 tonnes has been exported to Japan, Singapore and Malaysia so far during the year 1967-68.

(d) The price of coke sold to M/s. India Carbon Limited ex-Gauhati Refinery is Rs. 124|- per tonne and ex-Barauni it was Rs. 80|- per tonne f.o.r. Barauni upto end of December, 1967 and Rs. 101|- per tonne f.o.r. Barauni from 1st January, 1968 onwards. The rates in the case of Barauni Refinery are, however, of a special nature in view of the large quantities involved. The standard rate for ungraded coke is 120|- per tonne f.o.r. Barauni.

The rate at which coke was exported to foreign parties by STC varies from Rs. 63|- to 93|- per tonne f.o.r. Barauni.

[Ministry of Petroleum and Chemicals O.M. No. 22 (14) |67-OR dated 25-4-1968]

Recommendation (Serial No. 35)

In regard to the case of a wrong payment of a bill at the Barauni Refinery, the following points arise:—

- (1) *how it could not be detected that the pipes were not seamless;*
- (2) *how the firm despatched the goods before receiving a reply to the request for amendment of the purchase order;*
- (3) *why the tests and test certificates were dispensed with and under whose orders; and*
- (4) *who was responsible for the payment of the Bill and what was the motivation.*

It is strange that bills are missed in the Accounts Department as happened in this case. It might be worth investigating how many such cases of untraced bills were there and how many payments of duplicate bills were made by the Accounts Department. If the findings are not satisfactory, and overhaul of the Accounts Department would be called for.

The Committee understand that as a result of a suggestion made during the oral evidence of officials of the Refineries Division, the case has been handed over to the Special Police Establishment for investigation. The points raised above by the Committee should be gone into and the results reported. (Paras 119-120)

REPLY OF GOVERNMENT

Noted. The position about untraced bills involving payments having been made on duplicate bills has been under investigation. No other case of this nature has come to light so far.

The SPE is looking into the particular case mentioned and the points referred to by the Committee will be covered by their investigation.

[Ministry of Petroleum and Chemicals O.M. No. 22(14) 67-OR dated 15-9-1967]

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The result of the investigation carried out may be intimated.

[L.S.S. O.M. No. 34-PU/67 dated 27-11-1967].

FINAL REPLY OF GOVERNMENT

No further case of payment on duplicate bills has come to light so far.

The investigations by Special Police Establishment, in the case mentioned by the Committee on Public Undertakings in its 36th Report, are still in progress.

[Ministry of Petroleum and Chemicals O.M. No. 22(14) 67-OR dated 8-1-1968]

Recommendation (Serial No. 39)

The Committee are glad to learn about the good work of the Central Designs Organisation. They suggest that this organisation should make continuous studies of improvements in refining technology taking place elsewhere and make efforts to introduce these new techniques in the public sector refineries in India. A close liaison

should also be maintained with the Indian Institute of Petroleum, Dehra Dun in this regard. (Para 130)

REPLY OF GOVERNMENT

The Indian Institute of Petroleum is the principal agency for studying refining technologies and recommending the adoption of new techniques.

The Indian Institute of Petroleum and Engineers India Ltd. together are intended to promote the development of capability in refinery process design and engineering. The Central Designs Organisation is not likely to be well suited for these purposes and its integration with Engineers India Ltd. is, therefore, under separate consideration.

Each refinery has a technical division which deals with problems of day to day improvement, development of spare parts, design, modifications in plant and equipment, debottlenecking, etc. There is, therefore, no need for the maintenance of a Central Designs Organisation for these purposes.

[Ministry of Petroleum and Chemicals O.M. No. 22 (14) |67-OR dated 15-9-1967]

Recommendation (Serial No. 41)

One of the important works being undertaken by the Central Designs Organisation was stated to be in respect of preparation of drawings of various parts of the plant and equipment of all the three Refineries. The Committee were glad to hear about this attempt at self-reliance. They hope that it would be possible for the C.D.O. to prepare drawings for all the important spare parts of the three Refineries. Side by side with the preparation of drawings, continuous efforts should also be made to locate sources in the country for obtaining the spare parts. Such spares will fall into two broad categories:—(i) for process equipment for expansion capital project work and plant modification and (ii) for operational maintenance. Attempts should also be made to rationalise the various component parts and produce suitable Indian standards. The Committee understand that if earnest efforts are made, it will be possible to obtain several refinery equipment like heat-exchange equipment, pressure vessels, pumps, compressors, steam turbines, pipes and fittings and process control and measuring instruments in India. The basic necessities in regard to the indigenous manufacture are stated to be the lack of specifications, composition of construction material drawing and technical know-how. This is the field in which the Central Designs Organisation can play a vital role. (Para 132).

FINAL REPLY OF GOVERNMENT

Noted.

[Ministry of Petroleum and Chemicals O.M. No. 22 (14) |67-OR dated 15-9-1967]

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Please state the specific steps taken towards procurement and manufacture of spare parts indigenously and the value of imports of such spare separately by each of the three Refineries per annum during the last three years.

[L.S.S. O.M. No. 34-PU|67, dated 29-3-1968].

FINAL REPLY OF GOVERNMENT

The specific steps taken towards procurement and manufacture of spare parts indigenously.

Gauhati Refinery:

(i) All reputed workshops in the country which have adequate facilities are contacted and guided suitably by furnishing Drawings, Specifications, working drawings etc. with a view to encourage them in taking up manufacture of spare parts which were hitherto imported.

(ii) Further close contact with small scale industries service Institute at Gauhati and Calcutta is maintained. All the available drawings are sent to them and discussions held with Directors of the Institute in an effort to effectively mobilise the resources of small scale Industries in manufacturing the spare parts needed by us.

(iii) A comprehensive list of suppliers of machinery and machinery spares in the country has been compiled. These suppliers are always contacted first to find out if they can help in locating items indigenously instead of ordering for imports.

(iv) The Central Mechanical Engineering Research Institute, Durgapur is also contacted for obtaining their advice by furnishing them all the necessary drawings. The advice received from CMERI regarding material and manufacturing processes is passed on to the possible manufacturers in the country.

As a result of the efforts made by the Gauhati Refinery to maximise indigenous procurement of spare parts it has now become possible to procure some of the equipment/spares indigenously which were previously imported. These include vessels, Heat Exchangers

columns, Tanks, Piping, Pipe fittings such as flanges etc., Pumps, Compressors upto a capacity of 500 CUM|HR, Valves, Explosion proof motors, Electrical Motors, Push Botton Stations, Lighting fixtures etc. etc. It is further expected that with the commissioning of Durgapur Alloy Steel Plant and other Alloy Steel Units the Alloy Steel Pipes and Pipe fittings made of alloy steel would be available indigenously.

Barauni Refinery:

Barauni Refinery has been procuring from indigenous sources a number of items like stainless steel studs, carbon steel and alloy studs and gaskets. The approximate value of purchases made so far in this category is about Rs. 1,61,000. At Barauni Refinery a number of items have been manufactured in its own workshop with the indigenous materials. The details of items so manufactured at the workshop are as follows:—

- (i) Eleven Pieces of carbon steel floating type tube bundles
— Value Rs. 1,32,000
- (ii) Two pieces tube-in-tube tube bundles
.... Value Rs. 15,000
- (iii) Three Hair-pin type tube bundles .. Value Rs. 32,000

In addition various spare parts for pumps, compressors etc. like wearing rings, impellers shafts, lantern rings, impeller vanes, valve seats, valve spindles, piston roads, cylinder linder, casing waring rings etc. the approximately value of which would be around Rs. 32,000 have also been manufactured in the workshop at Barauni refinery. Presently Barauni refinery is processing various items required for the Thermal Power Station for indigenous procurement such as heater tubes bundles. Apart from this, indigenously available bearings motors etc. are also procured wherever required sizes and types are available in the country.

Gujarat Refinery:

In Gujarat refinery steps were taken to maximise import substitution rights in 1966 for preparation of drawings of fast moving spares. So far 400 such drawings have been prepared and enquiries have been sent to indigenous manufacturers for the manufacture of these spares. So far Gujarat refinery has procured spares worth Rs. 1 lakh

from indigenous sources which if imported would have cost us about Rs. One to Two lakhs in foreign exchange depending on the source of supply.

2. The value of imports of such spares separately by each of the three refineries per annum during the last three years.

The details are given below:

<i>Gauhati Refinery:</i>	1965-66	Rs. 4,22,535.00
	1966-67	Rs. 8,58,363.00
	1967-68	Rs. 2,22,520.00
<i>Barauni Refinery:</i>	1965-66	Rs. Nil
	1966-67	Rs. 7,45,000.00
	1967-68	Rs. 34,75,000.00
<i>Gujarat Refinery:</i>	1965-66	It is not possible to indicate the value
	1966-67	of spares imported as certain amount of spares had come together with the main imported equipment forming part of erection spares. These were not separately paid for and as such could not be accounted. Gujarat refinery still has spares which have been recently valued at about Rs. 1.39 lakhs on a very rough and ready basis as no individual prices had been indicated by the Soviet Suppliers.
	1967-68Rs. 3,74,000.00 (Approx.).

[Ministry of Petroleum & Chemicals O. M. No. 22(14) 67-OR, dated 11-10-1968].

Recommendation (Serial No. 49)

The Committee feel the subject of decentralisation of powers with a view to achieve maximum flexibility of operations needs urgent attention. All the three Refineries have gone into production and it should be possible now to take stock of the position and arrive at certain conclusions in regard to the directions in which changes would be desirable. The Committee are not in favour of a system where by the General Managers have to make constant references to the Head Office on varied matters and obtain concurrence on problems which they, as men-on-the-spot, are better qualified to judge. The Head Office should at best be responsible for policy and co-ordination while the actual day to day working should be left entirely in the hands on the General Managers.

The Committee would suggest that the Refineries Division of the I.O.C. should consult the Chairman of the Hindustan Steel Ltd. on this matter, ascertain the practical virtues and drawbacks of the scheme and draw up concrete proposals as to what further power should be delegated to the Refineries. A larger measure of operating authority should be given at the plant level while minimising the need for close scrutiny at the Head Office in the day to day operations of the plants. (Paras 150-151).

REPLY OF GOVERNMENT

Noted. There is adequate decentralisation at present and the Head Office is mainly concerned with policy, coordination of production, consideration of important schemes or modifications, capital works involving substantial expenditure, imports, etc. etc. The General Managers of the Refineries have wide financial and administrative powers and these powers are reviewed from time to time so as to make suitable revisions when found necessary.

[Ministry of Petroleum & Chemicals O. M. No. 22(14) |67-OR, dated 15.9.67].

Recommendation (Serial No. 50)

The budget at present is used mainly for defining of physical targets against which actual results are compared at the end of the year. If budgetary control is to have any meaning, the relationship between the values which are produced by physical results and the expenses involved in achieving them should be clearly understood, measured and gauged. It is only then that the control can be effected.

The Committee feel that it would be very desirable for the Division to re-orient its budgetting in order to make it an effective tool for managerial control. Performance budgetting, which is the objective that the Committee has in view, has come to be realised as useful in modern management practice and the Committee recommend that it should be introduced by the I.O.C. in all their Division. (Paras 155-156).

REPLY OF GOVERNMENT

Noted. The budget is framed according to normal commercial practice so that it is possible to gauge the profit and loss of the year to which the budget relates. This is reviewed every month to compare with the actual performance both in terms of physical and

financial results and suitable steps taken to achieve the targets for the year.

[Ministry of Petroleum & Chemicals O. M. No. 22(14)|67-OR, dated 15.9.67].

Recommendation (Serial No. 52)

The petroleum industry is a highly specialised industry and techniques of refining are constantly advancing through research. As the industry in the public sector is fast developing, it is essential for it to keep abreast of the developments in the technical and economic fields in foreign countries. The industry has an international character which affects the Indian industry also. It would, therefore, be desirable to build up a well equipped research and development section for the public sector. It might be considered how far it would be desirable to attach this to Indian Institute of Petroleum at Dehra Dun. (Para 159).

REPLY OF GOVERNMENT

Noted. Services of the nature of research and development are being rendered to the public sector refineries by the Indian Institute of Petroleum in an adequate and satisfactory manner. The refineries in turn have technical cells to study and advise on day-to-day operational problems and processing modifications, other than major ones.

[Ministry of Petroleum & Chemicals O. M. No. 22(14)|67-OR, dated 15.9.67].

Recommendation (Serial No. 53)

The suggestion was received by the Committee that it would be better if the Indian Institute of Petroleum was located near a Refinery instead of at Dehra Dun, so that actual trial or pilot plant studies may be facilitated. The Committee feel that there is some force in this suggestion and recommend that this should be considered by Government. The Committee would recommend Baroda, since it is both near a Refinery as well as the oil wells. (Para 160).

REPLY OF GOVERNMENT

It seems now too late to act on this recommendation, in view of the major developments that have already been completed for the Institute at Dehra Dun. Besides, it may be noted that the Indian Institute of Petroleum is a Central Institute that carries on intensive scientific and technological research work concerning oil refining, the application of oil products and petrochemicals. The carry-

ing out of these functions has not been hindered by the location of the Institute at Dehra Dun.

[Ministry of Petroleum & Chemicals O. M. No. 22(14)|67-OR, dated 15.9.67].

Recommendation (Serial No. 59)

The Committee hope that one important factor will be kept in view while reviewing staff requirements. The refining industry is quite new to this country and not many experienced hands both among officers and labour would be available to a new refinery. As such, staff strength will probably have to be fixed at a higher level in the initial years than what is actually required. As the staff learn and become experts, their individual efficiency will rise. It would then be possible to gradually reduce the staff strength. Incentives may be provided to staff to increase their per capita output so that reduction in strength may not create other problems usual in industry. (Para 174).

REPLY OF GOVERNMENT

Noted. The possibility of introducing incentive schemes in the Maintenance Department is being explored. Such a scheme was tried at Barauni Refinery for completing the modifications to the Coking Unit with much success.

[Ministry of Petroleum & Chemicals O. M. No. 22(14)|67-OR, dated 15.9.67].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The concrete steps taken towards introductions of an incentive scheme to improve the per capita output of staff may be stated.

[L.S.S. O.M. No. 34-PU|67, dated 21-2-1968].

REPLY OF GOVERNMENT

The concept of an incentive scheme in the Refineries where operations are highly automatic, is of limited application. Even the maintenance jobs are carried out according to a previously laid down plan. However, when occasions arise for handling emergency jobs, monetary incentives have been given to the staff. For example, additional payment was made for accelerated completion of modifications in the Coking Unit at Barauni Refinery. Similarly, additional payment was made to concerned employees in Gauhati Refinery for reducing the shutdown period of the Coking Unit, which needs perio-

In addition to the above, a scheme for the grant of advance increments to staff for rendering exceptionally meritorious service to the Company, also exists. An Employees Suggestion Scheme has also been introduced in Gauhati Refinery as an experimental measure and if successful, will be extended to other refineries also. Under the scheme, the staff, whose suggestion results in savings and additional benefits to the Corporation, are suitably rewarded.

[*Ministry of Petroleum & Chemicals*, O. M. No. 22(14) 67-OR, dated 25-4-1968).

CHAPTER IV

**RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF
GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COM-
MITTEE.**

NIL

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

NIL

NEW DELHI;
January 16th, 1969.
Pansa 26th 1890 (S).

G. S. DHILLON,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(Vide reply to recommendation at serial No. 5—Pages 28-29).

Copy of the correspondence between the Ministry of Petroleum and Chemicals and Indian Oil Corporation and minutes of the Board meetings relating to merger of Pipelines Division with other Divisions of I.O.C.

Copy of letter No. 22|14|67-OR dated 14-9-1967 from Shri M. V. Rajwade, Joint Secretary, Ministry of Petroleum & Chemicals, New Delhi, to Shri N. N. Kashyap, Chairman, Indian Oil Corporation, New Delhi.

Please note that I.O.C.'s comments on recommendation No. 5 in Committee of Public Undertakings 36th Report on IOC (Refineries Division) have not yet been received. Will you kindly expedite the reply to this Recommendation before 18th September, to enable us to furnish our reply in turn to the Lok Sabha Secretariat on 19th September, 1967?

Copy of D.O. letter No. 1(6)|67-CH dated 18th September, 1967 from Shri N. N. Kashyap, Chairman, IOC, New Delhi to, Shri M. V. Rajwade, Jt. Secretary, Ministry of Petroleum & Chemicals, New Delhi.

Please refer to your D.O. letter No. 22|14|67-OR, dated 14th September, 1967 regarding IOC's comments on Recommendation No. 5 of Committee on Public Undertakings 36th Report.

The recommendations of the Committee on Public Undertakings in its 35th and 36th Reports were considered by a Sub-Committee of Directors, consisting of Sarda Nand Singh, Kamljit Singh, S. K. Guha and myself, on the 17th and 18th July, 1967 and the IOC's comments were finalised at these meetings. With regard to Recommendation No. 5 (36th Report), however, the view of the Sub-Committee of Directors as a whole and one of its members, Shri S. K. Guha, were at variance with each other, the draft reply (copy enclosed) was specifically brought to the notice of the Board. This question was considered by the Board of Directors at their meeting, the Board postponed the decision in the matter to the next meeting which is due to be held on the 30th September, 1967. Relevant

extract from the minutes of the meeting on that item, however, is reproduced below for ready reference:—

“Item No. IMP|34: Recommendations of Committee on Public Undertakings.”

The Board was apprised by the Chairman of the deliberations of the sub-committee of Directors which met on 12th August, 1967 to consider the reply of the Corporation to the recommendations of the Committee on Public Undertakings on paras 35 and 36 of the Report. The Committee, as all the members were unable to attend, did not come to a decision and felt that the discussions be continued in the Board meeting itself. It, however, came to the conclusion that there was definitely a scope for economy in the Pipelines Division, whether it merges or not with one of the other Divisions. The view expressed by Shri A. A. Peerbhoy, vide his TPM, was also placed before the Board. The Board was also apprised of Shri S. K. Guha's request for postponement of item relating to Pipelines Division as he was unavoidably not able to attend. The Board after discussion postponed the decision on this item to the next meeting.”

In view of the fact that the Ministry wanted the IOC's comments before 18th September, 1967, I circulated the enclosed draft for concurrence or comments of the Directors. Till to-day, seven Directors, including myself, have indicated their consent to the enclosed draft and three Directors have not consented. Replies from the remaining three directors have not yet been received. It would, however, be seen that the majority of the Directors have consented to the enclosed draft reply and therefore, the Ministry may take whatever action it deems necessary in the matter.

Sd.|- N. N. Kashyap.

Extract from the minutes of the meeting (held on 17-8-1967) of the Board of Directors on Recommendation No. 5 of the 36th Report of the Committee on Public Undertakings.

“Item No. IMP|34: Recommendations of the Committee on Public Undertakings:

The Board was apprised by the Chairman of the deliberations of the Sub-Committee of Directors which met on 12th August, 1967 to consider the reply of the Corporation to the recommendations of Committee on Public Undertakings on paras 35 & 36 of the 36th Report. The Committee, as all the members were unable to attend, did not come to a decision and felt that the discussions be continued in the Board meeting itself. It, however, came to the conclusion that there was definitely a scope for economy in the Pipelines Division, whether it merges or not with one of the other Divisions. The view

expressed by Shri A. A. Peerbhoy, vide his TPM, was also placed before the Board. The Board was also apprised of Shri S. K. Guha's request for postponement of item relating to Pipelines Division as he was unavoidably not able to attend. The Board after discussion postponed the decision on this item to the next meeting."

Extract from the minutes of the meeting (held on 5-8-1967) of the Board of Directors on Recommendation No. 5 of the 36th Report of the Committee on Public Undertakings.

"Item No. IMP|28: Observations made by the Committee on Public Undertakings in its reports Nos. 35 & 36.

The minutes of the Sub-Committee on the recommendations made by the Committee on Public Undertakings were considered. In regard to para 35 of the Committee's recommendations in relation to abolition and merger of Pipelines Division with either the Marketing or Refineries Divisions or with both was considered. Various view points were expressed by the members of the Board. To consider further, the Board constituted a Sub-Committee consisting of the Chairman, Shri M. V. Rajwade, Shri R. S. Gupta, Shri E. P. W. Da Costa, Shri S. K. Guha, Shri M. V. Rao and Shri S. Ghosh. The Board also requested Director Incharge, Pipelines Division to provide necessary details in regard to the various points which were explained to Director Incharge in the Board Meeting. The recommendations of the Sub-Committee would, thereafter, be considered by the Board of Directors in their next meeting to be held on 17th August, 1967 before the recommendations are forwarded to Government.."

Minutes of the meeting of the Sub-Committee of Directors of the I.O.C. held on the 17th and 18th July, 1967 in the office of the Chairman, I.O.C. Link House, New Delhi.

Present:

Shri N. N. Kashyap,
Chairman,
I.O.C. Ltd.
Maj. Gen. Sarda Nand Singh,
Managing Director,
I.O.C. (Refineries Division).
Shri Kamaljit Singh,
Managing Director,
I.O.C. (Marketing Division)

Shri S. K. Guha,
 Director-in-Charge,
 I.O.C. (Pipelines Division).

Shri Daulat Singh, Co-ordination Manager, Chairman's Office, I.O.C., New Delhi was also present by special invitation.

In pursuance of Resolution No. IMP|22 passed by the Board of Directors at their meeting held on the 1st July, 1967 the Sub-Committee of Directors consisting of the Chairman, Shri Kamaljit Singh, Maj. Gen. Sarda Nand Singh (Retd.) and Shri S. K. Guha met on the 17th and 18th July, 1967 to consider the recommendations/conclusions made by the Committee on Public Undertakings in its Reports No. 35 & 36 and finalise the replies on behalf of the Board of Directors. The Committee made a detailed examination of the draft replies and made suitable changes in some of the drafts and, thereafter, approved the same for circulation to all the Directors as well as for being sent to the Government for further action.

The Chairman suggested that each Division should examine these replies and take action to implement the assurances given in some of the replies as soon as possible.

With regard, however, to Serial No. 5 of the Recommendation in the 36th Report of the Committee relating to the merger of the Pipelines Division with either the Marketing Division or the Refineries Divisions, the views of the Sub-Committee as a whole and one of its members, Shri S. K. Guha, were at variance with each other. In the context of the proposed re-organisation and having regard to the fact that the construction works of all the pipelines are over and no other pipeline is likely to be taken up for construction in the near future, the majority of the sub-Committee was of the view that the Pipelines Division should cease to exist as an independent Division. Shri S. K. Guha, however, felt that in view of the large investment of the order of Rs. 40 crores involved in the different pipeline projects and the need for the maintenance of proper cost and operational accounts, it is necessary to continue the Pipelines Division as a separate entity as at present. He also drew attention to Government's recent thinking in this regard as shown by his appointment on a four-year term as Director-in-Charge with effect from September, 1966.

Extract from the minutes of the meeting (held on 1-7-1967) of the Board of Directors on Recommendation No. 5. of the 36th Report of the Committee on Public Undertakings.

"Item No. IMP|22: Observations made by Committee on Public Undertakings in its Reports Nos. 35 & 36.

At the instance of the Chairman, the Board appointed a sub-Committee consisting of:—

- (1) Chairman
- (2) Shri Kamaljit Singh
- (3) Maj. Gen. Sarda Nand Singh
- (4) Shri S. K. Guha

to consider and approve on behalf of the Board of Directors the replies provided by the Corporation to the various observations made by the Committee on Public Undertakings in its Reports Nos. 35 & 36.”

*Extract from I.O.C. Board Meeting held on 6-3-1968 Item No. IMP/85
Abolition of Pipelines Division.*

The Board ratified the action of the Chairman in entrusting the work of the Pipeline Division for the time being to the charge of Managing Director (Refineries Division) with effect from 23rd February, 1968. The Board took note of the fact that a detailed scheme as to the management of the pipeline work on permanent basis will come up before it in due course.

APPENDIX II

(Vide Para 4 of Introduction)

Analysis of action taken by Government on the recommendations contained in the 36th Report of the Committee on Public Undertakings (Third Lok Sabha)

I. Total Number of Recommendations made	68
II. Recommendations that have been accepted by Government (<i>Vide</i> recommendations at S. Nos. 2, 4, 7, 8, 9, 10, 13, 14, 15, 17, 19, 20, 21, 24, 25, 26, 29, 32, 33, 36, 37, 38, 40, 42, 43, 44, 45, 46, 47, 48, 51, 54, 55, 56, 57, 58, 60, 61, 62, 63, 64, 65, 66, 67 and 68)	
Number	45
Percentage to total	66.2%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>Vide</i> recommendations at S. Nos. 1, 3, 5, 6, 11, 12, 16, 18, 22, 23, 27, 28, 30, 31, 34, 35, 39, 41, 49, 50, 52, 53 and 59)	
Number	23
Percentage to total	33.8%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee	Nil
V. Recommendations in respect of which final replies of Government are still awaited	Nil

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI—contd.					
21.	Sat Narain & Sons, 3141 Mohd. Ali Bazar, Mori Gate, Delhi.	3	30.	People's Publishing House, Rani Jhansi Road, New Delhi	76
22.	Atma Ram & Sons, Kashmere Gate, Delhi-6	9	31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Gani, New Delhi.	88
23.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	32.	Hind Book House, 82, Janpath, New Delhi.	95
24.	The Central News Agency, 23/90, Connaught Place, New Delhi	15	33.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
25.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	MANIPUR		
26.	Lakshmi Book Store, 42 Municipal Market, Janpath, New Delhi	23	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annex, Imphal.	77
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	AGENTS IN FOREIGN COUNTRIES		
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2	
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1	68			

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