

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1975-76)**

(FIFTH LOK SABHA)

SEVENTY-THIRD REPORT

[Action taken by Government on the recommendations contained in the Forty-ninth Report of the Committee on Public Undertakings (Fifth Lok Sabha)].

**INDIAN OIL CORPORATION LIMITED
(MARKETING DIVISION)**

**Ministry of Petroleum and Chemicals
(Department of Petroleum)**



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 1975/Sravana, 1897(S)

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(1975-76) FIFTH LOK SABHA.**

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**COMMITTEE ON PUBLIC UNDERTAKINGS
(1975-76)**

CHAIRMAN

Shri Nawal Kishore Sharma

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2. Shri Dinen Bhattacharya
3. Shri Bhogendra Jha
4. Shrimati Sheila Kaul
5. Shri V. Mayavan
6. Shri Surendra Mohanty
7. Shri Damodar Pandey
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10. Shri Ram Surat Prasad
11. Shri K. Narayana Rao
12. Shri Vasant Sathe
13. Shri C. K. Jaffer Sharief
14. Shri Atal Bihari Vajpayee
15. Shri Amarnath Vidyalankar
16. Shri Sriman Profulla Goswami
17. Shri Harsh Deo Malaviya
18. Shri Jagdish Prasad Mathur
19. Shri Bhola Prasad
20. Shri Veerendra Patil
21. Shri Sultan Singh
22. Pandit Bhawani Prasad Tiwary

SECRETARIAT

Shri M. A. Soundararajan—Chief Financial Committee Officer.

Shri K. S. Bhalla—Senior Financial Committee Officer.

**ACTION TAKEN. SUB-COMMITTEE OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (1975-76)**

Shri Nawal Kishore Sharma—*Chairman.*

- 2. Shri Harsh Deo Malaviya**
- 3. Shri Vasant Sathe**
- 4. Shri Amaranth Vidyalkankar**
- 5. Shri C. K. Jaffer Sharief**
- 6. Shri Damodar Pandey**
- 7. Shri Atal Bihari Vajpayee**

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present the Seventy-third Report on Action Taken by Government on the recommendations contained in the Forty-ninth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Indian Oil Corporation Limited (Marketing Division).

2. The Forty-ninth Report of the Committee on Public Undertakings was presented to Lok Sabha on the 24th April, 1974. The replies of the Government to all the 96 recommendations contained in the Report were received in batches and the last batch was received on the 1st March, 1975.

3. The replies of the Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings at their sitting held on the 16th July, 1975 and the Chairman was authorised to finalise the draft Report on the basis of the decisions of the Sub-Committee. The Report was finally adopted by the Committee on Public Undertakings on 2nd August, 1975.

4. 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 Government's replies.
- (iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.
- (v) Recommendations in respect of which replies of Government are awaited.

5. An analysis of the Action Taken by Government on the recommendations contained in the Report of the Committee is given in Appendix XII. It would be observed therefrom that out of the total number of recommendations made in the Report, 38 per cent

(viii)

have been accepted by the Government. The Committee do not desire to pursue 28 per cent of the recommendations in view of the Government's replies. Replies of Government in respect of 32 per cent of the recommendations have not been accepted by the Committee and final replies of Government to 2 per cent of the recommendations are outstanding.

NAWAL KISHORE SHARMA,
Chairman,
Committee on Public Undertakings.

NEW DELHI;

Dated the 3rd August, 1975.

Sravana 12, 1897 (S).

CHAPTER I

REPORT

A. Retail outlets for the sale of Motor Spirit

Recommendation Sl. No. 2 (Paragraph No. 227 to 230, 231)

The Committee noted that the main difficulty in setting up retail outlets and in improving its overall participation in retail sale was non-availability of suitable sites in strategic areas in major towns where there was high consumption of motor spirit. In this connection, the Committee found that in respect of retail outlets of private oil companies on Public land in the four metropolitan cities and 26 other selected towns, the Retail Outlets Committee had recommended the transfer of the retail outlets to the IOC on the expiry of the existing leases. Out of 62 retail outlets on such land which were offered by other oil companies in pursuance of this recommendation of the Retail Outlets Committee, the IOC had taken over only 33 outlets upto 1973. The Committee were informed that out of the remaining 29 outlets the IOC was not interested in taking over 17 of them. The Committee recommended that the detailed reasons as to why the IOC was not interested in taking over these 17 outlets should be gone into by the Ministry and a report submitted to them.

2. The Committee were also informed that there were 19 retail outlets of the private oil companies on land belonging to public sector undertakings. The main reason for these not being transferred to IOC was stated to be that the Central/State Public Undertakings were bound by their prior commitments to private oil companies. As it has now been decided in the out-of-court settlement that the land belonging to public sector undertakings would be treated as private and not public land, it was upto the public undertakings as land owning authorities to offer sites to IOC after expiry of the present leases. The Committee are surprised at this complacent attitude of the Ministry and urge that Government should immediately undertake a review of each of the 19 retail outlets with a view to finding out suitable ways and means of assisting the IOC to set up retail outlets there at the earliest. The Committee would like to be informed of the concrete progress made in this behalf within six months. Government should also ensure that all new

retail outlets on lands belonging to public undertakings are offered first to the IOC which has an all India network and should be able to meet in full the requirements of public sector.

3. In the reply, Government stated that the detailed reasons for IOC's not taking over 17 of the retail outlets offered to it by the Private Oil Companies had been gone into. In nine out of the above 17 outlets, IOC's action in not taking them over was considered justified. The main reasons for not taking over these outlets were:—

- (a) IOC's inability to take over the sites because of the existence of its own retail outlets on public land within 100 metre as per para 8.9 (e) of the Retail Outlets Committee's Report.
- (b) Objections from local authorities for continuance of the retail outlets as a result of which they had to be decommissioned later.
- (c) Ownership of the land being disputed.
- (d) Low sales.

Regarding the remaining 8 retail outlets further detailed investigations were being carried out to ascertain the reasons and the Committee would be apprised in this regard in due course.

The Government added that as per the Consent Order, dated 26.10.72 of the Bombay High Court, the Central Government could not issue any instructions, directions or requests to any public land owning authority to favour any oil company at the cost of any other oil company or companies in the matter of renewal of leases/licenses, or to deny any oil company the grant or renewal of leases/licenses up to 31-12-1975.

However, in view of the fact that the land belonging to public sector undertakings was to be treated as private land and not public land, Law Ministry had been requested to examine whether issuing any instructions, directions or requests by the Central Government to such public sector undertakings for giving land to IOC on priority over the other oil companies, would be in conformity with the provisions of the Consent Order.

Further action would be taken on receipt of the advice of Law Ministry and the Committee would be informed of the action in due course.

4. In their further reply (24-7-1975), the Government stated as follows:—

“(i) Regarding the remaining 8 retail outlets records pertaining to one retail outlet have been received in the Ministry and are under examination. In the case of other seven retail outlets IOC is collecting the relevant documents from its Regional Office and the District Office and would be submitting those for examination by the end of July, 1975. The investigations in the matter are likely to be completed by the end of August, 1975.

(ii) The advice sought from the Ministry of Law regarding issuing instructions, directions or requests by Central Government to Public Sector Undertakings for giving land to IOC on priority over other oil companies has still not been received. Branch Secretariat of Ministry of Law at Bombay has been reminded to send their advice immediately.”

5. The Committee note that I.O.C. was not interested in taking over 17 retail outlets which were offered by other oil companies in pursuance of the recommendations of the Retail Outlets Committee. They further note that the reasons for the I.O.C. not taking over 9 out of these 17 outlets have been examined by the Ministry in pursuance of the Committee's recommendation and found to be justified. Records relating to one outlet are stated to be under examination by the Ministry and the records relating to remaining seven outlets are still being collected by the IOC and are expected to be submitted to the Ministry by the end of July, 1975. The Committee regret to note that IOC has taken such a long time in collecting the relevant documents from the Regional Office and Distt. Office in respect of the 7 retail outlets and submitting them for examination by the Ministry as recommended by the Committee. They would like the Corporation to submit the relevant documents to the Ministry without any further delay and they would like the Ministry to go into the reasons for the I.O.C. not taking over the remaining 8 retail outlets and make a report to the Committee expeditiously.

The Committee are informed that the advice sought from the Ministry of Law regarding issuing of instructions etc. by the Central

Government to public sector undertakings for giving land to IOC on priority over other Oil Companies has still not been received. They would like the Corporation/Ministry of Petroleum & Chemicals to pursue the matter with the Ministry of Law and finalise action on this recommendation as early as possible.

B. Product Exchange Agreements

Recommendation Sl. No. 5 (Paragraphs 3.21, 3.22, 3.25 and 3.26)

6. The Committee expressed their unhappiness that even after the experience of the working of product exchange arrangements for several years the Corporation did not make serious efforts to secure better terms to the best advantages of the Corporation and the country. They strongly urged that negotiations with the oil companies should be completed without any further delay and the revised product exchange agreement finalised in right earnest keeping the interest of the IOC in view. They desired to be informed of the precise progress made in finalising and signing the revised agreements within six months of presentation of the Report.

7. The Government stated in the reply (4-1-75) that the revised Product Exchange Manual had been drafted and approved by a Committee and sent to solicitors. The Report would shortly be sent to other oil companies for negotiation and acceptance. The Committee were also aware of the take over of ESSO and the function of Hindustan Petroleum Corporation and the negotiations were currently in progress for equity participation with Burma-Shell and Caltex. Once this was achieved the position would change completely and it would be possible to work out an equitable arrangement for product exchange between the various public sector undertakings.

8. The Committee regret to note that although they had strongly recommended that negotiations with oil companies should be completed without any further delay and revised product exchange agreement finalised in right earnest keeping the interest of the IOC in view, their direction to be apprised of the progress made in this regard within six months of the presentation of the report was not treated with due seriousness and the compliance therewith was delayed for over two months. They would like the Government to issue necessary instructions to all concerned in this regard in order to ensure that target dates laid down by the Committee in such matters are adhered to and recurrence of such a lapse is avoided in future.

The Committee would also like the revision of the product exchange agreement to be expedited and Parliament informed about it.

C. Reimbursement from Freight Surcharge Pool

Recommendation Sl. No. 10 (Paragraph 4.38)

9. The Committee noted that Government informed the oil companies as early as May, 1971 that pending further consideration of the manner of treating the cost of movement of products through the product pipelines for the purpose of reimbursement from the Freight Surcharge Pool, products actually moved through product pipelines would be treated to have been moved by shortest rail route and adjustments, if any, would be made later. The Committee regretted that so far no final decision had been taken in the matter and Government had then decided to remit the problem to the next Pricing Committee. The Committee recommended that the matter be settled at an early date.

10. In reply, the Government stated that the matter was under their consideration and a final decision would be taken soon.

11. The Committee would like that Government should expedite the settlement of the matter.

D. C&F Adjustment Accounts

Recommendation Sl. No. 16 (Paragraph 5.31)

12. The Committee found that the main object of creating the C&F adjustment Account was to provide for the effect of fluctuations in the freight or wharfage with reference to the rates ruling on certain dates. They, however, regretted to note that the funds collected for this 'Account' through the levy of surcharge on petroleum products had been utilised for some purposes which could not be said to be strictly falling within the scope of the Account. Thus, a sum of Rs. 4.23 crores was paid to Madras Refineries Limited out of this Account because of higher freight paid by the Refinery on the import of crude due to the delay in the development of Madras Port facilities for which Committee saw no justification. The Committee desired that detailed rules should be drawn up without further delay specifying the nature of the items which would qualify for adjustment out of the C&F Adjustment Account and a copy thereof laid on the table of the Houses of Parliament.

13. The Government stated in their reply that detailed guidelines had already been framed by Government in consultation with the

Ministry of Finance on various items eligible for re-imburement/adjustment in the Account. The crude oil supply, price and transportation situation had been extremely dynamic and fluid during the last two years and changes in the guidelines for re-imburement/adjustment or mopping up into the account were being made when considered necessary by the Government. As and when new situations developed further amendments in the guidelines might also be necessary. The entire system of pricing of petroleum products was informal and not statutory. The entire question of pricing had been referred to the Experts Committee (OPC) set up by the Government in March, 1974. The Committee had been asked to examine the scope and content of C&F, FSP and other Pool Accounts and give its recommendations in regard to the maintenance and operation of these Accounts. On receipt of OPC's recommendations, Government would be in a position to take a view on the specific recommendations of the Committee on Public Undertakings.

E. Inter-ministerial Committee on the levy of surcharges on Petroleum Products

Recommendation Sl. No. 18 (Paragraphs 5.47 and 5.48)

14. The Committee found that Government had levied various surcharges on petroleum products to compensate the oil companies for specific under recoveries. However, the amount collected under the various schemes formed part of neither the Consolidated Fund of India nor the Public Account. Except in the case of Freight Surcharge Pool, the amounts collected by the levy of these surcharges formed part of the overall funds of the oil companies. There was also hardly any effective control exercised by Government on the utilisation of funds in the various pool accounts. It was only in September, 1973, i.e. after the Committee had taken up the examination of I.O.C. that the Ministry appointed an inter-ministerial Committee to examine *inter-alia* the legal position of these large funds, to frame guidelines for the maintenance of the accounts, to recommend the methods/mechanism of control to be exercised by Government and to consider the feasibility of bringing all these accounts under the Consolidated Fund of India. The Committee desired that Government should examine whether there was need for the levy of the various surcharges on petroleum product to compensate the oil companies for specific under-recoveries and to maintain the various pool accounts/surcharge schemes, in case these were considered inevitable, and to take suitable measures for an effective

control over the funds collected under the various schemes and for the maintenance of proper accounts and audit thereof in consultation with the C&AG in the light of the recommendations of the Inter-ministerial Committee and the Oil Pricing Committee.

15. The Government stated in the reply that suitable action would be taken as soon as the recommendations of the Inter-Ministerial Committee and the New Oil Pricing Committee were received.

F. Block Control Accounts

Recommendation Sl. No. 19 (Paragraph 5.60)

16. The Committee found that as in the case of Pool Accounts/Surcharge Schemes, there was hardly any effective control over the block-control accounts by Government. Till recently there were no guidelines for determining cost of production to ensure that it was not overstated by the oil companies, and if oil companies offered rebates to customers these would be reimbursed from profits. There was also no detailed auditing of these accounts by auditors appointed by the Government to verify the correctness or otherwise of the over-recoveries shown by the oil companies.

The Committee recommended that suitable measures be introduced to place the maintenance of these accounts on sound footing and to have an effective control over them.

17. The Government stated that the block control system and the C&F Adjustment account had been continuing for a long time. Any revision of the present system would require very careful and detailed consideration. This matter had, therefore, been included in the terms of reference of the new Oil Pricing Committee. Pending receipt of the recommendations of the new Oil Pricing Committee, the existing system was being continued.

18. The Committee find that the Oil Pricing Committee which was set up by Government in March, 1974 to examine the scope and contents of C&F, FSP and other Accounts and to give its recommendations for maintenance and operation of these accounts, has not given its Report to the Government so far. The Committee while reiterating their earlier recommendations would like to stress that matter should be expedited and the Committee/Parliament informed of the results.

G. Credit Policy

Recommendation Sl. No. 22 (Paragraphs 6.30 & 6.31)

19. The Committee noted from the instances mentioned in Appendix VI of their 49th Report, that in some of the cases the responsibility for lapses had not been fixed. Even in cases where the responsibility was stated to have been fixed the specific action taken against the delinquent officials had not been intimated to the Committee. The Committee desired to be informed of action taken against the delinquent officials in all those cases. The Committee also desired that those cases should be vigorously pursued with a view to realising the outstandings from the parties, and they be informed of the outcome in each case.

20. According to the reply of the Government, the latest position in regard to the outstandings from the six parties mentioned in Appendix VI of the report is as follows:—

1. *Agrawal Oil Co. Delhi.*—Rs. 1,38,036 is outstanding.

IOC has obtained a decree from the High Court in favour of the Corporation. However, the amount could not be realised from the dealer because properties belonging to judgement debtors, viz. the partners of the firm, could not be traced for the purpose of attachment and realisation. Decree is, therefore, still pending for execution.

2. *Coloured Glass Company.*—Rs. 56,687 is outstanding.

The original outstanding amount has been reduced as some payments have been received subsequently. Court proceedings are in progress for recovering the balance of the amount.

3. *Dholpur Glass Works.*—Rs. 41,393 is outstanding.

Application for winding up of the firm was filed in the High Court and the Official Liquidator has been appointed. This case is pending before him.

4. *Sukh Sagar Shipping Co.*—Rs. 43,061 is outstanding.

In order to recover the dues, an affidavit of proof of debt was filed before the Liquidator. IOC is following up the issue with their solicitors.

5. *POL Products Consumers Co-operative Society Ltd.*—Rs. 1,10,029 is outstanding.

The suit filed for recovery of the outstanding has been decreed in favour of IOC, in the court of Nowgong for recovering the money.

6. *Corporate Traders*.—Rs. 1,86,481 is outstanding.

A suit has been filed in Jorhat Court for recovering the outstandings and it is at hearing stage.

All the six cases were investigated thoroughly and in regard to the following three cases individual responsibility was fixed. Action taken against the individuals concerned is as follows:—

1. *Agarwal Oil Co. Delhi*.—After the investigation into the case, responsibility was fixed on two members of the Accounts staff attached to the Shakurbasti Installation. Both of these were Assistant Cashiers. Both were demoted as Clerks as a measure of disciplinary action.
2. *M/s. Corporate Traders, Jorhat*.—The responsibility for this case was fixed on the District Manager, Durgapur. The following disciplinary action was taken against him:
 - (i) He was severely warned in writing.
 - (ii) Three increments were withheld with cumulative effect.
 - (iii) He was re-designated as Assistant District Manager.
3. *Sukh Sagar Shipping Co.*—Responsibility was fixed and concerned officers was warned severely.

In regard to the other three cases, namely, that of Dholpur Glass Works, Dholpur, POL products Consumer Co-operative Society Ltd., Nawgong and Coloured Glass Company, Bombay, responsibility on any individual could not be fixed. In all these cases, Indian Oil obtained the business in a highly competitive situation and credit on a very selective basis had to be given which in many cases involved a calculated risk. In view of the fact that the IOC had obtained assurances of creditworthiness of the parties concerned and had assumed that the parties had only temporary financial difficulties which they were expected to get over soon calculated risks were taken in order to retain business because the other oil compa-

nies were often prepared to give such credit to customers and very often were tempting away our customers. Investigations carried out proved that the non-adherence to the credit policy laid down was not due to the action of any particular individual or individuals.

21. From the reply it is clear that the full realisation of the outstandings from the aforesaid six parties has not been made so far. The Government have also confirmed on 28-2-1975 that there has been no further collection of outstandings since then.

The Committee would like to reiterate that the cases for realisation of the outstandings from the concerned parties should be vigorously pursued in the courts and Parliament informed of the outcome of each case.

H. Bad debt—written off for want of documentary proof

Recommendation Sl. No. 23 (Paragraph 6.38)

22. The Committee regretted that the IOC had written off a sum of Rs. 44.62 lakhs as bad-debts during 1969-70 to 1972-73 and this included a sum of Rs. 13.70 lakhs pertaining to cases where the Corporation was unable to establish its debts for want of documentary proof. The Committee also found that in some cases put up by the Management to the Board for writing off certain debts, the internal audit had either been able to locate the proof of supply or had established that the debt was recoverable. The Committee could not help concluding that the Management did not make a thorough check to locate the proof of supply and/or to try all possible ways to recover the debts before putting proposals to the Board for write off of these debts. The Committee desired that all the cases of bad debts written off for want of documentary proof should be thoroughly investigated and responsibility fixed for such loss of documents.

23. The Government stated in reply that the Management of IOC had itself viewed with great concern the proposals for write off for want of documentary proof. As such, the procedure for write-off of bad debts cases was reviewed and it was decided that all write-off proposals in excess of Rs. 10,000/- should be pre-audited by Internal Audit who would look into the facts of each case and endorse the write-off proposals with their observations. The Government added that most of the write-off proposals for want of documentary proof related to the period between 1962 and 1970 and in view of the time lag between the date of the transaction and its write-off, it would

be practically very difficult to establish the point of time at which the documents were lost. This information, it would be appreciated is essential for fixing responsibility for the losses. However, all such cases of write-off for want of documentary proof were being looked into once again and based on the findings, responsibility would be fixed in all such cases where it was found practicable.

21. As regards fixing responsibility for the loss of documents, it had been stated that in view of the voluminous nature of the task involved, the work of examining all the relevant records in the Branch and locations would take considerable time. Responsibility would be fixed where found practicable and the Committee would be informed in due course of the action taken.

24. The Committee are surprised that a huge amount of over Rs. 13 lakhs was written off as a bad debt on the inexcusable ground of want of documentary proof. The Committee are surprised that the documents relating to the transaction involving such a large sum of money could be missing. The Committee need hardly stress that it is essential to trace out the exact causes of loss of documents. The Committee would like the Government to inform the Parliament as to the steps taken by them in this regard and also to fix responsibility for the loss of documents and the names of the officers involved.

I. Production of transformer oil—Issue of Industrial Licence

Recommendation Sl. No. 26 (Paragraph 7.42)

25. The Committee noted that although the IOC had raw oil for the production of transformer oil and the Ministry enquired in April, 1963 whether they would like to take up the project, the IOC did not do so. Instead it issued 'no objection' to Government in November, 1965 on the proposal of a private firm which was willing to give IOC the first choice of refusal of their entire production at prices which would compare favourably with import parity and also the export rights, if necessary. The Committee, regretted to note that the IOC did not enter into any written agreement with the firm in this regard before issuing 'no objection' certificate on the proposal of the firm. The Committee also found that Industrial Licence was issued on 21st December, 1966 by the Ministry to the firm without settling the question of marketing rights and the prices payable for the products and without incorporating any of these conditions in the licence.

26. The Committee were informed that no responsibility for this lapse in the issue of licence was fixed by the Ministry as according

to them the officers who enquired into this matter came to the conclusion that it was only a case of inadvertance and no malafide was involved. The Committee were not convinced and recommended that the matter should be re-examined and responsibility for lapses fixed.

27. In the reply the Government stated that the matter was being re-examined and the Committee would be informed of the outcome of the re-examination in due course.

The Committee are not happy at the delay in re-examining the matter. They would like the Government to conclude the re-examination of the case expeditiously and fix responsibility for the lapse and inform the Parliament/Committee about it.

J. Production of Transformer Oil

Recommendation Sl. No. 26 (Paragraph 7.43)

28. The Committee noted that, subsequently, as a result of negotiations between the Ministry and the firm it was decided in July, 1971 that IOC would market 50 per cent of the total production of the firm and accordingly the firm agreed to supply 50 per cent of their production of transformer oil at the ex-factory price of Rs. 2,250 per KL packed in drums. (Rs. 1850 per KL in bulk). The Committee expressed regret to note that IOC accepted to lift the stocks at this price without the approval of the Board and without assessing the reasonableness of the price by analysis of the costing data furnished by the firm. The Committee were informed that this price was accepted on a temporary basis subject to its being fixed by Government. The Committee were concerned to find that the IOC even at this stage did not have any written agreement with the firm and it failed to commit the firm to accept the price fixed by Government with retrospective effect. As pointed out during the evidence, according to the Cost Accounts Officer of the Ministry of Finance, the bulk ex-refinery price in December, 1972 in respect of this firm should be only Rs. 1528 per kilo litre as against a rate of Rs. 1850 charged from IOC. Although the firm was agreeable to abide by the price fixed by the Ministry from the date a decision was taken in this regard, the Committee regretted to note that even after it became clear in December, 1972 that the price charged by this firm was higher, the Ministry were not able to fix a reasonable price for the transformer oil. The Committee therefore, recommended that

Government should conduct a thorough investigation into the matter so as to pinpoint the lapses at the various stages and also fix responsibility for the loss suffered by IOC.

29. In the reply, it was stated that Government had instituted an enquiry into the matter so as to pinpoint the lapses at the various stages and also fix responsibility. The result of the enquiry would be communicated to the Committee shortly.

30. In the further reply (24-7-1975), Government stated that the enquiry had been completed and the report was under consideration.

31. The Committee would like to reiterate that the responsibility for the lapses may be fixed expeditiously and Parliament informed of the outcome of the result of Inquiry.

K. Adulteration of Edible Oil with Petroleum Products

Recommendation Sl. No. 26 (Paragraph 7.45)

32. The Committee were informed during evidence that transformer oil manufacturing facility was being abused on a large scale for adulteration of edible oil and Government have appointed Enquiry Committee to go into this problem. The Committee were given to understand that the final decision regarding the canalisation of the sale of transformer oil and the selling price for it would be taken on the basis of findings of this Enquiry Committee and the results of the inquiry being conducted by the Ministry of Industrial Development in regard to the price. The Committee desired to be informed urgently of the decision taken in this regard.

33. In the reply the Government stated that a Group of Experts was set up by Government to go into the problem of adulteration of edible oils with secondary grade lubricants, transformer oil, white oil and other petroleum products and to suggest suitable comprehensive measures for preventing adulteration. The Report of the Committee had been received and was under consideration of the Government. In the meanwhile, during January/March 1974 the prices of secondary grade lubricants and of transformer oil base stock were steeply increased, thereby narrowing the gap between the price of these oils and edible oils. The price increase had minimised the incentive for adulteration of edible oils with secondary grade lubricants and transformer oil. The determination of ceiling selling prices of various lubricants and specialities including transformer oil was

one of the terms of reference of the Oil Prices Committee, which had been constituted by Government in March, 1974. Based on the recommendations of the O.P.C. action would be taken by Government regarding fixing of ceiling selling price of transformer oil.

34. The Committee find that as a result of the steps taken by Government the danger of adulteration of edible oils with lubricants etc., has only been "minimised" and not eliminated. The Committee also note that the Expert Committee set up by the Government to go into the problem of adulteration have submitted their report which is under the consideration of the Government. The Committee strongly urge that the Government should expedite a decision on the Report submitted by the Expert Committee. They feel that the Government should not rest content at merely "minimising" the danger of adulteration of edible oil with lubricants and other petroleum products but should take all possible steps to eliminate this danger completely and apprise them of the action taken in the matter.

L. Import of Crude Oil

Recommendation Sl. No. 29 (Paragraphs 8.23 & 8.24)

35. The Committee noted that the Ministry of Petroleum and Chemicals informed the Corporation on 12th February, 1972 about their commitment to procure and supply 5 lakh tonnes of crude to Chitagong Refinery during the period March to August, 1972 and asked IOC to float enquiries and finalise arrangements for import of crude. On 10th March, 1972 the contract for supply of crude having been finalised, the Marketing Division was asked to arrange for the affreightment. The Corporation floated an enquiry on 14th March, 1972 calling for quotations to be kept open upto 18.00 hrs. IST on 15-3-1972, giving *inter alia*, in the quotation, a firm indication about the freight rate at \$5.50 per long ton. The Committee also note that while two offers were received, one at 10.45 hrs. on 15th March, 1972 with the rate of \$5.50 per long ton and another at 13.30 hrs. On 15th March, 1972 with the rate of 6.65 dollars per tonne, a third party first telexed at 16.10 hrs. on 15th March, 1972 asking for extension but later sent an offer on the same day at 16.40 hrs. quoting a rate of 5.45 dollars per long ton (subsequently revised to 5.40 dollars per long ton at 20.45 hrs. on the same day). In the mean time, the offer of the first party at 5.50 dollars per long ton was accepted by the Company and the letter of acceptance by the Corporation was personally delivered to the party's representative in IOC's office at

16.30 hours. The Committee were informed during evidence that the whole matter had been handed over to the CBI on the 11th June, 1973 for investigation. The Committee desired that the investigation by the CBI should be completed soon and Government should on receipt of the report of the CBI examine all aspects of the case thoroughly with a view to fixing responsibility for any lapses and to take suitable remedial steps to avoid recurrence of the same. The Committee may also be informed of the action finally taken in the matter.

36. The Government stated in reply* that the Report of the Central Bureau of Investigation had been received and further action was being taken in consultation with the C.V.C. They added that no malafide action or loss to the IOC or to any other public authority from this contract had been found by the Central Bureau of Investigation and that the Committee would be informed of the action taken in due course. Again on 28-2-1975, the Government informed that the report was still under consideration.

37. The Committee would like the Government to expedite the examination of CBI Report and inform them about the action taken in the matter. They would also like the Government/Corporation to plug the loopholes in the procedure, regarding calling of tenders to avoid the recurrence of such happenings in future.

M. Import of Engine Oil

Recommendation Sl. No. 30 (Paragraph 8.29)

38. The Committee found that Government allowed IOC to import engine oil from Rumania during 1967-68 to 1970-71 and the private oil companies were also to be given a share from these imports. Out of the total imports of Rs. 7.66 crores of engine oil from 1967-68 to 1970-71, engine oil worth Rs. 3.13 crores was given to ESSO on loan basis. In repayment of this, ESSO handed over three import licences for a total C.I.F. value of about Rs. 2.3 crores which were utilised by IOC for importing engine oils. In regard to the balance, due to restrictions on imports, ESSO had proposed to repay the products out of their entitlement of Lube India products subject to the condition

*Not vetted in Audit.

of their purchasing an equivalent quantity from IOC at the previously prevailing prices. This proposal was not, however, agreed to by IOC. The Committee felt that the products which were taken by ESSO on loan basis should have been returned by it in time on 'tonne for tonne' basis to the IOC. In the opinion of the Committee, the suggestion of the ESSO to repay the product after purchasing an equivalent quantity from the IOC at the previously prevailing price would give ESSO, an unintended benefit in the context of the increase in price of the Engine Oil. The Committee recommend that the price payable for the product to be taken by ESSO from the IOC should be carefully decided after taking into consideration the prevailing market conditions when such sales are actually effected.

39. According to the Government reply the Corporation had since obtained legal opinion from its solicitors. Based on the legal opinion, the Board of Directors of IOC considered this matter further in a meeting held on 28th October, 1974. The Board authorised the M.D. of Marketing Division to discuss the case further with HPC on the guidelines given by the Board.

40. In the further reply (24-7-1975), the Government have stated that prolonged negotiations were held with Hindustan Petroleum Corporation and very recently an agreement has been reached as to how the accounting problems could be settled. To finalise this matter, however, the data pertaining to the accounts of these transactions has been called for from the Indian Oil Corporation's regional offices. It is expected that this case will be disposed of finally by the end of August, 1975.

41. The Committee note that based on legal opinion the Board of Directors of IOC had considered the question of the price payable by ESSO for the engine oil taken by them on loan basis from IOC and the Board had authorised the Managing Director of the Marketing Division to discuss the case further with Hindustan Petroleum Corporation (HPC) on the guidelines given by the Board. They have been informed that prolonged negotiations were held with HPC and the matter is expected to be finalised by the end of August, 1975. The Committee hope that the settlement of this long outstanding matter will not be delayed any further.

N. Exchange of pre-dated letters

Recommendation Sl. No. 31 (Paragraph 8.43)

42. The Committee found that out of the total import of engine oil worth Rs. 7.66 crores by IOC during 1967-68 to 1970-71, engine oil

worth Rs. 4.53 crores was supplied to oil companies other than ESSO, on outright Sale basis and billed for as such after including Sales Tax and service charges. The oil companies, however, objected to charging sales tax and suggested that these should be treated as 'sales in course of import' and were prepared to indemnify the IOC in respect of costs, demands and expenses that IOC might incur in treating the transaction as 'sale in the course of imports' even though the legal opinion obtained by IOC was against it. While this course of action was sought to be justified by the IOC on the ground that it had obtained Indemnity from other oil companies in respect of sales tax, costs and expenses, the Committee were distressed to note that the Corporation even after placing the order on the foreign firm on 28-5-71 resorted to the exchange of pre-dated letters with dates earlier than the date of placing orders to prove the intentions of both the parties to treat the transaction as 'sale in the course of imports'. The Secretary of the Ministry admitted during evidence that this was a serious matter and something which a public undertaking should not have done. Considering that the sales tax liability was to be borne by the other oil companies the Committee failed to understand as to why the IOC should have resorted at all to exchange pre-dated letters with other oil companies. The Committee took a serious view of this action on the part of one of the premier public undertakings and recommended that Government should immediately institute an enquiry into the matter and fix responsibility.

43. In reply the Government stated that they had instituted an enquiry into the circumstances leading to the exchange of pre-dated letters with other oil companies and fix responsibility. The result of the enquiry would be communicated to the Committee shortly.

44. The Committee would like the enquiry to be concluded expeditiously and they may be informed of the action taken in the matter.

O. Revalidation of Bank Guarantee

Recommendation Sl. No. 32 (Paragraphs Nos. 8.48 and 8.49)

45. The Committee found that IOC supplied 200 tonnes of tin plates to a firm in April, 1966 for the fabrication of 1,70,000 tins against a bank guarantee which was valid upto 26th December, 1967. They noted that although the firm supplied only 1,05,048 tins upto April, 1967, it had not returned the balance quantity of tin plates

valued at Rs. 1.34 lakhs and the Corporation failed to safeguard its interests by getting the bank guarantee revalidated well in time before the date of expiry of the guarantee in December, 1967.

46. The Committee also found that the Corporation took action to file a suit against the firm only in June, 1973, which was still pending. It had been stated that the Corporation decided to take legal action after having failed to settle the matter amicably. The Committee were distressed to note that it took the Corporation more than five years to take the decision. The Committee desired that the matter should be investigated and the responsibility fixed both for the failure to take timely action to get the bank guarantee revalidated before the date of its expiry as well as for the inordinate delay in filing a suit against the firm and Committee informed of the final outcome of the case.

47. In the reply,* the Government stated that the matter had been investigated by IOC. The original bank guarantee for IOC's tins lying in the firm's custody was furnished by M/s. New Digvijaysinghji for Rs. 3.4 lakhs and was valid only upto 26th December, 1967. On 19th of August, 1967 the amount of the bank guarantee was reduced to Rs. 1.4 lakhs as the party had supplied tins valued at Rs. 2.00 lakhs approximately. By a letter dated 30th November, 1967 addressed to the Dena Bank M/s. New Digvijaysinghji requested their bankers to revalidate the bank guarantee for a further period of 2 months. Dena Bank, on 16th December, 1967, advised that they were doing the needful and requested IOC to return original bank guarantee in order to enable them to issue a fresh one for Rs. 1.4 lakhs. On 25th January, 1968, IOC confirmed that they were agreeable to the procedure and would forward the original bank guarantee only on the bank undertaking not to part with the same to M/s. New Digvijaysinghji without IOC's approval. The Bank gave such an undertaking on 20-1-1968 and based on this the IOC forwarded the bank guarantee to Dena Bank by registered post in February, 1968.

M/s. New Digvijaysinghji also confirmed in writing that they were holding 76,316 MTS. of Belgium tins as on September 1967. This figure was subsequently corrected by them to 72,010 MTS. From the above it will be seen the Government claimed that necessary action to extend/revalidate the bank guarantee beyond

*Not vetted in Audit.

26th December, 1967 had been taken by IOC in time. However, the bankers and the party went back on their commitment in bad faith and the Bank did not issue the guarantee as promised.

48. The conclusion of IOC's investigation was that the case had arisen because of *mala fide* on the part of the firm and their bankers and that no employee in the IOC would be held responsible for this.

49. The delay in filing a suit in the court was because IOC was trying to obtain an out of court settlement with the company. There were a number of claims and counter claims between IOC and this firm. Efforts were made from the beginning of 1963 to sort out the disputes arising out of these claims without recourse to legal action. However, on finding that these efforts had not resulted in any satisfactory result the Management appointed a Committee on 5th March, 1971. This Committee submitted its report to the management in 1972. After fully considering Committee's report and making further efforts to settle the issues by negotiations with the party, the management took the decision to initiate legal action against the party in June, 1973. The matter is now *sub-judice*.

50. The Committee are not satisfied with the reply of Government. The Committee fail to understand as to why the Bank Guarantee was handed over to the Bank without adequate precautions and why the Bank was not held responsible for backing out of the undertaking. The Committee fail to understand as to why the *mala fide* action on the part of the Bank in not honouring its undertaking was not viewed seriously and why no action was initiated against the Bank. They would like the matter to be investigated, responsibility fixed and lessons learnt.

P. Excess payment of Railway freight

Recommendation Sl. No. 35 (Paragraph 8.63)

51. The Committee found that IOC made payment to the Railways for railway freight on all tank wagons loaded from the pipeline installations at Panki (Kanpur) on the assumed carrying capacity of the individual tank wagons instead of the actual carrying capacity which in many cases was found to be lower. Considering the fact that the payment was continued to be made for four years right from July, 1967, resulting in excess payment of Rs. 16.03 lakhs, upto December, 1970. The Committee are unable to agree with the view of the Corporation that the payment was

made due to an oversight. The Committee desired that the matter should be further probed into with a view to fixing responsibility for the negligence on the part of the officials concerned. The Committee would also like to be informed of the refund of the balance claims amounting to Rs. 2.54 lakhs pertaining to the period from January, 1971 to July, 1971 but not realised upto March, 1973.

52. The Government stated that the excess payment of railway freight took place immediately after a retired Station Master was appointed as an Assistant in the Depot.

IOC's claim for refund of freight pertaining to the period July, 1967 to December, 1970 was turned down by Northern Railway on the plea that it had become time-barred. The matter was subsequently taken up by the Chairman of IOC with the Railway Board on 12-10-1972 to grant the refund, as it was a case of a genuine mistake which could not be disputed but was only being technically barred from payment by Northern Railway. The Ministry of Railways replied that the Railways could not verify the claim. The matter was again taken up by the Chairman, IOC and Secretary, Ministry of Petroleum and Chemicals with the Railway and vigorous follow up was being done for realisation of the amount. Payments against IOC's claim for the period January, 1971 to July, 1971 were being received progressively.

53. As the reply furnished by Government was not satisfactory, information was sought from the Government on the following points:—

- (i) action taken against the official involved;
- (ii) latest position about the realisation of excess freight paid from July, 1967 to July, 1971;
- (iii) reasons for delay in filing the claim and action taken against the delinquent officials concerned; and
- (iv) the amount received by IOC so far against its claim and the date by which the final payment was likely to be made by Railways.

54. In the reply (March, 1975) the Government stated as follows:—

- “(i) and (iii):—IOC has been advised to hold an enquiry at a senior level to fix responsibility for negligence on the part of officials concerned, if any, for the lapse resulting

in over payment to the Railways and also to determine if there was any avoidable delay in preferring claims after the initial lapse was detected and if so fix responsibility for the same and take suitable action.

- (ii) On a reference from this Ministry, Railway Board has stated that these claims are not only time-barred under Section 78(b) of the Indian Railways Act, but also barred for suits under the Law of Limitations. Even if this technical plea is not taken, there is a severe physical limitation which makes the task of reviewing these claims, which involves a re-check of thousands of invoices and their verification with reference to the forwarding notes and accountal particulars which may not be available in a number of cases at this late stage, very difficult. Northern Railway Administration would nevertheless be making an endeavour to finalise claims pertaining to as many invoices as possible but the prospects of settlement of many of these claims are not quite encouraging in view of these physical limitations, IOC is, however, pursuing the matter with Northern Railway which has been issued instructions accordingly by the Railway Board. Finalisation of this matter is, however, likely to take time.
- (iv) The total claim for the period January, 1971 to July, 1971 is Rs. 3,08,704/- of which Rs. 46,426/- has been received till now.”**

55. The Committee recommend that investigation by the Indian Oil Corporation should be finalised expeditiously and responsibility for over payment to the Railways fixed and the Committee/Parliament informed about the results of investigations and also of the action taken by Government in the matter.

**At the time of factual verification, the Ministry of Petroleum and Chemicals stated as follows:—

“ Immediately on receipt of Committee’s report, I.O.C. was advised to take action on its various recommendations. In reply, concerning this recommendation I. O. C. intimated that individual responsibility could not be fixed in this case as the person concerned, who was a deputationist from the Railways was no longer in the service of I.O.C. or the Railways. However, the Committee, in their further observations again desired the responsibility to be fixed. These were again sent to I.O.C. for necessary action. However, since the I. O. C. reiterated the same position and expressed inability to fix responsibility, the Government directed the I. O. C. to hold an enquiry by Senior Officers either to fix responsibility or to satisfy themselves that apart from the retired official individual responsibility does not rest on anyone else.

Q. Blending fee for lubricants**Recommendation Sl. No. 38 (Paragraphs 8.90 to 8.93)**

56. The Committee noted that under the arrangements between the Corporation and IOBL the Corporation got the base stocks and additives blended in the IOBL plants in consideration of which the Corporation was to pay a blending fee at 5 cent for premium grade lubricants and 2 cents for non-premium grade lubricants, 60 cents and 25 cents per pound for premium and non-premium greases. They also noted that on account of devaluation, the blending fees were enhanced by 57.5 per cent.

57. The Committee failed to understand as to why the Corporation should not have stipulated the blending fees in Indian currency in the agreement with IOBL which was an Indian Company and why no attempt was made in this regard either initially or even at the time of the revision of the fees later. The failure to fix the fees in Indian currency had given an unintended benefit to IOBL.

58. The Committee recommended that the Corporation should see that such commitments in foreign currencies with Indian firms were avoided in future.

59. The Committee also recommended that Government should issue suitable directions in the matter to all the public undertakings so that the commitments of this nature were settled in Indian rupees and not in foreign currency, particularly, when the companies with whom contracts were entered into were companies incorporated in India.

60. In the reply, the Government stated that the Committee's recommendations had been noted for future guidance and instructions were issued to the public sector undertakings in this regard.

61. The Committee regret to note that while they had recommended that Government should issue suitable directions to all the public undertakings so that commitments under the collaboration arrangements were settled in Indian rupees and not in foreign currency particularly when the companies with whom contracts

were entered into were companies incorporated in India, the Ministry of Petroleum and Chemicals has issued instructions only to the Public Undertakings under its own administrative control.

62. The Committee would like that instructions in the matter should be issued by the Bureau of Public Enterprises to all the Public Undertakings so that all of them are cautioned against such pitfalls while entering into contracts.

CHAPTER II
RECOMMENDATIONS THAT HAVE BEEN ACCEPTED
BY GOVERNMENT

Recommendation Sl. No. 3 (Paragraph 2.54)

The Committee are also surprised to find that a study of the performance of the retail outlets was undertaken first in 1969-70 and thereafter, it is only now (October, 1973) that a second study has been taken up even though it was admitted by the Corporation that the study made in 1969-70 did not take into account certain items of expenditure and, therefore, the profitability indicated by the said study was over-stated. The Committee desire that such studies should be made more frequently and with greater care so that the reasons for poor performance of the retail outlets could be indentified and suitable remedial action taken in time. The Committee need hardly point out that in view of the fact that there were difficulties in setting up new retail outlets particularly in major towns, there is imperative need to improve the throughput of existing retail outlets so as to increase the sale of motor spirit and thereby the profitability of the retail outlets.

Reply of Government

Noted.

Profitability studies of Retail Outlets will be conducted on a regular basis in future.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/
74-IOC, dated 14-11-1974].

Recommendation Sl. No. 3 (Paragraph 2.55)

In this connection, the Committee would like that the Corporation should also examine the facilities offered and services rendered by the retail outlets of IOC in comparison with those given by other oil companies with a view to removing the shortcomings, if any, in the working of the retail outlets of the Corporation.

Reply of Government

Noted.

With the primary objective of improving the performance and removing shortcomings, if any, of its retail outlets, IOC has set up a task force at each District Office. Arrangements are made as required for training of dealers and their staff, improvement of the appearance of retail outlets, modernisation and face-lifting, dealer assistance on customer solicitation, general cleanliness, etc. IOC's modernisation subsidy scheme, to assist the dealers financially, for re-modelling and revamping of outlets, improvement of driveway, lighting, water facility, painting of sales rooms, providing water and bottle coolers and uniforms to pump attendants, has also been considerably expanded both by increasing the number of items and raising the monetary limits.

Annual Dealer Conventions are conducted at the District Office level which have proved a good forum for exchange of ideas. Corrective action on various dealer problems highlighted at these conventions are also taken. Several sales tie-up campaigns have been conducted at IOC's retail outlets jointly with several leading automobile ancillary manufacturers and producer of consumer goods. Several leading suppliers have now agreed to supply their products to IOC's retail outlets dealers at concessional prices on a regular basis, thus enabling the dealers to provide greater service to the motorists. IOC's scheme to provide greater facilities on National Highways for the motorists has made considerable progress and quite a large number of retail outlets on National Highways are now provided with several facilities such as drinking water, toilets, bath room, telephone, parking facilities for vehicles etc. At some of these stations even minor repairs to vehicles are attended to for the convenience of motorists.

It can thus be stated that many of I.O.C.'s retail outlets to-day compare favourably with those of the private Oil Companies. With the steps now in force I.O.C. outlets will be further improved and will have more and more facilities to serve the motorists.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/
74-IOC, dated 14-11-1974].

Recommendation Sl. No. 4 (Paragraph 2.61)

The Committee find that the Corporation prepared a scheme in January, 1972 for the award of dealership/distributorship for retail outlets, kerosene, L.D.O. and 'Indane' for the rehabilitation of Defence Personnel, their wives and dependents. As against 583 nominations received upto 30th June, 1973, for award of dealership/distributorship under the scheme, the allotment letters were issued to 443 persons and the number of dealership/distributorship actually commissioned was 128 only. The Committee regret to note the slow progress in the implementation of the scheme. They desire that the working of the Scheme should be reviewed in the light of experience gained so far and suitable measures taken to resolve difficulties experienced in the commissioning of dealerships/distributorships awarded under the scheme.

Reply of Government

The main reasons for delay in commissioning of dealerships/distributorships under the defence scheme have been analysed in consultation with the DGR. These are briefly as under:—

- (1) Delay in making arrangements for finance.
- (2) Difficulties in finalising lease agreements for land for godowns and other facilities.
- (3) In some cases of partnership, friction amongst the partners.
- (4) Delay in the construction of retail outlets.
- (5) Legal disputes.

Meetings have been held between representatives of IOC, DGR and the Ministry of P & C to expedite the commissioning of the outlets and a time-bound programme has been drawn up for receipt of nominations and re-nominations from DGR. Consent of nominees for the concerned dealership/distributorship will be obtained by DGR before the nomination is sent to IOC so that nominees do not back out later. In case of partnerships, consent will be obtained by DGR from the partners for joint operation of the dealership before nomination to prevent later disputes.

A time-bound programme has also been drawn up for commissioning of dealerships/distributorships within the stipulated time-

limit after issue of appointment letters to selected candidates. DGR has also agreed to verify the antecedents and background of candidates and confirm their eligibility before they are nominated for dealerships. In a few earlier cases, candidates nominated by DGR were found already employed.

IOC has already deputed an officer to the Directorate General of Resettlement to help co-ordinate the work between the IOC and DGR and to sort out expeditiously any difficulties involved in the implementation of the Scheme. IOC's field offices are also submitting monthly reports to DGR giving the progress of commissioning to keep him apprised of the latest position. The field staff also correspond directly with DGR on matters of exchange of dealerships, locations etc., with a view to reducing the time-lag involved and render all necessary help to the selected candidates to obtain financial assistance from Banks, setting up of godowns etc. As of end of June, 1974, against a total number of 615 nominations/renominations received from DGR, a total of 314 dealerships/distributorships have been commissioned under the Defence Scheme thereby helping to rehabilitate a total of 374 persons from the various Defence categories.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/74-IOC, dated 14-11-1974].

Recommendation Sl. No. 7 (Paragraph 4.18)

The Committee also note that the Corporation has been taking credit for the full amount of under-recoveries on account of certain unauthorised movements in anticipation of the approval of Government. The Committee feel that it is not correct to treat the entire amount in such cases as adjustable against the Freight Surcharge Pool unless it is authorised by Government under the pool accounts.

Reply of *Government

Noted. Under the current procedure IOC will claim under-recoveries from F.S.P. only for movements which are authorised. As for expenditure incurred on additional bridging and movements

*Not vetted by Audit.

by tankers, these will not be adjusted in F.S.P. account till a specific authorisation is received from the Government.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012(5)/74-IOC dated 21-10-1974]

Recommendation Sl. No. 7 (Paragraph 4.19)

The Committee would also like Government to review periodically the actual movement of the products by the Corporation specially those movement which do not qualify for reimbursement from the Freight Surcharge Pool, so as to take effective measures to reduce, if not altogether eliminate, such movements. The Committee would like to be informed of the guide-lines/concrete measures taken in pursuance of the foregoing recommendation.

Reply of Government

Except in a few cases, pricing of products not covered under the FSP scheme generally enables the Corporation to recover actual freight costs from the consumer. However, as mentioned in reply to recommendation at paragraph 4.30 bridging expenses incurred by IOC will henceforth be reviewed by the Government in the periodical review meetings held with the Corporation. Actual cost of movement of products which do not qualify for reimbursement from the Freight Surcharge Pool and on which actual freight costs are not recovered from the consumers will also be reviewed in these meetings.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012(4)/74-IOC dated 4-1-1975].

Recommendation Sl. No. 8 (Paragraph 4.29)

The Committee regret to note that there had been heavy expenditure on bridging i.e. on uneconomical transportation of petroleum products by road instead of by railway tank wagons. The Committee note that the expenditure on this account had come down during the last five years, from Rs. 115.60 lakhs in 1968-69 to Rs. 44.41 lakhs in 1972-73. In order to minimise this expenditure, while it is essential that adequate tank wagons are made available to IOC, the Corporation should also on its part ensure that there was maximum utilisation of available tank wagons. To improve the wagon turn round, measures should be taken to remove the constraints at the terminals by providing adequate storage and handling facilities and improving operational efficiency at the

depots. The augmentation of storage capacity at up country depots should also help in meeting the additional seasonal demand for petroleum products, without resorting to large scale road movements, as the products could be stocked at the depots during the lean period. If the planning for movement was done in a realistic manner the Committee expect that there should not be scope for large deviations from the planned movements of petroleum products which give rise to claims on account of bridging.

Reply of Government

Various measures have been taken by the IOC from time to time in consultation with the Railways for improvement of wagon turn round. Some of the important steps taken in the last few years are briefly given below:—

- (a) Organising movements in closed circuits rakes of tank wagons from loading Installations to one/two Depot points.
- (b) Encouraging directional movements to minimise end-point deliveries (Depots) to two or three locations.
- (c) Progressive, elimination of piecemeal bookings to Agency points.
- (d) Reducing the loading and unloading time on 'Block Specials' by providing (i) increased facilities at loading Installations, such as additional loading points/increased pumping capacities to load complete rake of tankwagons in one placement and (ii) at up country Depots by providing additional decanting sumps, increasing capacities of decanting lines/pumps and additional storage etc. to handle specials of say 60 wagons at a time without long detentions.
- (e) Centralised loading for all companies, thereby avoiding detentions for shunting/sorting, etc. and for placement and removal of tank wagons at Installations.

All aspects of tank wagon movements including shortages, equitable distribution of available tank wagons, joint efforts at improving turn round, introduction of efficiency measures etc. are discussed on a continuous basis with the Chairman of the Railway Inland Petroleum Movement Committee who is also the Joint Director, Railway Board, dealing with movement of Petroleum

Products. This matter is also discussed at the monthly Supply Plan meetings where the Railway Board is represented.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/
74-IOC dated 21-10-1974]

Further Information called for by the Committee

The Ministry have not given any reply to Committee's observation that the augmentation of storage capacity at up country depots should also help in meeting the additional seasonal demand for petroleum products, without resorting to large scale road movements, as the products could be stocked at the depots during the lean period.

The action taken in this regard may please be intimated.

[L.S.S. O.M. No. 13-PU/74, dated 16-12-1974]

Reply of Government

As part of a Perspective Plan to build up storage and other handling facilities at up country depots with due regard to both current and future requirements, IOC completed and commissioned additional tankage of a sizeable order aggregating to 192,576 KLS in its depots all over the country during the period November 1970 to March 1974. In building this additional tankage, the need to hold a higher level of inventories has been kept in view particularly in certain strategic and long lead areas like the North-West region.

The adequacy of storage capacity in the up country depots with reference to IOC's requirements in the area, railways capacity* and also the reduced availability of products following the increase in oil prices will, however, be kept constantly under review.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/(5)/
74-IOC, dated 1-3-1975]

Recommendation Sl. No. 8 (Paragraph 4.30)

The Committee also desire that Government should periodically review the expenditure on bridging by IOC with a view to ensuring that the bridging expenses are kept to the minimum. The Committee suggest that the bridging expenses may be suitably reviewed at the supply plan meeting so that all connected problems receive contemporaneous attention of all concerned.

*To move traffic in busy season and lean periods.

Reply of Government

Supply plan meetings are mainly devoted to the pattern of refinery production and distribution arrangements for the month in advance while information regarding bridging is received by the IOC from its branches and compiled much later.

Generally the inter company problems, supply and distribution difficulties of products or of particular areas are discussed in the Supply Plan meetings. Performance of individual companies is not generally discussed in this forum. Review of bridging expenses will therefore be made at the periodical meetings held in the Ministry to review the Performance of IOC.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/
74-IOC, dated 14-11-1974].

Recommendation Sl. No. 9 (Paragraph 4.35)

The Committee regret to note that the expenditure on movement of products to the depots was particularly heavy in Southern Branch in Vijayawada where the expenditure ranged from Rs. 8.66 lakhs in 1968-69 to Rs. 6.17 lakhs in 1971-72 and the heavy incidence of bridging expenditure was due to insufficiency of storage facilities in relation to the throughput of the depots. It took the Corporation more than three years to resite the depot at Tadepalli. The Committee desire that such inordinate delays which result in unnecessary expenditure on bridging should be avoided. The Committee recommend that the position in regard to other zones should also be critically reviewed to ensure that there is no avoidable expenditure on road movements.

Reply of Government

While every effort is being made to ensure that bridging is not resorted to unless extremely necessary, the Committee's recommendations will be implemented in the matter of critical review of expenses on this account. IOC has introduced a procedure whereby the Branches will initially make a locationwise review which they will consolidate and send to the Head Office. The Head Office will study these reviews and take such corrective action as may be called for to avoid delays.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012(5)/
74-IOC dated 21-10-1974]

Recommendation Sl. No. 11 (Paragraph 4.45)

The Committee feel that as the pipeline movement of superior kerosene from Gauhati to Siliguri is resorted to only to suit the operational requirement of IOC's pipelines, the Corporation could have been asked to bear the under-recoveries arising out of the rail movement ex-New Jalpaiguri at least to the extent of the rail freight earned by it by moving the product through pipeline from Gauhati to Siliguri. The Committee desire that Government should expedite their decision in this regard.

Reply of Government

Indian Oil Corporation have since been advised that no reimbursement of under-recoveries from the FSP would be permissible for rail movement of kerosene oil from Siliguri to Gauhati supply area to the extent of pipeline movement undertaken from Gauhati to Siliguri during a month vide this Ministry's letter No. 1(1)/74-FSP dated 18-11-1974 (Appendix I).

[Ministry of Petroleum and Chemicals O.M. No. IS-54012(5)/74-IOC, dated 20-12-1974]

Recommendation Sl. No. 12 (Paragraph 4.52)

The Committee were also informed that the cost of transportation by the Corporation's tankers in some cases was higher than that by hired tankers. The Committee would like that this matter may be gone into in detail and effective action taken to bring down the cost of transportation in Corporation's own tankers.

Reply of Government

The higher operating costs of Corporation's tank-trucks are generally due to the following factors:—

- (a) Higher wages and benefits such as increments, promotions, bonus etc. compared to staff of contractors' tank-trucks.
- (b) Reflection of depreciation of the trucks as per normally accepted procedure in IOC's cost whereas contractors may not take this fully into consideration.
- (c) Overtime rates applicable to Corporation owned tank-trucks only.
- (d) Higher Maintenance and Repairs expenses due to high cost of more reliable and quality spares and labour.

- (e) Replacement of tyres and other spare parts as and when needed instead of postponing the same as is done by the Contractors.

The matter has been examined by the IOC. Every effort is being made by IOC to control the expenditure on transportation at all the locations and to keep it to the bare minimum.

Even though in certain instances the contractor's rates are cheaper as compared to Corporation owned tank-trucks, yet from the operational necessity of not being wholly dependent, on the contractors and to strengthen the corporations' bargaining power to fix reasonable contract rates, it is necessary for the Corporation to operate a minimum fleet strength of its own. Every effort is, however, being made to bring down the cost of operating Corporation owned vehicles.

[Ministry of Petroleum and Chemicals O.M. No. IS 54012/5/74-IOC,
dated 14-11-1974]

Further information called for by the Committee

In reply, the Ministry have stated that the matter has been examined by the IOC and every effort is being made by IOC to control the expenditure on transportation at all the locations and to keep it to the bare minimum. It has also been stated that every effort is being made to bring down the cost of operating Corporation owned vehicles.

Copies of instructions issued in this behalf may please be furnished.

[L.S.S. O.M. No. 13-PU/74, dated 16-12-1974]

Reply of Government

IOC is making continuous efforts to bring down the cost of company-owned tank-truck operations. A copy of circular No. OP/36 dated 9th September, 1974 addressed to the Regional Managers setting forth guidelines for the maintenance of effective control on the utilisation of Corporation owned tank-trucks is enclosed (Appendix II). This subject is also fully discussed during the conferences of Regional Operations Managers in the HO and Asstt. District Managers (Operations) in the Regional Offices with a view to achieve cost control and improve the efficiency of operations.

[Ministry of Petroleum and Chemicals, O.M. No IS—54012/4/74-IOC, dated 28-2-1975]

Recommendation SL No. 13 (Paragraphs 4.65 and 4.66)

The Committee regret to note that the tanker Desh Alok was chartered by the Corporation from the Shipping Corporation of India with effect from 1st February, 1967, but the charter party agreement was signed only on 8th December, 1969, i.e. after more than one and a half year of the chartering of the tanker. Although the charter party agreement contained the warranties in respect of speed and pumping rate of the tanker, the Corporation could not enforce its claims for sub-standard performance in the absence of specific provision of norms/guidelines for quantifying such losses/recoveries. As a result, an agreement was made with the Shipping Corporation of India in June, 1969 whereby the Corporation agreed to forego claims amounting to Rs. 15.09 lakhs for sub-standard performance of the tanker upto 31st May, 1969.

The Committee also find that the agreement was also finalised by the Corporation without obtaining any legal opinion in the matter. The Committee recommend that the agreement for chartering of ships should be finalised with greater care and in consultation with legal experts to ensure that the interests of the Corporation are fully safeguarded.

Reply* of Government

Utmost care is now exercised by IOC in the matter of tanker chartering. Legal aspects of such charters are also scrutinised carefully before finalising the Charter Party to ensure that the corporations' interests are fully safeguarded.

It may further be stated here that the following procedure is now being followed for chartering of tankers:—

- (i) All Charters are done through TRANSCHART, an organisation of the Ministry of Shipping and Transport.
- (ii) Whenever IOC requires a voyage charter, it informs Transchart, giving complete details of requirements, like type of tanker, laydays required, product to be loaded etc. Based on this information, Transchart obtains the tanker, subject to IOC's formal acceptance.

Subsequently Charter Party Agreement is signed by Transchart on behalf of IOC based on standard interna-

*Not vetted by Audit.

tional charter parties and copies are sent to the Corporation. However, in case of deviations to meet IOC's specific operational requirements, TRANSCART finalises the terms in consultation with IOC.

- (iii) For time-chartered tankers, the same procedure is followed with the exception that for Indian flag vessels, the initial negotiations are carried out by IOC directly and when the conditions are acceptable, the rates are finalised by TRANSCART.

[Ministry of Petroleum and Chemicals O.M. No. IS 54012/5/74-IOC, dated 21-10-1974]

Recommendation Sl. No. 14 (Paragraph 4.78)

The Committee regret to note that the charter party agreements for the tankers 'Jag Jwala' and 'Ampuria' chartered by IOC did not contain any warranty clause resulting in an avoidable loss amounting to Rs. 22.26 lakhs to the Corporation on account of sub-standard performance of the tankers. The Committee have elsewhere commented about the sub-standard performance of another tankers 'Desh Alok'.

Reply* of Government

This has been covered by the reply given to the recommendations at paragraphs 4.65 and 4.66 of the Committee on Public Undertakings' 49th Report (Fifth Lok Sabha).

[Ministry of Petroleum and Chemicals O.M. No. IS 54012/5/74-IOC, dated 21-10-1974]

Recommendation Sl. No. 15 (Paragraph 5.22)

The Committee find that as on 30th June, 1973, an amount of Rs. 16 crores was lying in the fixed deposit in respect of this account. The Committee desire that the Government should undertake a review of the Freight Surcharge Pool Account and consider the feasibility of revising the surcharge suitably in view of the continuing surplus in the Pool Account.

*Not vetted by Audit.

Reply of Government

Government have since reviewed the position of FSP account and reduced the surcharge rate on various bulk refined petroleum products excepting Naphtha from Rs. 15 per KL/MT to Rs. 10 per KL/MT effective from 4th May, 1974.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/
74-IOC dated 21-10-1974]

Recommendation Sl. No. 17 (Paragraphs 5.35 and 5.36)

The Committee regret to note that the development of port facilities had not kept pace with the increasing volume of oil traffic. The delay in the completion of adequate port facilities to receive large size tankers at Madras Port resulted in heavy loss of over Rs. 4 crores to Madras Refineries Ltd., which had to be compensated by Government from the C&F Adjustment Account. The Committee also find that IOC had also to bear a heavy incidence of demurrage to the extent of Rs. 1.34 crores on detention of tankers due to inadequate tanker handling facilities at the ports.

The Committee were informed that a Study Group set up by the IOC in October, 1971, to suggest both short term and long term measures to improve the tanker handling facilities based on the expected volume of traffic between 1972—79, had submitted its report to Government in May, 1972 and the report is now under the consideration of Planning Commission/Government. The Committee understand that in the meantime the IOC had been permitted to recoup the losses due to demurrage which could be clearly attributed to limitation of port facilities from C&F Adjustment Account. As the C&F Adjustment Account has been created out of specific surcharge provided in the price structure for petroleum products, in the ultimate analysis this means increased burden on the consumers of petroleum products.

The Committee, therefore, recommend that Government should in the light of the recommendations of the Study Group of IOC take concerted measures for the expeditious development of the ports and the tanker handling facilities to cope with the projected volume of traffic to be handled at each port during the Fifth Five Year Plan. The Committee would like to be informed of the concerted measures taken in this behalf to reduce, if not eliminate the burden of demurrage charges paid on tankers for want of adequate handling facilities at ports.

Reply* of Government

Concerted measures are being taken by the Government for expeditious development of ports and particularly tanker handling facilities to cope with the projected volume of traffic at each port during the Fifth Five Year Plan. Efforts have been made to integrate port development schemes with other infrastructure facilities required for handling of traffic. Provision of Rs. 308 crores has been made for major ports in the Fifth Plan against an assessed requirement of Rs. 358 crores; the balance spilling over into the sixth Plan. The approved financial programme for the development of major ports for the Fourth Five Year Plan was Rs. 280 crores, but the allocation was limited to Rs. 260 crores; the balance spilling over to the Fifth Plan.

2. Towards the end of 1971, a mid-term appraisal of the port development programmes under the Fourth Plan was Undertaken by a Working Group, set up by this Ministry of Shipping and Transport comprising the representatives of the major ports and the concerned Ministries and the Planning Commission. The following criteria were adopted in the appraisal:—

- (a) First priority should be accorded to on going projects.
- (b) In the selection of individual schemes, greater emphasis should be placed on export-oriented schemes.
- (c) no new scheme should be taken up unless it is vitally connected with the operational requirement of the concerned port; and
- (d) a close review should be made of the non-functional building requirement in view of the pronounced scarcity of steel at ports where the housing problem is very acute.

3. As a result of this appraisal, the Ministry of Shipping and Transport conclusion that a step-up in the investment from Rs. 280 crores to Rs. 304 crores was called for to increase the tempo of development schemes, more particularly the export-oriented projects.

4. Some of the improvements already made/proposed to be made are as follows:

Kandla:

- (1) Modification to the oil jetty are being made which are expected to be over in March, 1975. This will result in considerable reduction of berth congestion at the port.

*Not vetted by Audit.

- (2) Pipeline pressure restriction has been relaxed from 100 PSI, to 250 PSI thereby achieving better discharge rate of products resulting in faster turn round of tankers at the Port.
- (3) IOC has endeavoured to send tankers with two grades (i.e. black and white) to Kandla. Facilities exist for discharge of these grades simultaneously. This procedure has reduced tanker discharge time and berth occupancy.

Bombay:

- (1) Construction of a fourth tanker berth has been sanctioned to accommodate 150,000 DWT vessels has been cleared in principle planned and sanctioned by Ministry of Shipping and Transport.
- (2) Discussions to provide one single buoy mooring terminal off Butcher Island terminal are under way.

Both these proposals when accomplished will reduce congestion and delays caused by non-availability of berths at the port.

Mormugao:

An oil berth is under construction and is expected to be completed in 1976.

Mangalore:

An oil jetty is nearing completion.

Cochin:

- (1) Further improvements for night navigation are being made at the existing berths. This will reduce waiting period and improve turn around of vessels.
- (2) New tanker terminal for 87,000 ton tankers is planned for import of crude which when commissioned will completely eliminate berth congestion at Cochin.

Madras:

Bharati Dock berth to accommodate tankers upto 88,000 DWT has been constructed. Dredging work is in hand to improve the draft from 42 feet to 45-46 feet in fair weather. For increasing the

draft from 38' which is now available during NE Monsoon, to 42—45'. Eastern break water has to be extended northwards. Project report for this is under preparation by the Port Trust.

Tuticorin:

Temporary facilities for discharging tankers have been provided. Estimates for providing permanent facilities are under examination.

Vizag:

Provision of an oil berth in the outer harbour is under consideration.

Haldia:

Tanker berth has been constructed at Haldia and dredging work is being carried out to increase the draft availability as per the following programme:—

Present draft	available	
		30'
1975	35'
1976	36'
1977	37'
1978	38'
1979	39'
1980	40'

[Ministry of Petroleum and Chemicals O.M. No. IS-54012(5)/74-IOC, dated 20-12-1974]

Recommendation Sl. No. 22 (Paragraphs 6.22 and 6.23)

The Committee also find that the Internal Audit suggested in its Report in July, 1971 various remedial measures to improve the manner of collection of outstandings, maintenance of records therefor and for minimising outstandings. The suggestions made include *inter alia* (i) detailed study for finding out the reasons for abnormal delays in submission of bills; (ii) review of the reasons leading to delays in analysing the cash customer accounts and extending of unauthorised credits; (iii) submission of timely comprehensive customer-wise/category-wise statements of outstandings to the concerned Department/field staff and (iv) analysis of back-log of outstandings from cash customers on a priority basis to determine the correct outstandings for effecting recovery.

The Committee would like these suggestions to be examined for implementation forthwith so that the management may exercise close and continuous watch over the outstandings and take timely measures for the realisation of the amounts.

Reply of Government

Several measures have been taken in accordance with the suggestions made by Internal Audit for improvement of collections of outstandings. Some of these are as follows:—

- (a) The responsibility for preparation and submission of bills now rests with the storage points from where the Non-DGS&D supplies take place. The storage points raises the bill and sends it to the customer along with the loads or immediately thereafter on receipt of the RR particulars for supplies. Therefore, normally there is no delay in preparing the bills and submitting to customers.
- (b) Storage points of IOC maintain a record of payments received from cash customers and the supplies released against the same on a continuous basis and as such normally no supplies are released to cash parties without collection of dues. Since lapses have taken place in the past due to human errors, the Accounts Departments in the Branch Offices now scrutinise the balances in cash parties' accounts and ensure that the debit balances, if any, are quickly reconciled and payments collected before release of further supplies.
- (c) The statement of accounts for transactions with each customer is prepared on a monthly basis by all the Branches of IOC and sent to the parties as well as to the concerned District Offices. IOC is continuously endeavouring to analyse the outstandings of each party as early as possible within the constraints of data processing.
- (d) The analysis of backlog of outstandings from cash customers is being handled on a priority basis and substantial reductions in the old outstandings of cash parties have already been achieved. Concentrated efforts are still being made to liquidate the outstandings as early as possible.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/
74-IOC dated 21-10-1974]

Recommendation Sl. No. 23 (Paragraph 6.39)

The Committee are also unable to agree with the view of the IOC that the amount involved in these should be written off as 'bad debts' as these were clear cases of losses due to failure of

management to establish these as debts and were not bad debts in the normal sense. They, therefore, desire that all these cases should be reviewed and regularised by obtaining the sanction of high authorities competent to write off the losses.

Reply of Government

All the cases of write-off for want of documentary proof made so far, are being reviewed for regularisation and the sanction of the appropriate authorities will be obtained to write-off the losses. Since there are a very large number of documents to be gone through, this work is expected to take some time to be completed. Action has, however, been initiated already.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/
74-IOC dated 21-10-1974]

Further information called for by the Committee

The Ministry have stated that the write-off cases are being reviewed for regularisation and sanction by the appropriate authorities and since there are a large number of documents to be gone through this work is expected to take some time to be completed. Please intimate as to what is the latest position in the matter.

[L.S. Sectt. 13-PU/74, dated 24-6-1975]

Reply of Government

A Committee of senior officers under the Chairmanship of the General Manager is reviewing all the cases of write-off with a view to regularisation and sanction by the appropriate authority. It is expected that the matter will be finalised by the end of September, 1975.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012(5)/
74-IOC, dated 24-7-1975]

Recommendation Sl. No. 24 (Paragraphs 6.42 and 6.43)

The Committee find that there have been abnormal delays in taking action on the points brought to the notice of the Board by the Internal Audit. They need hardly stress that the very objective of having an Internal Audit would not be achieved if prompt action is not taken to remedy the irregularities/deficiencies brought to the notice of the Management.

The Committee would, therefore, like to impress on the Management the need for giving prompt attention to the points raised by Internal Audit with a view to cut out wastages, effect economies and plug loop-holes in the working of the undertaking so that the Internal Audit can really be an aid to Management.

Reply of Government

The procedure in vogue for handling queries raised by Internal Audit was for the concerned departments of the IOC to deal directly with them and take such action as was called for. This procedure has now been modified in order to ensure that (a) prompt action is taken without delay, and (b) due importance is given in the matter of taking remedial action for administrative lapses, wasteful practices or inefficient systems and procedures, pointed out by Audit.

The revised procedure is that the Executive Assistant to the Managing Director will coordinate the work and will keep a close follow-up in regard to prompt replies to Audit queries and timely action for implementation of revised procedures. This, it is hoped, will cut down delays considerably in this matter.

[Ministry of Petroleum and Chemicals O.M. No. IS 54012/5/74-IOC, dated 21-10-1974]

Recommendation Sl. No. 25 (Paragraphs 7.20 & 7.21)

The Committee regret to note that there have been shortfalls both in production and sale of liquified petroleum gas. The problems of production of LPG have been dealt with in the report of the Committee on IOC (Refineries Division). In so far as difficulties in marketing of LPG are concerned, one of the main reasons was stated to be inadequate availability of cylinders. The Committee find that against the planned requirements of about 4 lakh cylinders every year, the actual number of cylinders available to IOC ranged between 2.29 lakhs and 3.07 lakhs during the years 1970-71 to 1972-73. This was stated to be mainly due to the inadequate availability of special quality steel required for production of cylinders. The Committee regret to note that not only there was shortfall in indigenous production of such steel but the IOC|Government failed to make imports well in time. As pointed out during evidence although IOC was advised as early as June, 1972 to put up an application for import of 5,000 tonnes of steel, the application for import of 5,000 tonnes of steel, the application was received by the Ministry only on 24th February, 1973. It is surprising that the IOC should have taken about 7 months to submit the application for the import

of steel. There was also avoidable delay on the part of the Ministries of Petroleum and Chemicals and Steel & Mines in processing the application and in releasing the foreign exchange. As a result the cylinders out of the imported steel would now be available to IOC only during the year 1974-75.

The Committee need hardly emphasise the importance of maximum utilisation of available gas from the oil refineries for the production of LPG. Low production and poor availability of LPG means higher consumption and larger import of Kerosene oil which the country can ill afford at present when it is faced with the oil crisis. The Committee, therefore, urge that suitable remedial measures should be taken not only to ensure optimum production of LPG at the oil refineries but to remove any constraints in the marketing of the same as there is extensive public demand for it. The Committee, also stress that Corporation should plan their requirements of LPG steel well in advance and take steps to procure the cylinders in time so that paucity of cylinders does not depress production/marketing of LPG.

Reply of Government

The main constraints in increasing its LPG sales have been:—

- (a) Inadequate availability of LPG cylinders which *inter alia* is dependent on availability of LPG steel.
- (b) Limitations in the bulk movement of LPG between Koyali and Shakurbasti.

To overcome the above two constraints the following measures have been initiated by us:

(i)—Availability of LPG Cylinder

For meeting cylinder requirements for the year 1974-75, 5000 MTs. of Steel have already been imported to supplement the indigenous steel availability. IOC have already applied for an import licence for 4800 Mts. of Steel for meeting its cylinder requirements for the year 1975-76. Pending receipt of the licence IOC is obtaining steel imported against HSL's licence. The supply of steel will commence by October-November, 1974.

(ii)—Bulk LPG Movement between Koyali & Shakurbasti

An order for Fabrication of 40 LPG tankwagons on joint ownership basis (IOC to provide the storage barrel and the Railways to provide flats) has already been placed. The delivery of the tank-

wagons at the rate of 2 per month is expected to commence by end 1975. Further, order for additional 20 tankwagons is under process. Since the jointly-owned Railway tankwagons are not likely to be made available before the end of 1975, it was proposed to order 30 tank lorries on joint ownership basis (Chasis to be provided by the contractor and the storage vessels to be provided by IOC). Orders for 16 lorries have already been placed. The first 2 lorries are expected to move 70 MT of product monthly from Koyali to Shakurbasti.

The question of maximisation of LPG production at all the refineries has been taken up with Refineries Division, MRL and CRL. The production potential as now indicated is noted below:—

Koyali: 90,000 MTs (Against 77,500 MTs in 1974-75 year)

Barauni: 19,100 MTs. The question of increasing this production is currently being looked into by the Refineries Divn.

Gauhati: 2,300 MTs. The refinery is going ahead with the proposal for increasing the production to 4,500 MTs.

C.R.L.: As against its earlier indication of a maximum production potential of 9000 MTs the Refinery is now going ahead for putting up additional production facilities for a production of 30—35000 MTs per annum.

M.R.L.: The maximum LPG production potential is now estimated at 35,000 MTs.

For augmenting LPG Cylinder filling capacity, the following bottling plants have been planned:

Bangalore, Secunderabad|Hyderabad, Kanpur & Bhopal.

In addition to the above bottling plants, a study is being undertaken for determining the locations in the northern region which could justify the setting up of bottling plants.

[Ministry of Petroleum and Chemicals O.M. No. 54012(5)/74-IOC, dated 26-6-1975]

Recommendation Sl. No. 27 (Paragraph 7.60)

The Committee find that IOC had to enter into agreements with other oil companies in February, 1969 for the sale of lubricating oils after blending them in its blending plant at Madras because of its inability to sell the entire production on account of inade-

quacy of retail outlets. As a result, the Corporation had to forego the marketing charges (Rs. 43.88 lakhs) and profit margin (Rs. 12.31 lakhs) on the sale of 52,170 Kls. of lubricating oils during 1970-71 and 1971-72. The Committee are informed that the short term agreement for 5 years with other oil companies was designed to give IOC sufficient time to develop their product range and sales net work and to eventually utilise the entire production at Madras Refineries Ltd. by itself. They find that even in 1972-73 the IOC had sold a total quantity of 37,824 Kls. of lubricating oils to other companies as against the contracted quantity of 56,500 Kls. The Committee recommend that IOC should take concerted measures to develop its lube oil sale in the country so that it may be able to sell the entire production and cater to the complete range of industries after the expiry of the present agreement with other oil companies.

Reply of Government

IOC has taken all possible measures to market its entire availability of lube oils. As of date they are confident of marketing all the products themselves. However, IOC has to continue supplies to other oil companies ex-MRL to the extent of quantities committed to them under the 5-year agreement. Similarly, IOC is also required to supply to the BOC Group of Companies ex-Barauni against the second supplemental agreement.

As IOC is now geared to market all its product availability, notices have already been served for termination of existing supplies to other oil companies ex-MRL as from the first week of April, 1975.

[Miny. of Petroleum and Chemicals O.M. No. IS-54012|5|74-IOC,
dt. 21-10-1974]

Recommendation Sl. No. 28 (Paragraphs 7.70 to 7.72)

The Committee find that the IOC sold to private oil companies an aggregate quantity of 28,818 Kls. of products of high viscosity index (higher than 90) and 23,352 Kls. of products of low viscosity index during the years 1970-71 and 1971-72 although under the agreement the Corporation was not bound to supply more than 50 per cent of the total quantity of lubricating oils of H.V.I.

The Corporation incurred a loss of Rs. 5.90 lakhs on the sale of products of low viscosity index as these had to be moved to far off

stations. This loss could have been avoided had the Corporation insisted upon supplying products of H.V.I. and L.V.I. grade in equal proportion.

It has been contended by the Management that the agreement does not stipulate that other oil companies should uplift equal quantity of low viscosity oils as compared to heavy viscosity oils. The Committee are unable to agree with this view. In the opinion of the Committee the contention that an oil company can purchase any quantity of high viscosity index without purchasing equal quantity of products of low viscosity index is not tenable as otherwise an oil company can get away with purchasing up to 50 per cent of its annual contracted quantity only of the profitable high viscosity index grades without purchasing any quantity of unremunerative low viscosity index grades. The Committee have also elsewhere in this Report commented on the loss suffered by the Corporation on account of sale of lubricants to other oil companies because of non-development of adequate retail outlets.

Reply of Government

The observations of the Committee have been noted.

Supplies under this agreement will henceforth be made in accordance with the Committee's observations.

[Miny. of Petroleum and Chemicals O.M. No. IS-54012/5/74-IOC,
dt. 14-11-1974]

Recommendation Sl. No. 31 (Paragraph 8.44)

The Committee also understand that in the case of sales effected in Eastern Branch, the sales tax authorities did not accept the IOC's contention to treat this as 'sale in the course of imports', and an appeal has been filed against the order of Commercial Tax Officer. The Committee would like to be informed of the final outcome of the case.

Reply of Government*

The Sales Tax Assessing Authorities at Calcutta had disallowed IOC's contention that the sales made during 1967-68 could be treated as "sale in the course of imports". IOC appealed to the Appellate Sales Tax Authority who also confirmed the decision of the assessing authority, but agreed that the transactions between IOC and

*Not vetted in Audit.

oil companies could be exempted from payment of Sales Tax, as in the Bengal (Finance) Sales Tax Act, there is a provision whereby sales between two registered dealers are exempt from Sales Tax, if the statutory declarations by the companies concerned are produced to the satisfaction of the Sales Tax authorities. This statutory declaration is to the effect that the purchasing company has made the purchase for the sole purpose of resale and this declaration is to be issued by the purchasing dealer to the selling dealer and the selling dealer has to produce this document before the Sales Tax Authorities at the time of assessment. The appellate authority has remanded this case to the assessing authority to verify the declaration and allow exemption. IOC is producing the necessary declarations before the assessing authority once again for claiming exemption from tax. Final decision of the Sales Tax authorities will be intimated to the Committee when received. IOC has already obtained such exemption after production of declarations for transactions which took place for the assessment years 1968-69 and 1969-70. These transactions were earlier disallowed as "sale in the course of import" but treated as inter-company sales within West Bengal.

[Miny. of Petroleum and Chemicals O.M. No. IS-54012/5/74-IOC,
dt. 21-10-1974]

Further information called for by the Government

The final decision of the Sales Tax authorities in the case may please be intimated.

Reply of Government

The Sales Tax Assessing Authorities at Calcutta have not settled the claim yet.

[Miny. of Petroleum and Chemicals O.M. No. IS-54012/4/74-IOC,
dated 28-2-1975]

Further Reply of Government

The Calcutta Sales Tax Authorities have accepted IOC's declarations in respect of sale of imported products to other oil companies and, therefore, have exempted IOC from payment of Sales Tax on these transactions.

[Miny. of Petroleum and Chemicals O.M. No. 54012(77)/74-IOC,
dt. 3-7-1975]

Recommendation Sl. No. 34 (Paragraphs 8.59 and 8.60)

The Committee regret to note that the Corporation suffered a loss of Rs. 0.62 lakhs due to alleged incorrect gauging and dip

measurements by the officials of the Corporation of the HSD received at one of the installations of the IOC on 17th April, 1970.

It is surprising that it took the Corporation more than two years to fix the responsibility in this case and it was only on the 9th June, 1972 that the officer was warned to be careful in future. The Committee would urge that the action against the delinquent officials should be prompt and adequate so as to act a deterrent to others.

Reply of Government

Noted.

Every effort will be made in future to expedite enquiries of this nature.

[Miny. of Petroleum and Chemicals O.M. No. IS-54012|5|74-IOC,
dt. 21-10-1974]

Recommendation Sl. No. 37 (Paragraphs 8.80 and 8.81)

The Committee regret to note that the IOC purchased Caltex Depot at Karad at a cost of Rs. 25,000 in 1968 to save bridging expenses. However, due to acute shortage of MG tank-wagons the expected savings of bridging expenses did not materialise and the objectives of purchasing the depot did not materialise. The depot was ultimately closed in June, 1973. The Committee feel that had a proper assessment been made about the availability of tank-wagons before the purchasing of the depot the expenditure incurred on the setting up of the depot could be avoided.

The Committee also find that the Internal Audit proposed as early as June, 1971 and examination of all proposals made during the previous two or three years for the purchase of Depot etc., at various stations to find out whether the conditions under which the sanction for the purchase of the depots was accorded have been fulfilled or not.

The Committee desire that a review of all the depots purchased during the last five years should be undertaken soon and decision taken regarding their continuance or otherwise as a result of such review.

Reply of Government

During the past five years the following Depots have been purchased by IOC in addition to Karad Depot:

11-7-70, Caltex Depot at Raichur with 1×70 kl tank and other facilities for Rs. 12,000|-

20-8-70: Caltex Depot at Dalgaon (West Bengal) with 525 kl tankage and allied facilities at Rs. 1.19 lakhs.

31-8-70: Caltex Depot at Trichy with 834 kl tankage and allied facilities at Rs. 85,882|-

12-10-73: Burmah-Shell Depot at Srinagar with 431 kl tankage and allied facilities at Rs. 55,000.

The Depots at Raichur and Trichy were purchased in line with the recommendations contained in the IOC's Bulk Depot Perspective Plan 1969—74. Additional land was required in the IOC's Depots in these two towns for expansion of existing facilities. No land was however available from Railways adjacent to IOC Depots. Since Caltex Depots were adjoining IOC premises, their facilities were purchased and merged with IOC depot area. Additional tankages were also installed after remodelling those Depots. The original Depots of Caltex have thus lost their identity and are now a part of IOC's expanded Depots.

Dalgaon:—The Depot at Dalgaon was purchased with the purpose of:—

- (1) saving in under-recoveries in supplying MS to the Defence ex-Hashimara. IOC had no Depot at Dalgaon and since Dalgaon was a pricing point by virtue of the existence of a Burmah-Shell Depot, it was necessary for IOC to establish its own facilities in the town.
- (2) to attract additional business mainly from tea estates and thus increase IOC's market participation. The Burmah-Shell Depot was supplying these customers earlier.

The earlier estimate of MS&HSD offtakes from this Depot was 4500 Kl and 5880 Kl per annum respectively. Actual sales were however, 2500 Kl MS and 4500 Kl HSD in 1971-72: 2400 Kl MS and 4900 Kl HSD in 1972-73 and 1800 Kl MS and 5100 Kl HSD in 1973-74.

When the Dalgaon depot was purchased, IOC was in carrying an under recovery of Rs. 5000|- per month on MS supplies to the Army. This has been saved as a result of IOC establishing the depot there. IOC has also made further profits by selling other products through this depot. The financial results of the working of the depot till 1973-74 are as per enclosed statement (Appendix III). It will be seen that the depot margins were more than the depot operating cost.

Srinagar:—The Burmah-Shell Depot, which was unutilised by them was purchased in October, 1973 at the instance of J&K Government who required IOC to maintain 21 day's tankage cover to take care of disruption in road supplies to Srinagar during winter. This was in addition to IOC's existing Depot tankage at Srinagar. IOC's existing facilities were inadequate to meet the needs of the area.

[Miny. of Petroleum and Chemicals O.M. No. IS-54012|5|74-IOC,
dated 20-12-1974]

Recommendation Sl. No. 39 (Paragraphs 9.11 and 9.12)

The Committee find that at present the Chairman of the Corporation does not have any powers over and above those enjoyed by the Managing Directors of the two Divisions. Although the Government letter appointing the last Chairman as early as September, 1971 envisaged delegation of further powers to the Chairman by the Board of Directors it is only in June, 1973 that a sub-committee of the Board has been constituted to streamline the powers exercised by the Managing Directors and thereafter the powers of the Chairman will be reviewed.

The Committee desire that the Sub-Committee should finalise its deliberations without further delay so that the Board may take a decision about delegation of any additional powers to the Chairman/Managing Directors that may be necessary in the interest of the effective functioning of the two wings of the Corporation.

Reply of Government

Sub-Committee of the Board constituted for this purpose decided to scrutinise the powers delegated to the Chairman and Managing Directors of other Public Sector Companies before giving its final recommendations. This took some time and consequently a little delay in finalising its report. The Sub-Committee is now expected to give its report shortly and the new delegation of Powers to the Managing Directors and the Chairman will be issued soon after approval by the Board. The Committee will be informed of the final decision in due course.

[Ministry of Petroleum & Chemicals O.M. No. IS-54012|5|74-IOC,
dt. 21-10-1974]

Further information called for by the Committee

In reply it has been stated that the new delegation of powers to the Managing Directors and Chairman will be issued soon after the receipt of report of the Sub-Committee and approval by the Board. The Ministry may please intimate the final decision taken in the matter.

[L.S. Sectt. O.M. No. 13-PU/74, dated 16th December, 1974].

Reply of Government

Final decision is expected shortly.

[Ministry of Petroleum and Chemicals O.M. No. 54012(4)/74-IOC, dated 28th February, 1975]

Further information called for by the Committee

In reply to the further information called for by the Committee, the Ministry has stated that final decision is expected shortly. Please intimate the latest position in the matter.

[L.S. Sectt. O.M. No. 13-PU/74, dated 24th June, 1975].

Reply of Government

A set of the revised Delegation of Powers to the Chairman and the Managing Directors of the Indian Oil Corporation as approved by its Board of Directors is enclosed. (Appendix IV).

[Ministry of Petroleum and Chemicals O.M. No. 54012(94)/74-IOC, dated 24th July, 1975].

Recommendation Serial No. 40 (Paragraphs 9.16 and 9.17)

The Committee note that each Division of the Corporation has its own Financial Controller to assist the Managing Director on all matters having financial bearing. In addition, the Corporation has a Finance Director who functions as the Staff Officer of the Board of Directors and the Chairman in the matter of financial advice. The Committee are informed that all matters referred to Chairman having a financial bearing and cases where the Financial Controllers do not concur with the Managing Director are routed to the Chairman through the Financial Director. However, as admitted by the Secretary of the Ministry during evidence, not all proposals con-

cerning financial matters coming to the Board, have the prior comments of the Finance Director. The Committee recommend that the procedure should be such that proposals concerning financial matters coming before the Board invariably include the comments, if any, of the Finance Director so that the Board have a clear idea of the financial implications of the proposals while considering them.

The Committee also understand that the issue regarding the control and powers, which Finance Director should exercise over the Financial Controllers of the two divisions, is under consideration of the Ministry of Petroleum and Chemicals in consultation with the Ministry of Finance. The Committee recommend that an early decision would be taken in the matter and reported to the Committee.

Reply of Government

The functions of the Finance Director of the IOC have since been specifically spelt out *vide* Ministry of Petroleum and Chemicals letter No. IS.48011(5)/73-IOC, dated 10th June, 1974. A copy of it is enclosed. (See Appendix V).

Para 7 of this order states as follows:—

“Any matter having a financial bearing which may have to come to the Board, should be placed before the Board only with the comments of the FD. Only in an emergency, should the Chairman allow such a matter to come up without FD’s comments and request him to offer his comments in the Board meeting itself.”

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/74-IOC, dated 21st October, 1974].

CHAPTER III

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

Recommendation Serial No. 1 (Paragraph 1.20)

The Committee find that there has been gradual increase in the volume of sales of IOC and it reached a figure of 12.28 million tonnes in 1972 which represented a market participation of 57.3 per cent as against 42.5 per cent in 1968. The Corporation has also by and large achieved two of its objectives of meeting all petroleum product requirements of Government organisations (Central and State) and the handling of at least half of the import trade of deficit petroleum products. In fact, the import of all petroleum products is now being canalised through IOC except for a few proprietary brands of highly specialised finished lubricants for aviation and marine industries. A review of the product-wise sales of the Corporation, however, reveals that it has less market participation in more profitable products (HSD and MS) and greater market participation in less profitable products. In the case of Motor Spirit the share of IOC was only 26 per cent in 1972 as against the overall market participation of 57.3 per cent. In the case of retail sales of M.S. its share was barely 19.4 per cent in 1972. The Committee are constrained to observe that the Corporation's participation in profits fell short of its market participation as compared to other oil companies. The reasons for unsatisfactory performance in the sale of M.S. have been dealt with in detail in the subsequent paragraphs of this Report.

Reply of Government

The difficulties faced by IOC in regard to the Retail sales of Motor Spirit have already been submitted to the Committee. Their observation has been noted for future guidance.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/74-IOC, dated 14th November, 1974].

Recommendation Serial No. 2 (Paragraph 2.31)

The Committee also recommend that Government/Corporation should formulate a perspective plan of establishment of retail out-

lets consistent with the production and availability of motor spirit and the actual implementation of the plan should be reviewed periodically so that the reasons for shortfall in this regard could be identified and the remedial measures taken in time. The Committee would also like that establishment of outlets should be such as to enable greater participation by IOC in retail trade of products having greater margin of profit.

Reply of Government

In view of the steep increase in crude oil prices and the consequent strain on the country's foreign exchange resources, it has become necessary to curb the consumption of petroleum products. Since MS is an item of personal consumption, its consumption has to be curtailed to the maximum extent possible. Fiscal measures taken in November, 1973 to increase the price of Motor Gasolene have already resulted in reduction in MS sales by about 23 per cent during January to August, 1974 over the previous years' level. As a consequence, IOC has also to revise its policy for setting up new retail outlets.

Taking into account the necessity to conserve capital expenditure to the maximum and considering the fact that the Corporation has a fairly wide net of retail outlets already operating in the country, IOC has decided in consultation with the Government to limit the future growth of retail outlets only to virgin trading areas and metropolitan towns. A virgin trading area is defined as an area which has the trade potential to sustain operation of a retail outlet economically and where there is no retail outlet of any other oil company. Thus, it is planned to instal a total of approximately 250 to 300 retail outlets during the 5th Five Year Plan period. A review of progress in commissioning the planned outlets will be undertaken periodically as recommended by the Committee.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/
74-IOC, dated 21st October, 1974].

Recommendation Serial No. 3 (Paragraphs 2.52 and 2.53)

The Committee find that the average throughput of Motor Spirit per month per retail outlet of the Corporation was lower than the industry's average not only in the four metropolitan cities but in Group B and C towns also. In the case of Bombay and Calcutta, the average throughput of Corporation's retail outlet was lower than industry's average in 1966. Another disturbing feature was that in Bombay, the gradual improvement registered upto 1970 could not be

maintained and the throughput went down to the level of 1966. The low throughput also effected the profitability of the retail outlets. A study of 1119 retail outlets during 1969-70 showed that 283 retail outlets gave nil or poor return on investment.

From the reasons advanced by the Corporation for the retail outlets showing nil or poor return on investment, the Committee cannot help observing that enough care was not taken either in selecting the dealers or the sites for location of the outlets. The Committee are not able to appreciate why IOC should not profit by their experience and take a judicious decision both in the location of the retail outlets and in selecting the dealers.

Reply* of Government

In all the four metropolitan cities, the other oil companies have established their retail outlets in key locations situated in high volume commercial and residential areas. These have been in existence for the past several years. IOC, being a late entrant in the field, was therefore left with no choice but to develop its retail outlets primarily in the periphery of these cities/towns and outside the municipal limits. Thus, inspite of IOC's best efforts, its average throughput of MS retail outlets in the metropolitan towns remains substantially below that of the other oil companies. In other areas, particularly in major towns again, the other oil companies had well established retail outlets in high volume areas and IOC, therefore, had under those compulsions, no alternative but to put up retail outlets in low potential trading areas in these towns. IOC, however, continued to make vigorous efforts wherever possible, to obtain Government/Municipal/Defence sites. Unfortunately, IOC has not been able to obtain several key locations within these cities primarily because of high rentals in the case of both private and Government sites and time-consuming procedures particularly in the case of public sites.

In the lower potential C-Group markets and non-Retail Outlets Committee areas, IOC has been able to establish a fair network of retail outlets both within and outside the municipal limits.

Taking into account the fact that the total number of retail outlets operated by the Corporation increased substantially from 1048 on 1st January, 1967 to 3349 on 31st December, 1973, IOC has been able to improve its per pump throughput of MS and reduce the disparity

*Not vetted by Audit.

between the industry and its own average monthly sales per retail outlet. In 1972, IOC's average sale of MS per retail outlet on an All India basis was 13 kl. per month as against 17 kl. for the industry.

Since November 1969, IOC has given greater consideration to the need for fulfilment of various social objectives. Most of the new retail outlets planned since 1970 onwards have been awarded primarily to unemployed graduates and Defence personnel as a matter of policy, to help relieve unemployment amongst the educated youth and for the rehabilitation of war affected Defence personnel and their dependants. These dealers had to face severe competition from the experienced dealers of the other oil companies and being completely new to the business have been at a disadvantage. A new retail outlet usually takes two to three years to pick up the sales in any market and with these additional handicaps, the growth in sales from these retail outlets have been below normal and several of them have still to reach forecasted sales levels. Even so, during the year 1973, IOC's performance of monthly MS throughput per retail outlet increased in Calcutta to 23.8 kl., Delhi to 52.7 kl. and Madras 26.3 kl. The throughput in Group-B towns increased from 19 kl. in 1972 to 221 kl. in 1973 and in Group-C towns increased from 10 kl. to 11.1 kl.

It may be noted that the selection of retail outlet sites is made by IOC after examination of several factors such as the existing land available, need for representation in the trading area, traffic potential, rentals demanded by the landlords and other related factors. Even so, some of the well-located retail outlets may become unprofitable later on due to unforeseen developments such as shift in octroi barriers, road-widening schemes, development of by-pass or feeder roads, which would consequently considerably reduce the available trade potential.

The recent study on the profitability of selected retail outlets conducted by IOC during second half of 1973-74 showed that the sales of nil return and low return retail outlets are improving and the number of such outlets is on the decline. The position is under constant review and such retail outlets as can not be improved are being de-commissioned.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/74-IOC, dated 14th November, 1974].

Recommendation Sl. No. 5 (Paragraphs 3.23 & 3.24)

The Committee also note that under a recent agreement between I.O.C. and Caltex, the latter would be transferring 143 of their

retail outlets to the I.O.C. The Committee, however, find that these outlets are generally not in areas where there was high consumption of motor spirit and only 10 of them are located in metropolitan cities. The Committee feel that IOC/Ministry should have, in the light of their experience so far, persuaded Caltex and secured more outlets in high consumption areas.

The Committee also find that although the outright sale of motor spirit to Caltex had been stopped Caltex would be giving in exchange products which would give IOC a gross margin of only 73.45 per cent of the margin on motor spirit supplied to them (Caltex). The Committee see no justification why Caltex could not have been persuaded to give products in exchange which would have given I.O.C. an equal margin of profit.

Reply of Government

Negotiations were held with Caltex for the sale/transfer of as many retail outlets as were necessary to meet the quantum of motor spirit mutually agreed to be surrendered by Caltex of IOC. Within this framework Caltex were pressed to pass on to IOC as many retail outlets with high volume sales in metropolitan cities and other major towns as possible. After prolonged discussions an agreement for the sale/transfer of 173 retail outlets/consumer pumps was finalised on the basis of transfer of retail outlets broadly in geographical areas. Even so, IOC was able to secure Caltex's consent to hand over 10 retail outlets in the four metropolitan cities and 21 outlets in B1 Group towns. Caltex was not agreeable to part with retail outlets in different trading areas on a selective basis.

The purchase price payable by IOC for the outlets agreed to be transferred by Caltex was determined as follows:—

1. In the case of civil works, on the basis of the current replacement value of such works minus of observed depreciation calculated on prevailing income-tax rates.
2. In the case of equipment, plant, machinery and fittings, on the basis of original cost paid by Caltex minus the depreciation on prevailing income-tax rates for the period between the installation of these items and the date of handing over the facilities to IOC.

Thus the amount payable to Caltex was considerably lower than the cost of putting up new retail outlets in these areas. This

gave to the IOC, a certain economic advantage in lieu of which the margin of 73.45 per cent accruing to IOC on similar/dis-similar product exchange was accepted.

[Miny. of Petroleum & Chemicals O.M. No. IS-54012/5/74-IOC, dt. 21-10-1974];

Recommendation Sl. No. 7 (Paragraph 4.16 and 4.17)

The Committee note that prior to 1st June, 1970, the pricing of petroleum products was on the principle of import parity and the pricing joints were the 8 main ports. The supply areas were demarcated on the basis of equal costs lines. From 1st June, 1970, the inland refineries also became pricing points in addition to the main Ports and the Supply areas were redefined also on the basis of equal costs lines. Under the pricing formula the cost of movement within the economic supply area and inter-zonal movement within the supply area towards the cost line was included in the selling price and movements outside these areas involved additional expenses and therefore under-recoveries. The Committee note that with effect from 1st June, 1970, the Government of India introduced a "freight surcharge" pool scheme to compensate such under-recoveries and the oil companies could adjust under-recoveries on account of only authorised movements of petroleum products as decided in the Monthly Supply Plan meeting. Government also laid down certain norms which are uniformly applied to all the companies for regulating these under-recoveries from the Freight Surcharge Pool. The Committee find that since the introduction of the freight surcharge pool, a sum of Rs. 41.10 crores had been reimbursed to the IOC till 31st March, 1973, and Rs. 1.22 crores could not be adjusted against the freight surcharge pool as it pertains to unauthorised railway movement or the coastal movement of the products not conforming to the norms laid down by Government.

The Committee stress that the Corporation should exercise strict control over the movement of the products and should plan their movements suitably to ensure that unauthorised movements not reimbursible from the Freight Surcharge Pool are kept to the minimum, so that the Corporation is not unnecessarily saddled with such expenditure.

Reply of Government

Noted. At present, movements decided in the supply plan meetings convened by the Ministry of P&C, qualify automatically for reimbursement.

In case after the supply plan meeting, changes in the pattern of POL movement become necessary, Railway Inland Petroleum Movement Committee in consultation with the Ministry of P&C issues revisions in the pattern of POL movement which automatically qualify for reimbursement from FSP. In cases where IOC is not able to obtain prior approval because of certain reasons like break in the channels of communication etc., details are communicated by IOC to Railway Inland Petroleum Movement Committee New Delhi and the necessary *ex-post-facto* approval/authorisation is obtained.

As far as the Coastal movement is concerned, integrated coastal tanker movements are programmed by convening an industry meeting and the movements finalised in this are approved by the Ministry of P&C which qualify for reimbursement from the FSP. In case some changes are required to be made in the movement plan necessary clearance is obtained by the IOC from the Ministry of P&C.

Under the above system, it is expected that there would be no large scale unauthorised movements not qualifying for reimbursement from FSP.

[Miny. of Petroleum & Chemical O.M. No. IS-54012/5/74-IOC,
dt. 14-II-1974]

Recommendation Sl. No. 12 (Paragraph 4.51)

The Committee regret to note that although the prices fixed by the OPC envisaged that recovery of retail pump outlet charges in respect of MS & HSD should include free delivery within a round trip of 39 KM. from the storage point and actual transportation charges in respect of road delivery beyond the above distance, no records were being maintained by the Corporation to segregate the expenditure on transportation within an outside the free delivery zone and the Corporation has been charging a uniform rate of 18 paise per KL/KM in respect of delivery beyond the free delivery zone. The Committee were informed that the actual cost of transportation includes other elements which could not be accurately determined and levy of flat rate was as per the practice which had been in force for a long time. The Committee feel that, in case, there were genuine difficulties in maintaining proper accounts so as to ensure recovery of actual charges instead of flat rate, there was hardly any justification for accepting *in toto* the recommen-

dition of the Oil Price Committee which in the opinion of the Ministry cannot be implemented. They desire that this matter may be considered by the next Oil Pricing Committee to remove the present anomaly.

Reply of Government

The matter has been referred to the new OPC for consideration.

[Miny. of Petroleum & Chemicals O.M. No. IS-54012|5|74-IOC, dt. 14-11-1974]

Further information called for by the Committee

The Ministry have stated that the matter has been referred to the new OPC for consideration. The findings of new OPC in the matter may please be intimated.

[L.S.S. O.M. No. 13-PU|74, dt. 16-12-1974]

Reply of Government

The matter will be covered in the final report of the new Oil Pricing Committee which is expected by end of September, 1975. Further information would be communicated to the Committee on receipt of the OPC report.

[Miny. of Petroleum & Chemical O.M.No. L.S.-54012|5|74-IOC, dt. 28-2-1975]

Recommendation Sl. No. 14 (Paragraph 4.79)

The Committee also regret that the Corporation also suffered loss of charter hire on account of the detention of company's tankers at Cochin to the extent of Rs. 5.73 lakhs as the agreement with Cochin Refineries Limited did not provide for the recovery of such losses. According to IOC the absence of provision for recovery of hire for detention period has to be viewed in conjunction with difficulties in positioning the tanker according to schedule. The Committee do not consider these difficulties to be unsurmountable. They would urge that measures should be taken by the Corporation with a view to improving the situation to avoid the loss of charter hire.

Reply* of Government

Several measures have been taken to improve the utilisation of tankers. These include the optimisation of tanker movement, improvement of storage and pumping facilities at Ports to facilitate faster loading and unloading and thereby increasing the turn-around time of vessels and the improvement of Port facilities to handle the tankers, thereby decreasing the detention time of tankers at Ports. In some cases, IOC have put tankers on combined black oil and white oil which would facilitate simultaneous discharge, thus reducing pumping time considerably. A continuous watch is kept to bring about increase in the productivity of tanker movements. A close liaison is also kept with the Ministry of Shipping and Transport with a view to bring about improvements in this regard. A provision in IOC's agreement with the Cochin refinery for reimbursement of tanker detention charges due to the non-availability of product, will correspondingly make the IOC liable for any loss suffered by the refineries due to delay in positioning of tankers or otherwise non-adherence to the original schedule to be indicated in advance. Although several measures have been taken by IOC and the Government to improve the utilisation of tankers, yet adherence to a predetermined schedule is not always possible, due to the present port facilities and the unsatisfactory performance of some of the vessels on which IOC is dependent.

[Miny. of Petroleum & Chemicals O.M. No. IS-54012/5/74-IOC,
dt. 14-11-1974]

Recommendation Sl. No. 15 (Paragraph 5.21)

The Committee find that the Freight Surcharge Pool Account was created by levying a surcharge on the petroleum products with effect from 1st June, 1970. They, however, regret to note that instead of finalising the rules for the operation of the account immediately after the scheme was introduced, it took the Government about two years to frame the detailed rules for the operation of the account and the procedure to be adopted for withdrawals therefrom. Pending Ministry's clearance of *inter se* agreement between the oil companies, the individual oil companies were allowed to keep the surplus with them and it was only after the Ministry's approval was given on 10th April, 1972 that the Companies deposited in the bank in April, 1972, a sum of Rs. 6.44 crores. The Committee regret to point out that the delay in the finalisation

*Not vetted in Audit.

of the *inter se* agreement resulted in an interest free used of the surplus fund by the oil companies till April, 1972. The Committee are surprised to find that even after this, Government could not take a decision regarding utilisation of the surplus fund till April-May, 1973 upto which a sum of Rs. 11.03 crores remained in current account with State Bank of India resulting in loss of interest to the extent of Rs. 62 lakhs.

(Paragraph No. 5.21)

Reply of Government

The FSP surcharge scheme was introduced from 1st June, 1970 by levying a surcharge of Re. 10 per KL/MT on all the bulk refined petroleum products excluding Avgas Grades & Bitumen. Bitumen was included in the scheme from 1st July, 1970. The oil companies were asked to maintain two separate accounts viz. one for products other than Naphtha (Acc No. 1) and the other for Naphtha (ACC No. 2).

2. In letter No. 1/6/70-PPD, dated the 4th June, 1970 the oil companies were intimated the norms for claiming reimbursement from the FSP Account.

3. The FSP Account for products other than Naphtha, showed a deficit of Rs. 158.46 lakhs in May, 1971. Consequently, the FSP surcharge was increased to Rs. 15/KL/MT with effect from 28th May, 1971.

4. The balances in the FSP Accounts for each quarter from 1st June, 1970 to 31st March, 1972 are given below:—

Period	FSP (Products) Cumulative		FSP (Naphtha) Cumulative	
1	2		3	
1-6-70 to 30-9-70	—78.66	—78.66	+24.44	+24.44
1-10-70 to 31-12-70	—105.31	—183.97	+15.01	+39.45

1	2		3	
1-1-71 to 31-3-71	+39.51	-144.46	-11.99	+27.46
1-4-71 to 30-6-71	+43.17	-101.29	+17.94	+45.40
1-7-71 to 30-9-71	+126.84	+25.55	+26.91	+72.31
1-10-72 to 31-12-71	+174.45	+200.00	+52.15	+124.46
1-1-72 to 31-3-72	+234.00	+434.00	+32.07	+156.48

5. It may be noticed that upto August, 1971, the FSP Accounts put together were in deficit. Only from September, 1971 onwards, there was progressive accumulation of credits in these Accounts. As mentioned by Audit, the surplus in these Accounts were deposited in the bank in April, 1972. The earlier deficits more or less match with the later surplus. The delay in the finalisation of the inter-se agreement had not significantly resulted in an interest-free use of the surplus funds.*

[Min. of Petroleum & Chemicals O.M. No. IS-54012(4)/74-IOC,
dt. 1-1-1975].

Recommendation Sl. No. 15 (Paragraph 5.23)

The Committee find that a sum of Rs. 7 crores had been advanced as loan to the Calcutta Port Authority to provide funds for dredging operations. The Committee feel that funds for such pur-

*At the time of factual verification, the Audit pointed out as follows :—

“ The break up of the overall deficits in Freight Surcharge Pool accounts between I. O. C. and private Oil Companies was obtained by the Principal Audit Officer from the records of the I. O. C. as per statement enclosed. It will be seen from the details given in the statement that the private oil companies had derived benefit by use of substantial funds interest free. In view of position, the Ministry's statement that the delay in the finalisation of the the *inter-se* agreement had not significantly resulted in an interest-free use of the surplus funds, it is not correct. The Ministry's reply may please be modified accordingly ”.

poses should have appropriately been found from the annual budget of the Port Trust Authorities with proper financial sanction and the Freight Surcharge Pool Account should not have been utilised for tiding over temporarily the ways and means position of Government. The Committee would like to be informed whether the temporary loan of Rs. 7 crores has since been recovered in full.

Reply of Government

Calcutta Port Commissioners were sanctioned a temporary loan upto a limit of Rs. 6.60 crores from the F.S.P. Funds for expediting dredging operations at Haldia Port. The Calcutta Port Commissioners, however, availed of a loan of Rs. 4.10 crores only during the period from 15-11-73 to 30-3-74. The entire amount with interest was repaid in full to the F.S.P. in May, 1974.

[Ministry of Petroleum & Chemicals O.M. No. IS-54012/5/74-IOC,
dated 21-10-1954.]

Recommendation Sl. No. 19 (Paragraph 5.57)

The Committee find that in respect of lubricants, greases and specialities the pricing formula provided a system of block control on marketing and distribution charges and profit per unit of different products falling in each group. The oil companies were permitted to fix the prices of individual products under each group in such a manner that after meeting the actual costs, the balance left for all the products under any one group did not exceed the distribution and profit margin per unit permitted by the Oil Price Committee. However, the actual profits made by the oil companies exceeded the permissible limits and since the oil companies failed to make voluntary reduction in prices as and when called for, there was large accumulation of super profits by the private oil companies in spite of Government having levied non-recoverable additional duties.

Reply of Government

This problem was examined by a Committee of Officers of the Ministry of Petroleum & Chemicals and the Ministry of Finance. As per their recommendation, the Oil companies have been asked to credit/debit their cumulative over or under recoveries in the Block Control as on 31-12-72 to the C&F Adjustment Account. This has been agreed to by all the oil companies and is being implement-

ed. For the period 1-1-1973 onwards also the oil companies have agreed to adjust the net debit/credit to the C&F Adjustment Account.

[Ministry of Petroleum & Chemicals O.M. No. IS-54012/5/74-IOC, dated 21-10-1954.]

Recommendation Sl. No. 19 (Paragraph 5.58)

The Committee also find that the Corporation requested Government in October, 1969 to review the entire scheme of pricing of lubricants, greases and specialities. The Corporation again represented to Government in March, 1972 as the Corporation was required to pay non-recoverable duty during 1971-72 without any super profit balance to be absorbed, unlike other oil companies who made super profits in earlier years suitable mechanism might be evolved to set right the imbalance. The Committee regret to note that no immediate action was taken by Government in this regard and it was only on 30th July, 1973 that instructions were issued by the Ministry directing all the oil companies to credit/debit the over-recoveries/under-recoveries to C&F Adjustment Account. The Committee regret to note that the long delay in taking a decision in this regard had resulted in giving the benefit of use of large surplus funds to the private oil companies.

Reply of Government

Government have reviewed from time to time in the past, the net position of the over-recoveries with the oil companies in the Block Control, on the lube oils and greases. As a result of this periodical review, rates of additional (non-recoverable) duties have been fixed from time to time, for mopping up the super profits. The rates of duty are determined on the net position for the industry as a whole, since different rates cannot be levied for different companies. This was found to be inadequate, inasmuch as the impact of the duties on individual companies was felt unevenly, since the quantities of sales for the different companies varied.

2. Government were anxious to mop up quickly the substantial over-recoveries with the oil companies upto the end of 1970-71 and the estimated amounts beyond that period. The matter was reviewed in consultation with the Ministry of Finance, and additional (non-recoverable) duties on lube oils were increased by Rs. 71.20/MT or Rs. 60.60 per KL with effect from 3-9-71.

3. Further, a high powered committee consisting of officers of this Ministry and the Ministry of Finance was set up on 3-11-71 to determine the quantum of over-recoveries of the oil companies (including IOC) in the Block Control on Lubricants and Greases and to suggest suitable and equitable methods of mopping them up.

4. The Committee on Block Control submitted its Report on 21-6-1973, the main decisions/recommendations thereof were implemented on 30-7-1973. Action has been taken regarding the surplus funds with the Oil Companies, *vide* Government's reply to para 5.59.

[Ministry of Petroleum & Chemicals O.M. No. IS-54012/5/74-IOC, dated 14-11-1974.]

Recommendation Sl. No. 19 (Paragraph 5.59)

The Committee also note that although the over-recoveries were required to be credited to the C&F Adjustment Account within two months from the date of the order, it had not been done so far and the private oil Companies had *inter alia* represented that payment in one instalment would seriously impair their ways and means position. They were, therefore, negotiating with IOC to pay the amount in instalments. The Committee would like that a decision in this regard should be taken early and put into force.

Reply* of Government

The three oil companies *viz.*, Burmah-Shell, Caltex and the erst-while Esso, requested the Government for permission to credit the cumulative over recoveries as on 31-12-72 in the Block Control Account to the C&F Adjustment Account in instalments. After due consideration, all the three companies have been allowed to credit the over-recoveries in 2 equal instalments. Esso have already credited both the instalments in full. Burmah-Shell have credited the first instalment in the first quarter of 1974. The second instalment is to be credited by them by 31-3-75. Caltex have paid the first instalment. The second instalment is to be paid before 31-12-74.

[Ministry of Petroleum & Chemicals O.M. No. IS-54012/5/74-IOC, dated 21-10-1974.]

*Not vetted in Audit.

Further information called for by the Committee

In reply, it has been stated that the Burmah-Shell have credited the first instalment in the first quarter of 1974. The second Instalment is to be credited by them by 31-3-1975. Caltex have paid the first instalment. The Second instalment is to be paid before 31-12-1974.

The Ministry may please intimate the latest position in the matter.

[L.S. Sectt. 13-PU/74 dated, 24-6-1975.]

Reply of Government

Caltex have paid both the instalments each one being of Rs. 98.42 lakhs.

Burmah-Shell has credited the first instalment of Rs. 82.52 lakhs in the first quarter of 1974 and the second instalment of Rs. 82.51 lakhs in the first quarter of 1975.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012(5)/74-
IOC, Dated 24.7.1975]

Recommendation Sl. No. 20 (Paragraph 6.3)

The Committee regret to note that in spite of their recommendation in their 35th Report (3rd Lok Sabha) in March, 1967 that strict control over costs should be ensured it was only from 1969-70 that accounting system integrating both cost and financial accounts has been introduced. It has been admitted by the Management that the present system does not cover many other aspects of cost analysis and there is scope for improvement. The Committee need hardly emphasise the importance of having a systematic analysis of costs of all the significant aspects of the undertaking so that it can be a real aid to management to judge and improve the working of the organisation. They desire that necessary measures should be taken without delay to remove the deficiencies in the existing costing system. The Committee are not convinced that at least some analysis of the other aspects of cost is not possible till the computer is installed. The Committee would like the Corporation to improve the costing system within the existing resources so that it serves as an effective tool of management control to effect economies and improve efficiency.

Reply of* Government

Cost statements on quarterly basis are prepared for each cost centre e.g. Depot, Installation, District Office and Branch Office. Further, a system has been introduced at the Branch Office, Installation and District Office to review the controllable expense vis-a-vis budget, on a monthly basis.

A complete review is being made of IOC's Management Information Systems with a view to redefine priorities, cut out non-essential reports, change the contents and formats of Reports and produce Reports which are essential for Management decision making. Refinement of cost reports will be done to the maximum extent possible within the total available means.

[Ministry of Petroleum & Chemicals O.M. No. IS-54012/5/74-IOC, dated 21-10-1954.]

Recommendation Sl. No. 21 (Paragraphs 6.11 and 6.12)

The Committee find that based on the annual accounts, the net profit earned by the Marketing Division of IOC was Rs. 3341.77 lakhs during 1972-73 as compared to Rs. 2036.82 lakhs during the previous year. However, the profit as shown in the accounts is the net result of interaction of a number of variable factors operating in different years. According to IOC, after taking into consideration the impact to quantifiable variable factors like non-recoverable duty, reimbursement of recoveries from pool/accounts/surcharge schemes etc., the adjusted profit for 1972-73 would amount to Rs. 3047.42 lakhs. On the other hand, the adjusted profit for the year on the lines indicated by Audit would be still lower i.e. only Rs. 1429.07 lakhs.

In the opinion of the Committee, the profit or loss as indicated in the accounts of the Corporation is not a true index of the efficiency of the working of the Marketing Division of the Corporation. The Committee recommend that for a proper assessment of the working results of the Marketing Division and to have a realistic appreciation of the financial position of the various activities from year to year, the Corporation should prepare a variance analysis showing the impact of changes in various factors like sales volume, product-mix, rate variance, a margin variance, movement and distribution pattern and change in pricing points etc. on the profits of

*Not vetted in Audit.

the Division. This would help the management in locating areas where improvements could be effected so that suitable measures could be taken in time.

Reply of* Government

The volume of sales handled during the year 1973-74 was of the order of Rs. 1156 crores, involving a physical volume of 16.1 million Kls. This volume was spread through the length and breadth of the country and handled by 139 Depots, Installations and Refinery points, and moved through several inland and off-shore modes of transport. The basic ceiling selling prices of bulk petroleum products ex-main storage points are fixed by the Government. These prices allow a certain fixed marketing margin per KL/per Tonne to the Oil Companies. The Oil Companies have, thus, to operate within these margins. If they economise on the expenditure on handling distribution and administration it goes to their advantage. Thus there is an in built mechanism to persuade the Oil Companies to work economically with the least cost so as to maximise their profits.

While the need for Variance Analysis, as recommended by the Committee, is fully appreciated by the Management of IOC, it will be realised that the volume of transactions involved is so great that it will be almost impossible to do everything manually. However, in matters which have a direct financial bearing on IOC's operations, Variance Analysis is worked out, e.g. under-recoveries are established and are taken up with the Government for provision of relief and for control of such under-recoveries by adoption of different methods of operations.

No effort will be spread to implement the additional analysis to the extent possible within the limitations of the data processing facilities available. A complete review of the Management Information System is also being made for this purpose. Corporation will also endeavour to enlarge the scope of variation analysis as and when improved Data Processing facilities are available.

[Ministry of Petroleum & Chemicals O.M. No. IS-54012(5)/74-IOC,
dated, 4-1-1975]

*Not vetted in Audit.

Recommendation Sl. No. 22 (Paragraphs 6.28 and 6.29)

The Committee find that the total amount of out-standings, expressed in terms of number of days' sales, have gradually come down from 22 days as on 31st March, 1969 to 10 days as on 31st March, 1973. However, in respect of private parties there were heavy outstandings and these had gone up from Rs. 7.50 crores as on 31st March, 1969 to Rs. 10.41 crores as on 31st March, 1973. The Committee regret to note that there were 45 private parties against whom the amount due was more than Rs. 1 lakhs and the amount was outstanding for more than 30 days. As on 31st March, 1973, the total amount of book-debts outstanding for more than six months was as high as Rs. 5.69 crores.

From some of the illustrative instances which came to the notice of the Committee, they regret to note that, in several cases, the Corporation failed to make proper enquiries into the credit worthiness of the customers before granting them credit facilities. It is also surprising that the credit facilities were continued to be given to the customers even where they failed to make payment as per the terms of credit facilities laid down by IOC and in one instance the credit facility was not withdrawn even though the credit investigation report did not justify granting credit facilities to the customer. The result has been that there were several cases where legal proceedings had to be resorted to for realisation of dues which means heavy expenditure on litigation. An amount of Rs. 1.20 crores was considered doubtful of recovery as on 31st March, 1973.

Reply of* Government

As the figures quoted by the Committee will show, sustained efforts are made by the IOC to reduce outstandings. There have however been some unfortunate cases in the past where the credit limit was not adhered to or where the customers failed to pay after taking the product which ended up in legal action having to be taken for recovery of amounts. IOC is constantly endeavouring to effect improvements in this regard. Field staff have been given instructions to strictly adhere to the credit policy laid down.

[Ministry of Petroleum & Chemicals O.M. No. IS-54012(5)/74-IOC, dated, 21-10-1974].

*Not vetted in Audit.

Further information called for by the Committee

In reply it has been stated that the field staff have been given instructions to strictly adhere to the credit policy laid down. A copy of such instructions may please be supplied.

[LSS. O.M. No. 13-PU/74, dated 16-12-1974].

Further Reply of Government

The credit policy followed by the IOC has been tightened considerably during the recent past. A circular issued by the Head Office of IOC to all the Regional Managers on 18th March, 74 laying down the new credit policy is enclosed (Appendix VI). The Regional Offices have in turn impressed upon the locations to strictly adhere to the new policy and this has been stressed at the periodical conferences held of sales personnel, both at the HO and Regional Offices. A copy of the circular issued by the Western Regional Office dt. 19-3-1974 is also enclosed for information. (Appendix VII).

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/4/74-IOC, dated 28-2-1975].

Recommendation Sl. No. 27 (Paragraph 7.61)

The Committee also take a serious view of the fact that in several cases IOC sold lubricants and greases below the cost of production without the approval of the Board of Directors although such sales below cost were not within the powers delegated to the Managing Director. It was only in February, 1973, after the matter was raised by Audit that a general note on sale of lubricants was submitted to the Board of Directors requesting them to regularise loss in the earlier years and to continue the sale of lub oil at prices fixed by the Government from time to time. The Committee are informed that the matter was referred by Board to the Finance Director and is awaiting re-consideration by the Board in the light of the observations of the Finance Director and the comments of the Management thereon. The Committee would like to be informed of the final out-come in the matter, and the action taken to regularise these sales.

Reply of Government

Under the Block Control System, the oil companies were given a margin fixed by the Government on the volume of sales of all

categories of lubricants in totality, and prices of each type of oil were, however, left to be fixed by the company concerned. The prices of these oils were determined by the market forces. Some premium grade oils were sold well above the cost and some of the secondary grade oils were sold below the cost, but the fixed margin on the total sales of lubricants was not allowed to be exceeded.

2. Although IOC entered into the sale of lubricants business in 1962-63, its volume of sales, however, went up only from the year 1966-67 onwards. Over the years, IOC found out from experience that the other oil companies had accumulated large super profits and were thus able to sell secondary grade lubricants at low prices in order to reduce their super profits. IOC, at that stage, being a market follower, had to fix the prices of lubricants at par with the prices already fixed by the private oil companies. The question of private oil companies accumulating super profits was examined by the Government. Orders were issued freezing the prices of various categories of lubricants prevailing as on 1-5-1970 and levying non-recoverable duties in order to mop up the super profits of the oil companies.

3. The intention of these orders was that the private oil companies should make losses and thereby dissipate their super profits. This however had the effect of dissipation of IOC's super profits at a faster rate as compared to other oil companies since IOC's share in secondary grades of lubricants was much higher. However, IOC has obtained necessary credit of Rs. 6.89 crores in respect of losses incurred by it on the sale of lubricants upto 31st March 1973 and processing margin in respect of blending at the Madras Blending Plant.

4. With regard to the prior approval of the Board of Directors not being taken on sales below cost and that such sales were not within the power delegated to the Managing Director, the Board of Directors have reiterated that such sales were inherent in the system of block control. In view of the factors mentioned above, the Board of IOC has accorded its *ex-post-facto* approval to the sale of lubricants in the past below cost.

[Ministry of Petroleum & Chemicals O.M. No. IS-54012(5)/74-IOC, dated, 4-1-1975].

Recommendation Sl. No. 30 (Paragraph 8.30)

The Committee also note that Government have already decided to purchase 74 per cent of the shares of ESSO and pay them the requisite compensation in this regard. The Committee suggest that Government should take this opportunity of settling the dues outstanding against ESSO before the amount of compensation is finally paid to the firm.

Reply of Government

The matter has been considered by the Government IOC has also consulted its solicitor on this matter. Under the pricing system in vogue for the sale of lubricants, the marketing margin including the profit element to which an oil company is entitled to is directly related to the volume of lubricants sold and not the value thereof. The marketing company is entitled to a gross margin of Rs. 107.72 per kl. and the balance realisation as well as expenditure (other than that covered by gross margin) is credited/debited to the block control account. Therefore, under the block control system, ESSO can not make any adventitious gain or loss on account of changed value of product. Sales tax liability, if any, leviable on such transactions, is also to be treated as a cost element and can be debited to the Block Control account. In view of the above, no adventitious gain or loss can accrue to ESSO in a final settlement of this deal. The question of making any adjustment from the compensation payable to ESSO would not therefore arise.

[Ministry of Petroleum and Chemicals O.M. No. 54012(5)/74-IOC, dated 6-2-1975].

Recommendation Sl. No. 33 (Paragraphs 8.54 and 8.55)

The Committee regret to note that the IOC agreed to sell imported aviation gasoline to M/s. ESSO as Motor Spirit without carrying out any tests on their own as to whether the product had actually gone off the specifications resulting in a loss of Rs. 73000 to the Corporation. The Committee have been informed that the officer and the branch concerned had been cautioned for this error.

The Committee are also surprised to find that although the sale had been made in July, 1969, the approval of the Board for writing off the loss has not been obtained so far. There were other cases also where sanction of the competent authority for writing off similar losses was taken after a long time. The Committee would like to be informed of the reasons for the inordinate delay in placing the matter before the Board.

Reply* of Government

The approval of the Board of Directors for writing-off a loss of Rs. 73,056 resulting from 315.595 Kl. of Av. gas 115/145 going off-spec. at Bombay as since been obtained on 13th November, 1973.

IOC's Western Branch advised the Head Office on 19th August, 1969 that the Av. gas stored in ESSO tank had gone off-spec. for sale. Certain clarifications were sought from the Branch which are received only by 20th April, 1971. The Managing Director, while giving the concurrence in principle on 12th August, 1971 for the write-off amount, ordered that further investigation should be conducted into the incident. There was prolonged correspondence on this subject and detailed enquiries were made on several aspects of the case. The Managing Director's approval to this case was finally given on 12th April, 1973, after which proposals were submitted to the Board for approval of the write-off.

It is regretted that there was an unfortunate delay in finalising this matter. The main reason for this delay was the inadequate system and procedures which made *post facto* investigation into details extremely difficult. This aspect has now been rectified. Instructions have also been issued that necessary action should be taken without delay, to conduct full and detailed investigation into such cases and to process write-off proposals for management's approval quickly.

[Ministry of Petroleum and Chemicals O.M. No. IS. 54012(5)/74-
IOC, dated 21-10-1974].

Recommendation Sl. No. 33 (Paragraph 8.56)

The Committee note that there were also other cases where aviation gasoline had to be down-graded because of long storage resulting in a loss of Rs. 7.06 lakhs. The Committee recommend that these cases should be investigated and the Committee informed of the outcome. The Corporation should take steps to fix suitable period/norms for storage of aviation gasoline and also for periodical inspection of the products with a view to ensuring that aviation gasoline etc. do not go off specifications during storage.

Reply of Government

2891.389 kl. of Av. gas 100/130 went of specification at IOC's Korukkupet Terminal, Madras on 27-1-1970. After taking into

*Not vetted by Audit.

account the recovery of Rs. 30,000 made subsequently, the corporation suffered a loss of approximately Rs. 6.76 lakhs on this account. Reasons for product going off-specification were fully investigated and it was established that all possible precautions and quality control procedures had actually been taken. It was concluded that the deterioration of product was basically due to the instability of product arising out of prolonged storage.

Detailed instructions have been issued to the field staff to exercise maximum care to ensure that quality control tests of products in storage tanks are conducted at specified intervals. IOC has taken in hand the preparation of a Quality Control Manual which will set forth various precautions to be taken during the receipt, storage and distribution of all products. Instructions have also been issued that necessary action be taken without any delay to process write-off proposals and obtain management's approval.

[Ministry of Petroleum & Chemicals O.M. No. IS.54012(5)/74-
IOC, dt. 14-11-1974].

Further information called for by the Committee

In the reply it is stated that IOC has taken in hand the preparation of a Quality Control Manual which will set forth the various precautions to be taken during the receipt, storage and distribution of all products. Instructions have also been issued that necessary action be taken without any delay to process write-off proposals and obtain management's approval.

Please intimate whether the aforesaid Quality Control Manual has been completed and if so what are the salient features of the Manual. A copy of the instructions issued to process write-off proposals etc. may also please be furnished.

[L.S. Sectt. O.M. No. 13-PU/74 dated 24-6-1975]

Reply of Government

The new quality Control Manual has been finalised and is under print. Copies of this Manual will be distributed to all concerned as soon as printed copies are available. The salient features of the Quality Control Manual are, however, indicated in the attached statement (Appendix VII A).

As regards the procedural instructions for write-off proposals, the Board of Directors has already decided that all the norms for write-off of stock losses/contaminated products, etc. should be reviewed and thereafter, submitted to the Chairman for approval of the new norms. Accordingly, a detailed review of all aspects concerning this matter has been undertaken and the proposals are expected to be finalised in about a month.

[Ministry of Petroleum & Chemicals O.M. No. IS. 54012(82)/74-IOC, dated 24-7-1975].

Recommendation Sl. No. 36 (Paragraphs 8.74 and 8.75)

The Committee find that compounded lubricating oil and greases are subject to 20 per cent *ad valorem* excise duty from 29th May, 1971. Provision also exists for set off of excise/countervailing duty paid on lubricating oils and greases used in the manufacture of compounded lubricating oil and greases. The Eastern and Southern Branches of the Corporation paid 20 per cent *ad valorem* duty on compounded lubricating oils and greases manufactured at the corporation's Blending Plants at Calcutta and Madras during June to September, 1971 but failed to obtain simultaneously set off of excise/countervailing duty paid on lubricating the oils and greases used in the manufacture of compounded lubricating oils and greases. As a result, the claims for refund of excise duty amounting to Rs. 11.13 lakhs were still pending with the Central Excise Authorities.

The Committee recommend that the Corporation should devise a suitable method and maintain proper records so that allocation of duty on lubricating the oils and greases could be readily available to avail of set off duty. The Committee would also like that vigorous follow-up action should be taken for the realisation of the balance of Rs. 11.13 lakhs on account of refund of excise duty.

Reply* of Government

Noted. All claims have since been settled. A sum of Rs. 24,430 in Eastern Branch was found inadmissible by the Excise authorities. This position was accepted by IOC.

*Not vetted by Audit.

No claim is, therefore, pending against Excise authorities at present. From June, 1972 onwards, the set off has been withdrawn and duty is paid in full on finished lubricating oils. As such there is no necessity now to prefer claims towards set off duty.

[Ministry of Petroleum & Chemicals O.M. No. IS.54012(5)/74-
IOC, dt. 21-10-1974].

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE.

Recommendation Sl. No. 2 (Paragraphs 2.27 to 2.30 and 2.32)

The Committee regret to note that the IOC has not been able to achieve the objective of building up adequate storage and distribution facilities for retail sale commensurate with the growing demand for petroleum products. Although the production of motor spirit in public sector refineries increased from 9.84 lakhs tonnes in 1967 to 11.24 lakh tonnes in 1972, the setting up of retail outlets for the sale of motor spirit has not been adequate with the result that the IOC's share in the total retail sale of motor spirit was only 19.4 per cent in 1972 as against 8.7 per cent in 1967.

The Committee find that although the Retail Outlets Committee had suggested the setting up of 580 retail outlets per year from 1968 to 1972, this target was revised to 250 outlets only per year from 1971 onwards, initially as a result of discussion with the Ministry and later, on account of an out-of-court settlement by IOC with other private oil companies. The Committee find that even this reduced target of 250 outlets was not achieved by the Corporation since 1971. The representative of the Ministry admitted during evidence that the progress in developing the storage and distribution facilities has not been satisfactory and the Corporation should have done better. The Committee are constrained to observe that because of non-availability of adequate retail outlets, the Corporation had to sell substantial portion of its products through other oil companies under the product exchange arrangements, foregoing the profit margin to the extent of Rs. 11.93 crores during the years 1966-67 to 1972-73 on motor spirit. In addition, the Corporation had to enter into agreements for the sale of lubricants to other oil companies by sacrificing profit margin thereon. This aspect has been dealt with in detailing subsequent paragraphs of this Report.

According to the Corporation, the main difficulty in setting up retail outlets and in improving its overall participation in retail sale was non-availability of suitable sites in strategic areas in major towns where there was high consumption of motor spirit. In this connec-

tion, the Committee find that in respect of retail outlets of private oil companies on public land in the four metropolitan cities and 26 other selected towns, the Retail Outlets Committee had recommended the transfer of the retail outlets to the IOC on the expiry of the existing leases. Out of 62 retail outlets on such land which were offered by other oil companies in pursuance of this recommendation of the Retail Outlets Committee, the IOC had taken over only 33 outlets upto 1973. The Committee were informed that out of the remaining 29 outlets the IOC was not interested in taking over 17 of them. The Committee recommend that the detailed reasons as to why the IOC was not interested in taking up these 17 outlets should be gone into by the Ministry and a report submitted to them.

One of the reasons advanced for not taking up some of new outlets was that the rent demanded for the lands by the Ministry or State authorities concerned was prohibitive. The Committee strongly urge that Government should take concerted measures to persuade the State Governments/Municipal Authorities to give all possible facilities and consideration to the IOC in the acquisition/leasing of land at reasonable rates for setting up the required retail outlets.

The Committee also recommend that Government/Corporation should formulate a perspective plan of establishment of retail outlets consistent with the production and availability of motor spirit and the actual implementation of the plan should be reviewed periodically so that the reasons for short-fall in this regard could be identified and the remedial measures taken in time. The Committee would also like that establishment of outlets should be such as to enable greater participation by IOC in retail trade of products having greater margin of profit.

The Committee were informed that there were 19 retail outlets of the private oil companies on land belonging to public sector undertakings. The main reasons for these not being transferred to IOC was stated to be that the Central/State Public Undertakings were bound by their prior commitments to private oil companies. As it has now been decided in the out-of-court settlement that the land belonging to public sector undertakings would be treated as private and not public land, it was upto the public undertakings as land owning authorities to offer sites to IOC after expiry of the present leases. The Committee are surprised at this complacent attitude of the Ministry and urge that Government should immediately undertake a review of each of the 19 retail outlets with a view of finding out suitable ways and means of assisting the IOC to set up retail outlets there at the earliest. The Committee would like to be inform-

ed of the concrete progress made in this behalf within six months. Government should also ensure that all new retail outlets on lands belonging to public undertakings are offered first to the IOC which has an All India network and should be able to meet in full the requirements of public sector.

Reply of Government

The number of retail outlets to be put up by IOC|IBP were reduced to 250 for the year 1971 after taking into account the current growth rate of demand for automotive fuels in the country and the need to improve dealer profitability through increased per pump sales. After a reassessment of marketing needs, the target for 1972 was kept at 250 and for 1973 reduced further to 160. As against these targets the number of outlets put up by IOC during the years 1971, 1972 and 1973 were 182, 159 and 128 respectively. Committee's observations in para 2.27 and 2.28 have been brought to the notice of IOC which is taking all possible measures to avoid short-falls in commissioning of new outlets against targets fixed from time to time. Progress in this regard will also be reviewed periodically.

As per the recommendation of the Committee contained in para 2.29, detailed reasons for IOC's not taking over 17 of the retail outlets offered to it by the Private Oil Companies have been gone into. In nine out of the above 17 outlets, IOC's action in not taking them over was considered justified. A statement indicating the reasons for IOC's not taking over these nine outlets is attached. (See Appendix VIII). The main reasons for not taking over these outlets were:—

- (a) IOC's inability to take over the sites because of the existence of its own retail outlet on public land within 100 metre as per para 8.9 (e) of the Retail Outlets Committee's Report.
- (b) Objections from local authorities for continuance of the retail outlets as a result of which they had to be decommissioned later.
- (c) Ownership of the land being disputed.
- (d) Low sales.

Regarding the remaining 8 retail outlets further detailed investigations are being carried out to ascertain the reasons and the Committee will be apprised in this regard in due course.

State Governments and the Ministry of Works and Housing have already been requested to render all possible assistance to IOC *vide* this Ministry's D.O. letter No. 50/69/71-IOC dated 16-2-1972 and 24-3-1972 (Appendices IX and X). They are again being requested to give all possible facilities to IOC in acquisition/leasing of land at reasonable rates.

In view of the steep increase in crude oil prices and the consequent strain on country's foreign exchange resources, it has become necessary to curb the consumption of petroleum products. Since M.S. is an item of personal consumption, its consumption has to be curtailed to the maximum extent possible. Fiscal measures taken in November, 1973, to increase the price of Motor Gasolene have already resulted in reduction in M.S. sales by about 24 per cent in the first six months (April to September) of the current year over the previous years' level. As a consequence, IOC has also to revise its policy for setting up new retail outlets.

Taking into account the necessity to reduce capital expenditure and the fact that a fairly wide net work of retail outlets is already operating in the country, IOC has decided in consultation with the Government to limit the future growth of retail outlets only to virgin trading areas and metropolitan towns. A virgin trading area is defined as an area which has the trade potential to sustain operation of a retail outlet economically and where there is no retail outlet of any other oil company. Thus, it is planned to instal a total of approximately 250 to 300 retail outlets during the 5th Five-Year Plan period.

4. As per the Consent Order, dated 26-10-1972 of the Bombay High Court, Central Government can not issue any instructions, directions or requests to any public land owing authority to favour any oil company at the cost of any other oil company or companies in the matter of renewal of leases/licences, or to deny any oil company the grant or renewal of leases/licences up to 31-12-1975.

However, in view of the fact that the land belonging to public sector undertakings is to be treated as private land and not public land, Law Ministry has been requested to examine whether issuing any instructions, directions or requests by the Central Government to such public sector undertakings for giving land to IOC on priority over the other oil companies, will be in conformity with the provisions of the Consent Order.

Further action would be taken on receipt of the advice of Law Ministry and the Committee would be informed of the action in due course.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012 (5) |
74-IOC dated 20-12-1974].

Further information called for by the Committee

(i) As regards taking over of the remaining 8 retail outlets offered by Private Oil Companies, the Ministry have stated that further detailed investigations are being carried out to ascertain the reasons and the Committee will be apprised in this regard in due course. As the matter has already been delayed, the final decision taken in the matter may please be intimated immediately for the information of the Committee.

(ii) The Ministry have also stated that the Ministry of Law have been requested to examine whether issuing any instructions, directions or requests by the Central Government to public sector undertakings for giving land to IOC on priority over the other oil companies will be in conformity with the provisions of the Consent Order. Further action would be taken on receipt of the advice of Law Ministry and Committee would be informed of the action in due course.

The Ministry may please intimate whether any advice has been received from the Ministry of Law and if so, what is the position.

[L.S. Sectt. O.M. No. 13-PU]74, Dated, 24-6-1975].

Reply of Government

(i) Regarding the remaining 8 retail outlets records pertaining to one retail outlet have been received in the Ministry and are under examination. In the case of other seven retail outlets IOC is collecting the relevant documents from its Regional Office and the District Office and would be submitting those for examination by the end of July, 1975. The investigations in the matter are likely to be completed by end of August, 1975.

(ii) The advice sought from the Ministry of Law regarding issuing instructions, directions or requests by Central Government to Public Sector Undertakings for giving land to IOC on priority over oil companies has still not been received. Branch Secretariat of

Ministry of Law at Bombay has been reminded to send their advice immediately.

[Min. of Petroleum and Chemicals O.M. No. IS. 54012 (7) 74-IOC,
Dated: 24-7-1975]

Recommendations Sl. No. 5 (Paragraphs 3.21, 3.22, 3.25 and 3.26)

The Committee note that the IOC, as early as 1962, entered into product exchange arrangements with private oil companies with the main object of avoiding cross movement of petroleum products and the consequent increase in cost on account of freight. In their 35th Report (Third Lok Sabha) in March, 1967, the Committee on public Undertakings had commented upon this arrangement as inequitable and recommended upon this arrangement should be revised forthwith, all exchange of products should be ex-refineries and the receiving oil companies should bear all incidence of freight, port price differential and any other expenditure involved. Government in reply to the recommendation stated in September, 1967, that "the matter should be left to be regulated by the results of the IOC's current negotiations over the product exchange manual".

The Committee regret to note that under product exchange arrangement with other companies, the Indian Oil Corporation was not entitled to recover any profit margin on the product treated as outright sale with the result that it had to forego a profit margin on motor spirit amounting to Rs. 11.93 crores during the period 1966-67 to 1972-73. The Committee also note that although under the existing arrangement the other oil companies had to make fortnightly deposits with the IOC in advance in respect of national railway freight from the normal port of supply to the proposed destinations and excise duty, no deposits had been made in respect of cost and other elements on the products treated as outright sale. As a result of this practice, the Committee find that the other oil companies had all along been getting unintended credit facility of about Rs. 91 lakhs on an average in respect of MS. The Committee also note that under the product exchange arrangements, no main installation charges were being recovered in respect of despatches to main installations and in respect of motor spirit supplies to locations other than Main Installations only bulk loading charges were being recovered as against the full MI charges. Consequent on this, the Committee find that the Corporation had already lost Rs. 4.43 crores during the period 1966-67 to 1971-72. The Committee regret to note that in spite of these defects, the Corporation took up the question of revision of the arrangements in two stages first

in January, 1971, and later in February, 1972. Even then, agreement is stated to have been reached with the other oil companies only in regard to revision of some of the clauses. The Committee were informed that the formal revision of agreement would be taken up only after the negotiations in regard to other clauses of the agreement, which are still in hand, are completed. The Committee take a serious view of the inordinate delay in the revision of the agreement. The Committee are constrained to observe that in spite of their recommendation as early as 1967, no serious action was taken by the Ministry to set right the arrangement and instead left such an important matter to the Corporation without pursuing it in right earnest.

The Committee also note that under a recent agreement between I.O.C. and Caltex, the latter would be transferring 143 of their retail outlets to the I.O.C. The Committee, however find that these outlets are generally not in areas where there was high consumption of motor spirit and only 10 of them are located in metropolitan cities. The Committee feel that IOC Ministry should have in the light of their experience so far, persuaded Caltex and secured more outlets in high consumption areas.

The Committee also find that although the outright sale of motor spirit to Caltex had been stopped Caltex would be giving in exchange products which would give IOC a gross margin of only 73.45 per cent of the margin on motor spirit supplied to them (Caltex). The Committee see no justification why Caltex could not have been persuaded to give products in exchange which would have given IOC an equal margin of profit.

The Committee are unhappy that even after the experience of the working of product exchange arrangements for several years the Corporation did not make serious efforts to secure better terms to the best advantages of the Corporation and the country.

They strongly urge that negotiations with the oil companies should be complete without any further delay and the revised product exchange agreement finalised in right earnest keeping the interest of the IOC in view. The Committee should be informed of the precise progress made in finalising and signing the revised agreements with six months of presentation of the Report.

The Committee also recommend that the working of the product exchange agreement should be continuously reviewed by the IOC Ministry and the findings thereof included in the Annual Report of the Corporation and the Government review thereon.

Reply of Government

Government fully share the Committee's concern for expeditious revision of the existing Product Exchange Manual, so that the clauses which were unfavourable to IOC could be eliminated. In reply to para 134-135 of the 35th Report of the Committee on Public Undertakings of 3rd Lok Sabha it was mentioned that IOC is currently negotiating with other oil companies regarding modification of the Product Exchange Manual. Since then IOC has been negotiating with other oil companies for revision of the manual from time to time. In these discussions IOC has been able to secure more favourable terms. It may, however, be mentioned that in earlier years IOC was not in a position to negotiate with other oil companies from a position of strength. The public sector refineries were producing almost 3 times the MS produced by the private oil companies. IOC was unable to develop its retail market because it could not penetrate the high consumption areas, especially in A and B class cities. With the development of more retail outlets, IOC has been negotiating for more favourable terms with the other oil companies. In course of negotiations during the last two years, a number of clauses had been successfully negotiated. It was as a result of these negotiations that from 1st April 1972 full MI (Main Installation) charges for MS supplies are being recovered from all companies at all locations, except that for supplies to MIs for which only bulk loading charges @ 66 paise per KL are being recovered. This has given an additional revenue of Rs. 58 lakhs per annum to the Corporation. The present position is that the IOC has appointed a senior officer, exclusively to deal with this job. A revised manual has also been drafted and approved by a Committee and sent to solicitors. The Report will shortly be sent to other oil companies for negotiation and acceptance. In this connection it may also be mentioned that the Committee is already aware of the take over of ESSO and the function of Hindustan Petroleum Corporation and the negotiations which are currently in progress for equity participation with Burmas-Shell and Caltex. Once this is achieved, the position will change completely and it will be possible to work out an equitable arrangement for product exchange between the various public sector undertakings.

In regard to review of the working the Product Exchange Agreement and incorporation of the findings in the Annual Report of the Corporation and Government review thereon, the Government hope that IOC would be able to secure an equitable arrangement with other oil companies within the next six months or so which will not be to the disadvantage of any company. If this arrangement is

achieved, the need for its review and inclusion in the Annual Report would not arise.

[Min. of Petroleum & Chemicals O.M. No. IS. 54012(4)/74-IOC dated 4-1-1975].

Further information called for by the Committee

The Ministry may please intimate the latest position with regard to the working of the Product Exchange Agreement.

[L.S. Sectt. O.M. No. 13-PU/74, dated 24-6-1975]

Reply of Government

Draft of the revised Product Exchange Agreement has been prepared. To ensure that all legal aspects of the agreement are fully taken care of and IOC's interests are in no way jeopardised, it is now being considered by the Management for final approval in consultation with the Company's solicitors. Thereafter discussions will be held with the oil companies. It is expected that a final decision in this matter will be taken by 30-9-1975.

[Min. of Petroleum and Chemicals O.M. No. 54012/74-IOC, dated 24-7-1975]

Recommendation Sl. No. 10 (Paragraph 4.38)

The Committee note that Government informed the oil companies as early as May, 1971 that pending further consideration of the manner of treating the cost of movement of products through the product pipelines for the purpose of reimbursement from the Freight Surcharge Pool, products actually moved through product pipelines would be treated to have been moved by rail by shortest route and adjustments, if any, would be made later. The Committee regret to note that so far no final decision has been taken in the matter and Government have now decided to remit the problem to the next Pricing Committee. The Committee find that as a result of the delay in taking the decision the Corporation had been taking credit in its accounts for the profit made by the Pipelines Division to the extent of Rs. 4.32 crores and Rs. 6.93 crores in 1970-71 and 1971-72 respectively. The Committee would like Government to settle the matter at an early date.

Reply of Government

The matter is under consideration of the Government and a final decision will be taken soon.

[Min. of Petroleum and Chemicals O.M. No. IS-54012/5/74-IOC, dated 21-10-1974].

Further information called for by the Committee

In reply it has been stated that the matter was under consideration of the Government and a final decision would be taken soon.

The final decision taken in the matter may please be intimated.

[Lok Sabha Sectt. O.M. No. 13-PU/74, dated 16-12-1974]

Reply of Government

The matter is still under consideration.

[Min. of Petroleum and Chemicals O.M. No. 54012(4)/74-IOC,
dated 28-2-1975]

Further information called for by the Committee

In reply it has been stated that the matter was under consideration of the Government and a final decision would be taken soon. The final decision taken in the matter may please be intimated.

[L.S. Sectt. O.M. No. 13-PU/74, dated 24-6-1975].

Reply of Government

The matter is still under consideration.

[Min. of Petroleum and Chemicals O.M. No. 54012(4)/74-IOC,
dated 24-7-1975].

Recommendation Sl. No. 16 (Paragraph 5.31)

The Committee find that the main object of creating the C & F adjustment Account was to provide for the effect of fluctuations in the freight or wharfage with reference to the rates ruling on certain dates. They however, regret to note that the funds collected for this 'Account' through the levy of surcharge on petroleum products have been utilised for some purposes which cannot be said to be strictly falling within the scope of the Account. Thus, a sum of Rs. 4.23 crores was paid to Madras Refineries Limited out of this Account because of higher freight paid by the Refinery on the import of crude due to the delay in the development of Madras Port facilities. The Committee see no justification for Government taking recourse to the C & F adjustment account for compensating the Madras Refineries with the difference in freight for reasons other than those for which the Account was established. The Committee desire that detailed rules should be drawn up without further delay specifying the nature of the items which would qualify for adjustment out of the C&F Adjustment Account and a copy thereof laid on the table of the Houses of Parliament.

***Reply of Government**

When the C&F Adjustment Account came into existence in 1959, it was meant essentially to take care of variations in the FOB prices of bulk refined petroleum products and variations in AFRA rates from time to time compared to the FOBs and ocean freight rates included in the product price build up. The concept of the

*Not verified in the original document.

C&F Account for adjustment of variations in FOB and the ocean freight rate continued during the pricing arrangements based on the recommendations of the successive Pricing Committee *viz.* The Oil price Enquiry Committee (effective from 1-10-61), the Working Group on Oil Prices effective from 1-2-66 upto 31-5-70. The Oil Prices Committee headed by Shri Shanti Lal Shah, Member of Parliament, (recommendations made effective from 1-6-70 and currently in force) recommended continuance of the C&F Adjustment Account with the modification that since what is actually imported is crude oil and not petroleum products, future variations in freight rates should be allowed only in respect of crude oil on the basis of variations in the monthly AFRA rates over the rates prevailing in June, 1969 for the category of vessels in which crude oil can be brought at the concerned ports from the actual port of loading.

In actual operation, however, in addition to variations in freight rates for import of crude oil based on monthly AFRA, adjustment on account of variations in dollar-rupee exchange rate, wharfage variations, auxilliary duties on crude imports and cost and freight variations on import of deficit petroleum products by the canalised agency for imports *viz.* IOC have all been permitted to be adjusted as per decisions taken by Government in this behalf from time to time. Keeping in view the changes in the crude oil supply and price situation, the scope of the C&F Adjustment account has been varied by Government when considered necessary.

In the case of Madras Refinery, as explained in the report of CPU, the monthly AFRA did not represent the actual cost of crude transportation. The facilities at Madras Port were inadequate to handle the SCI tankers 'Lal Bahadur Shastri' and 'Jawahar Lal Nehru', for which a contract rate of Rs. 11.85 per tonne for transportation to Madras Refinery from the Persian Gulf was applicable. On account of the continued shifting of the target dates of completion of the port facilities, MRL could not enter into a long or medium term contract of affreightment for transportation of crude oil. Taking not of the realities of the situation, the Ministry of Petroleum & Chemicals, in consultation with the Ministry of Finance, decided to permit adjustments of variations between the base AFRA and the actual cost of transportation from the C&F Adjustment Account. This decision is in keeping with the general principle underlying the C&F Adjustment Account that the increased cost of transportation of crude should be reimbursed from the C&F Account according to certain norms and standards.

Decisions relating to adjustment of amounts from oil companies into C & F Adjustment Account are taken by the Ministry after

very careful consideration in consultation with the Ministry of Finance and if necessary, with the Ministry of Shipping and Transport or the Port concerned.

With regard to the Committee's observation that detailed rules should be drawn up specifying the nature of the items which would qualify for adjustment out of the C & F Adjustment Account and a copy thereof laid on the Table of the Houses of Parliament, detailed guidelines have already been framed by Government in consultation with the Ministry of Finance on various items eligible for reimbursement/adjustment in the Account. The crude oil supply, price and transportation situation have been extremely dynamic and fluid during the last two years and changes in the guidelines for re-imbusement/adjustment or mopping up into the account are being made when considered necessary by the Government. As and when new situations develop, further amendments in the guidelines may also be necessary. The entire system of pricing of petroleum products is informal and not statutory. The entire question of pricing has been referred to the Experts Committee (OPC) set up by the Government in March, 1974. The Committee has been asked to examine the scope and content of C&F, FSP and other Pool Accounts and give its recommendations in regard to the maintenance and operation of these Accounts. On receipt of OPC's recommendations, Government would be in a position to take a view on the specific recommendations of the CPU.

[Ministry of Petroleum and Chemicals, O.M. No. IS, 54012/5/74-IOC, dated 28-2-1975].

Recommendation Sl. No. 18. (Paragraphs 5.47 and 5.48)

The Committee find that Government have levied various surcharges on petroleum products to compensate the oil companies for specific under-recoveries. However, the amount collected under the various schemes formed part of neither the Consolidated Fund of India nor the Public Account. Except in the case of Freight Surcharge Pool, the amounts collected by the levy of these surcharges formed part of the overall funds of the oil companies. There was also hardly any effective control exercised by Government on the utilisation of funds in the various pool accounts. The oil companies were required to submit accounts to the Ministry audited by their own private chartered accountants. There was no regular auditing of these accounts either by the C&A G or any other auditor appointed by the Government. It was only in June, 1973 that the Ministry appointed an auditor to check up the accounts of the oil companies

in respect of Freight surcharge Pool. It was again only in September, 1973, i.e. after the Committee had taken up the examination of I.O.C. that the Ministry appointed an inter-ministerial Committee to examine *inter-alia* the legal position of these large funds, to frame guidelines for the maintenance of the accounts, to recommend the methods/machanism of control to be exercised by Government and to consider the feasibility of bringing all these accounts under the Consolidated Fund of India. It is surprising that the Ministry thought of examining all these aspects only at this late stage rather than at the time of taking the decision to introduce the various schemes.

The Committee also find that the inter-ministerial Committee which was to submit its report by 4th December, 1973 has not yet done so. In the meantime, the Ministry had also decided to refer the overall question covering all aspects of the various accounts to the next Pricing Committee. The Committee desire that Government should examine whether there was need for the levy of the various surcharges on petroleum product to compensate the oil companies for specific under-recoveries and to maintain the various pool accounts/surcharge schemes, thereby increasing the burden on ultimate consumer and marking the pricing formula more complicated. In case, these were considered inevitable, suitable measures should be taken for an effective control over the funds collected under the various schemes and for the maintenance of proper accounts and audit thereof in consultation with the C&AG in the light of the recommendations of the inter-ministerial Committee and the Oil Pricing Committee.

Reply of Government

In the light of the recommendations of the Committee suitable action will be taken as soon as the recommendations of the Inter-Ministerial Committee & the New Oil Pricing Committee are received.

[Ministry of Petroleum & Chemicals O.M. No. IS-54012/5/74—IOC,
dated 21st October, 1974]

Recommendation Sl. No. 19 (Paragraph 5.60)

The Committee also find that as in the case of Pool Accounts/Surcharge Schemes, there was hardly any effective control over the block-control accounts by Government. Till recently there were no guidelines for determining cost of production to ensure that it was

not overstated by the oil companies, and if oil companies offered rebates to customers these would be reimbursed from profits. There was also no detailed auditing of these accounts by auditors appointed by the Government to verify the correctness or otherwise of the over-recoveries shown by the oil companies. The accounts submitted by the private oil companies, as audited by their chartered accountants were only scrutinised by the Ministry in consultation with the Cost Accounts Branch of the Ministry of Finance. As it has now been decided that the over-recoveries/under-recoveries in respect of block control would also form a part of C&F Adjustment Account, the Committee recommend that suitable measures be introduced to place the maintenance of these accounts on sound footing and to have an effective control over them.

Reply of Government

The block control system and the C & F Adjustment account have been continuing for a long time. Any revision of the present system would require very careful and detailed consideration. This matter has, therefore, been included in the terms of reference of the new Oil Pricing Committee. Pending receipt of the recommendations of the new Oil Pricing Committee, the existing system is being continued.

[Ministry of Petroleum & Chemicals O.M. No. IS-54012/5/74—IOC,
dated 21st October, 1974].

Recommendation Sl. No. 22 (Paragraphs 6.30 and 6.31)

The Committee urge that the Corporation should ensure that the credit policy laid down by it is strictly adhered to prompt and deterrent action should also be taken against the officials who fail to follow the prescribed credit policy without adequate justification.

From the instances mentioned in Appendix VI of this Report, the Committee also find that in some of the cases the responsibility for lapses has not yet been fixed. Even in cases where the responsibility is stated to have been fixed, the specific action taken against the delinquent officials has not been intimated to the Committee. The Committee would like to be informed of action taken against the delinquent officials in all these cases. The Committee would also like that these cases should be vigorously pursued with a view to realising the outstandings from the parties. The Committee would like to be informed of the outcome in each case.

Reply of Government

The latest position in regard to the outstandings from the six parties mentioned in Appendix VI of the report is as follows:—

1. **Aggarwal Oil Co. Delhi:** Rs. 1,38,046 is outstanding.

IOC has obtained a decree from the High Court in favour of the Corporation. However, the amount could not be realised from the dealer because properties belonging to judgement debtors, viz. the partners of the firm, could not be traced for the purpose of attachment and realisation. Decree is, therefore, still pending for execution.

2. **Coloured Glass Company:** Rs. 56,687 is outstanding.

The original, outstanding amount has been reduced as some payments have been received subsequently. Court proceedings are in progress for recovering the balance of the amount.

3. **Dholpur Glass Works:** Rs. 41,393 is outstanding.

Application for winding up of the firm was filed in the High Court and the Official Liquidator has been appointed. This case is pending before him.

4. **Sukh Sagar Shipping Co.:** Rs. 43,061 is outstanding.

In order to recover the dues, an affidavit of proof of debt was filed before the Liquidator. IOC is following up the issue with their solicitors.

5. **POL Products Consumers**

Co-operative Society Ltd.: Rs. 1,10,029 is outstanding

The suit filed for recovery of the outstanding has been decreed in favour of IOC in the Court of Nowgong for recovering the money.

6. **Corporate Traders:** Rs. 1,86,481 is outstanding.

A suit has been filed in Jorhat Court for recovering the outstanding and it is at hearing stage.

All the six cases were investigated thoroughly and in regard to the following three cases individual responsibility was fixed. Action taken against the individuals concerned is as follows:

1. Aggarwal Oil Co. Delhi

After the investigation into the case, responsibility was fixed on two members of the Accounts staff attached to the Shakurbasti Installation. Both of these were Assistant Cashiers. Both were demoted as Clerks as a measure of disciplinary action.

2. M/s. Corporate Traders, Jorhat

The responsibility for this case was fixed on the District Manager, Durgapur. The following disciplinary action was taken against him:

- (i) He was severely warned in writing;
- (ii) Three increments were withheld with cumulative effect;
- (iii) He was re-designated as Assistant District Manager.

3. Sukh Sagar Shipping Co.

Responsibility was fixed and concerned officer was warned severely.

In regard to the other three cases, namely, that of Durgapur Glass Works, Dholpur, POL Products Consumer Co-operative Society Ltd., Nowgong and Coloured Glass Company, Bombay, responsibility on any individual could not be fixed. In all these cases, Indian-Oil obtained the business in a highly competitive situation and credit on a very selective basis had to be given which in many cases involved a calculated risk. In view of the fact that the IOC had obtained assurances of credit worthiness of the parties concerned and had assumed that the parties had only temporary financial difficulties which they were expected to get over soon, calculated risks were taken in order to retain business because the other oil companies were often prepared to give such credit to customers and very often were tempting away our customers. Investigations carried out proved that the non-adherence to the credit policy laid

down was not due to the action of any particular individual or individuals.

[Ministry of Petroleum & Chemicals O.M. No. IS-54012/5/74—IOC, dated 21st October, 1974].

Further information called for by the Committee

From the reply it appears that in regard to the outstandings from the six parties, full realisation has not been effected from any of them. The cases were at various stages. The latest position in respect of each of the six cases may please be intimated.

[L.S.S. O.M. No. 13—PU/74 dated 16th December, 1974]

Reply of Government

The position indicated earlier to the Committee continues and there has been no further collection of outstandings since then.

[Ministry of Petroleum & Chemicals O.M. No. IS-54012/5/74—IOC, dated 28-2-1975].

Recommendation Sl. No. 23 (Paragraph 6.38)

The Committee regret to note that the IOC had written off a sum of Rs. 44.62 lakhs as bad-debts during 1969-70 to 1972-73 and this included a sum of Rs. 13.70 lakhs pertaining to cases where the Corporation was unable to establish its debts for want of documentary proof. It is surprising that the Corporation in some cases failed to exercise even the elementary care of keeping proper documents for the debts raised by it. The Committee also find that in some cases put up by the Management to the Board for writing off certain debts, the internal audit had either been able to locate the proof of supply or had established that the debt was recoverable. The Committee cannot help concluding that the Management did not make a thorough check to locate the proof of supply and/or to try all possible ways to recover the debts before putting proposals to the Board for write-off of these debts. The Committee desire that all the cases of bad-debts written off for want of documentary proof should be thoroughly investigated and responsibility fixed for such loss of documents.

Reply of Government

The Management of IOC had itself viewed with great concern the proposals for write-off for want of documentary proof. As

such, the procedure for write-off of such cases were reviewed and it was decided that all write-off proposals in excess of Rs. 10,000/- should be pre-audited by Internal Audit who will look into the facts of each case and endorse the write-off proposals with their observations. It may be mentioned that most of the write-off proposals for want of documentary proof relate to the period between 1962 and 1970 and in view of the time lag between the date of the transaction and its write-off, it would be practically very difficult to establish the point of time at which the documents were lost. This information, it will be appreciated, is essential for fixing responsibility for the losses. However, all such cases of write-off for want of documentary proof are being looked into once again and based on the findings, responsibility will be fixed in all such cases where it is found practicable.

[Ministry of Petroleum & Chemicals O.M. No. 54012(5)/74-IOC, dated 21st October, 1974].

Further information called for by the Committee

The Committee had recommended that all the cases of bad-debts written-off for want of documentary proof should be thoroughly investigated and responsibility fixed for such loss of documents. The Committee may be informed of the action taken for fixing responsibility for loss of documents.

The Ministry may please also intimate whether to give effect to the new procedure for write-off of bad-debts, the IOC have made a suitable provision in their Internal Audit Manual.

[L.S.S. O.M. No. 13—PU/74, dated 16th December, 1974].

Reply of the Government

In view of the voluminous nature of the task involved, the work of examining all the relevant records in the Branch and locations will take considerable time. Responsibility will be fixed where found practicable and the Committee will be informed in due course of the action taken.

No change in the International Audit Manual has been made. However, instructions have been issued by the Corporation to all its auditors vide the Chief Internal Auditor's letter No. CIAO/12/73/Vol. 11/1586 dated 2-11-73 (Appendix XA).

[Ministry of Petroleum and Chemicals O.M. No. IS. 54012/5/74-IOC, dated 28-2-1975].

Recommendation Sl. No. 26 (Paragraph 7.42)

The Committee note that although the IOC had raw oil for the production of transformer oil and the Ministry enquired in April, 1963 from the Corporation whether they would like to take up the project, the IOC did not do so as, according to the Corporation, it was not able to secure any collaboration for the production of the transformer oil. Instead it issued 'no objection' to Government in November, 1965 on the proposal of a private firm subject to negotiations being held for selling-agency rights as the firm was willing to give IOC the first choice of refusal of their entire production at prices which would compare favourably with import parity and also the export rights, if necessary. The Committee, however, regret to note that the IOC did not enter into any written agreement with the firm in this regard before issuing 'no-objection' certificate on the proposal of the firm. The Committee also find that Industrial Licence was issued on 21st December, 1966 by the Ministry to the firm without settling the question of marketing rights and the prices payable for the products and without incorporating any of these conditions in the licence.

The Committee were informed that no responsibility for this lapse in the issue of licence was fixed by the Ministry as according to them the officers who enquired into this matter came to the conclusion that it was only a case of inadvertance and no mala fide was involved. The Committee are not convinced and recommended that the matter should be re-examined and responsibility for lapses fixed.

Reply of Government

The matter is being re-examined and the Committee would be informed of the outcome of the re-examination in due course.

[Ministry of Petroleum & Chemicals O.M. No. IS-54012(5)/74-
IOC, dated 14-11-1974].

Further information called for by the Committee

The Ministry may please intimate the outcome of the re-examination of the case.

[LSS. O.M. No. 13-PU/74, dated 16-12-1974].

Reply of Government

Re-examination of the case has not yet been completed,

[Ministry of Petroleum and Chemicals, O.M. No. IS, 54012/5/74-
IOC, dated 28-2-1975].

Recommendation Sl. No. 26 (Paragraph 7.43)

The Committee also note that, subsequently, as a result of negotiations between the Ministry and the firm it was decided in July, 1971 that IOC would market 50 per cent of the total production of the firm and accordingly the firm agreed to supply 50 per cent of their production of transformer oil at the ex-factory price of Rs. 2.250 per KL packed in drums. (Rs. 1850 per KL in bulk). The Committee regret to note that IOC accepted to lift the stocks at this price without the approval of the Board and without assessing the reasonableness of the price by analysis of the costing data furnished by the firm. The Committee were informed that this price was accepted on a temporary basis subject to its being fixed by Government. The Committee are concerned to find that the IOC even at this stage did not have any written agreement with the firm and it failed to commit the firm to accept the price fixed by Government with retrospective effect. As pointed out during the evidence, according to the Cost Accounts Officer of the Ministry of Finance, the bulk-ex-refinery price in December, 1972 in respect of this firm should be only Rs. 1528 per kilo litre as against a rate of Rs. 1850 charged from IOC. Although the firm was agreeable to abide by the price fixed by the Ministry from the date a decision was taken in this regard, the Committee regret to note that even after it became clear in December, 1972 that the price charged by this firm was higher the Ministry have not been able to fix a reasonable price for the transformer oil.

(Paragraph No. 7.43)

Reply of Government

Government have since instituted an enquiry into the matter as to pinpoint the lapses at the various stages and also fix responsibility. The result of the enquiry will be communicated to the Committee shortly.

[Ministry of Petroleum & Chemicals O.M. No. 54012(5)/74-IOC,
dated 6-2-1975].

Further information called for by the Committee

The Ministry have stated that the Government have instituted an inquiry into the matter to pinpoint the lapses at the various stages and also fix responsibility and the result of the enquiry will be communicated to the Committee shortly.

Please intimate as to when the inquiry into the matter was started and what action has been taken on the result of the inquiry.

[LSS. No. 13-PU/74 dated 24-6-1975.]

Reply of Government

The inquiry has been completed and the report is at present under consideration.

[Ministry of Petroleum & Chemicals O.M. No. 54012(68)/74-IOC, dated 24-7-1975].

Recommendation Sl. No. 26 (Paragraph 7.45)

The Committee were also informed during evidence that transformer oil manufacturing facility was being abused on a large scale for adulteration of edible oil and Government have appointed an Enquiry Committee to go into this problem. The Committee understand that the final decision regarding the canalisation of the sale of transformer oil and the selling price for it would be taken on the basis of findings of this Enquiry Committee and the results of the inquiry being conducted by the Ministry of Industrial Development in regard to the price. The Committee would like to be informed urgently of the decision taken in this regard.

(Paragraph No. 7.45)

*Reply of Government

A Group of Experts was set up by Government to go into the problem of adulteration of edible oils with secondary grade lubricants, transformer oil, white oil and other petroleum products and to suggest suitable comprehensive measures for preventing adulteration. The Report of the Committee has been received and is under consideration of the Government. In the meanwhile, during January/March 1974 the prices of secondary grade lubricants and of Transformer oil base stock have been steeply increased, thereby

*Not vetted in Audit.

narrowing the gap between the price of these oils and edible oils. The price increase has minimised the incentive for adulteration of edible oils with secondary grade lubricants and transformer oil.

2. With a view to fix the selling price of transformer oil statutorily a notification under Section 19 of the Industries (Development and Regulation) Act, 1951 was issued in May, 1972 empowering an Officer of the Cost Accounts Branch, Ministry of Finance, to obtain the cost data from all the manufacturers of transformer oil for furnishing a report on fixing a fair selling price for this product. The Report was submitted by the Cost Accounts Officer in December, 1972 and it was held that data for sufficiently long period for the two large scale units was not available and, therefore, it may not be appropriate to reach conclusions on the basis of data already collected. It was also noticed that the competition between manufacturers of transformer oil was resulting in considerable price advantage to the consumer, who were mainly the State Electricity Boards. It may also be pointed out that the determination of ceiling selling prices of various lubricants and specialities including transformer oil is one of the terms of reference of the Oil Prices Committee, which has been constituted by Government in March, 1974. Based on the recommendations of the OPC action would be taken by Government regarding fixing of ceiling selling price of transformer oil.

3. Regarding canalisation of sales of Transformer Oil produced by the various manufacturers of this product, careful consideration has been given and Government have come to the conclusion that it is not necessary for feasible at this stage to canalise the sales of Transformer Oil and keen competition exists between the manufacturers for sale of T.O. Due to excess availability, some of the units are operating well below their capacity. The manufacturing costs vary widely from unit to unit. In this situation purchase of T.O. by IOC from the manufacturers and canalised sales would not be practicable. With the revision in the price of T.O., incentives for adulteration has also largely disappeared. Any scheme for canalisation may also require legislative sanction. After considering all these aspects, it has been decided that canalisation of T.O. sales is not necessary.

[Ministry of Petroleum and Chemicals O.M. No. 54012/5/74-IOC,
dt. 28-2-1975]

Further information called for by the Committee

The Ministry have stated that a Group of Experts was set up to go into the problem of adulteration of edible oils with secondary

grade lubricants, transformer oil etc., and to suggest measures for preventing adulteration. The report of the Committee has been received and is under consideration of the Government.

Please intimate the action taken by Government on the recommendations of the aforesaid Committee set up by the Government.

[LSS. No. 13-PU/74 dated 24-6-1975.]

Reply of Government

The matter is still under the consideration of Government.

[Ministry of Petroleum and Chemicals O.M. No. 54012(70)/74-IOC(Pt.), dated 24-7-1975].

Recommendation SI. No. 29 (Paragraphs 8.23 and 8.24)

The Committee note that the Ministry of Petroleum and Chemicals informed the Corporation on 12th February, 1972 about their commitment to procure and supply 5 lakh tonnes of crude to Chittagong Refinery during the period March to August, 1972 and asked the Corporation to float enquiries and finalise arrangements for import of crude. On 10th March, 1972 the contract for supply of crude having been finalised, the Marketing Division was asked to arrange for the affreightment. The Corporation floated an enquiry on 14th March, 1972 calling for quotations to be kept open upto 18.00 hrs. IST on 15th March, 1972, giving *inter alia*, in the quotation, a firm indication about the freight rate at \$ 5.50 per long ton. The Committee also note that while two offers were received, one at 10.45 hrs on 15th March, 1972 with the rate of \$5.50 per long ton and another at 13.30 hrs. on 15th March, 1972 with the rate of 6.65 dollars per tonne, a third party first telexed at 16.10 hrs. on 15th March, 1972 asking for extension but late sent an offer on the same day at 16.40 hrs. quoting a rate of 5.45 dollars per long ton (subsequently revised to 5.40 dollars per long ton at 20.45 hrs. on the same day).

In the mean time, the offer of the first party at 5.50 dollars per long ton was accepted by the Committee and the letter of acceptance by the Corporation was personally delivered to the party's representative in IOC's office at 16.30 hrs. The Committee were informed during evidence that the whole matter had been handed over to the CBI on the 11th June, 1973 for investigation. The Committee desire that the investigation by the CBI should be completed soon and Government should on receipt of the report of the CBI examine all aspects of the case thoroughly with a view to fixing responsibility for any lapses and to take suitable remedial steps to avoid recur-

rence of the same. The Committee may also be informed of the action finally taken in the matter.

***Reply of Government**

Report of the Central Bureau of Investigation has been received and further action is being taken in consultation with the C.V.C. However, no *malafide* action or loss to the IOC or to any other public authority from this contract has been found by the Central Bureau of Investigation. The Committee would be informed of the action taken in the due course.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/74-IOC, dated 14-11-1974].

Further information called for by the Committee

In reply it has been stated that the Report of the Central Bureau of Investigation has been received and further action is being taken in consultation with the C.V.C. The further action taken by Ministry on the report of CBI may please be intimated.

[LSS. O.M. No. 13-PU/74, dated 16-12-1974].

Reply of Government

Report of the CBI is still under examination in the Ministry.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/74-IOC, dated 28-2-1975].

Recommendation Sl. No. 30 (Paragraph 8.29)

The Committee find that Government allowed IOC to import engine oil from Rumania during 1967-68 to 1970-71 and the private oil companies were also to be given a share from these imports. Out of the total imports of Rs. 7.66 crores of engine oil from 1967-68 to 1970-71, engine oil worth Rs. 3.13 crores was given to ESSO on loan basis. In repayment of this, ESSO handed over three import licences for a total C.I.F. value of about Rs. 2.3 crores which were utilised by IOC for importing engine oils. In regard to the balance, due to restrictions on imports, ESSO had proposed to repay the products out of their entitlement of Lube India products subject to the condition of their purchasing an equivalent quantity from IOC at the previously prevailing prices. This proposal was not, however,

*Not vetted in Audit.

agreed by IOC. The Committee feel that the products which were taken by ESSO on loans basis should have been returned by it in time on 'tonne for tonne' basis to the IOC. In the opinion of the Committee, the suggestion of the ESSO to repay the product after purchasing an equivalent quantity from the IOC at the previously prevailing price would give ESSO, an unintended benefit in the context of the increase in price of the Engine Oil. The Committee recommend that the price payable for the product to be taken by ESSO from the IOC should be carefully decided after taking into consideration the prevailing market conditions when such sales are actually effected.

Reply of Government

The Corporation has since obtained legal opinion from its solicitors. Based on the legal opinion, the Board of Directors of IOC have considered this matter further in a meeting held on 28th October, 1974. The Board has authorised the M.D. of Marketing Division to discuss the case further with HPC on the guidelines given by the Board. Final decision and the settlement arrived at with HPC, will be intimated to the Committee in due course.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/74-IOC, dated 6-2-1975].

Further information called for by the Committee

The Ministry have stated in the reply that the Board of Directors of IOC has authorise the M.D. of Marketing Division to discuss the case further with HPC on the guidelines given by the Board. Final decision and the settlement arrived at with HPC will be intimated to the Committee in due course. The latest position in the matter may please be intimated.

[LSS. O.M. No. 13-PU/74, dated 24-6-1975].

Reply of Government

Prolonged negotiations were held with Hindustan Petroleum Corporation and very recently an agreement has been reached as to how the accounting problems could be settled. To finalise this matter, however, data pertaining to the accounts of these transactions has been called for from the Indian Oil Corporation's regional offices. It is expected that this case will be disposed of finally by the end of August, 1975.

[Ministry of Petroleum and Chemicals O.M. No. 54012(64)/74-IOC, dated 24-7-1975].

Recommendation Sl. No. 31 (Paragraph 8.43)

The Committee find that out of the total import of engine oil worth Rs. 7.66 crores by IOC during 1967-68 to 1970-71 engine oil worth Rs. 4.53 crores was supplied to oil companies other than ESSO on outright Sale basis and billed for as such after including Sales Tax and service charges. The oil companies however, objected to charging sales tax and suggested that these should be treated as 'sales in course of import' and were prepared to indemnify the IOC in respect of costs, demands and expenses that IOC might incur in treating the transaction as 'sale in this course of imports' even though legal opinion obtained by IOC was against it. While this course of action is sought to be justified by the IOC on the ground that it had obtained Indemnity from other oil companies in respect of sales tax, costs and expenses, the Committee are distressed to note that the Corporation even after placing the order on the foreign firm on 28th May, 1971 resorted to the exchange of predated letters with dates earlier than the date of placing orders to prove the intentions of both the parties to treat the transactions as 'sale in the course of imports'. The Secretary of the Ministry admitted during evidence that this was a serious matter and something which public undertaking should not have done. Considering that the sales tax liability was to be borne by the other oil companies the Committee fail to understand as to why the IOC should have resorted at all to exchange pre-dated letters with other oil companies. The proper course for the IOC should have been to place all the facts before the sales tax authorities and abide by their ruling. The Committee take a serious view of this action on the part of one of the premier public undertakings and recommend that Government should immediately institute an enquiry into the matter and fix responsibility.

Reply of Government

Government have since instituted an enquiry into the circumstances leading to the exchange of pre-dated letters with other oil companies and fix responsibility. The result of the enquiry will be communicated to the Committee shortly.

[Ministry of Petroleum and Chemicals O.M. No. IS.54012(5)/74-
IOC dated 20-12-1974].

Further information called for by the Committee

In the reply it is stated that the Government have since instituted an enquiry into the circumstances leading to the exchange of

pre-dated letters with other oil companies and fix responsibility. The result of the enquiry will be communicated to the Committee shortly.

The Ministry may please intimate as to when the enquiry into the matter was instituted by the Government and when the result of the enquiry could be expected.

[L.S. Sectt. O.M. No. 13-PU/74 Dated 24-6-1975]

Reply of Government

The enquiry was instituted in December, 1974. The officers expected to submit his report shortly.

[Ministry of Petroleum and Chemicals O.M. No. 54012(40)/74-IOC, Dated 24-7-1975]

Recommendation Sl. No. 32 (Paragraphs 3.48 and 3.49)

The Committee find that IOC supplied 200 tonnes of tin plates to a firm in April, 1966 for the fabrication of 1,70,000 tins against a bank guarantee which was valid upto 26th December, 1967. They regret to note that although the firm supplied only 1,05,048 tins upto April, 1967, it had not returned the balance quantity of tin plates valued at Rs. 1.34 lakhs and the Corporation also failed to safeguard its interests by getting the bank guarantee revalidated well in time before the date of expiry of the guarantee in December, 1967.

The Committee also find that the Corporation took action to file a suit against the firm only in June, 1973, which is still pending. It has been stated that the Corporation decided to take legal action after having failed to settle the matter amicably. The Committee are distressed to note that it took the Corporation more than five years to take the decision. Such inordinate delay do not speak well of a commercial organisation like I.O.C. The Committee desire that the matter should be investigated and responsibility fixed both for the failure to take timely action to get the bank guarantee revalidated before the date of its expiry as well as for the inordinate delay in filing a suit against the firm.

The Committee would also like to be informed of the final outcome of the case.

***Reply of Government**

The matter has been investigated by IOC. The original bank guarantee for IOC's tinplates lying in the firm's custody was furnished by M/s. New Digvijaysinghji for Rs. 3.4 lakhs and was valid only upto 26th December, 1967. On 19th of August, 1967 the amount of the bank guarantee was reduced to Rs. 1.4 lakhs as the party had supplied tins value at Rs. 2.00 lakhs approximately. By a letter dated 30th November, 1967 addressed to the Dena Bank M/s. New Digvijaysinghji requested their bankers to revalidate the bank guarantee for a further period of 2 months. Dena Bank, on 16th December 1967, advised that they were doing the needful and requested IOC to return the original bank guarantee in order to enable them to issue a fresh one for Rs. 1.4 lakhs. On 25th January 1968, IOC confirmed that they were agreeable to the procedure and would forward the original bank guarantee only on the bank undertaking not to part with the same to M/s. New Digvijaysinghji without IOC's approval. The Bank gave such an undertaking on 20th January 1968 and based on this the IOC forwarded the bank guarantee to Dena Bank by registered post in February 1968.

M/s. New Digvijaysinghji also confirmed in writing that they were holding 76.316 MTs. of Belgium tinplates as of September 1967. This figure was subsequently corrected by them to 72.010 Mts. From the above it will be seen that necessary action to extend/revalidate the bank guarantee beyond 26th December 1967 had been taken by IOC in time. However, the bankers and the party went back on their commitment in bad faith and the Bank did not issue the guarantee as promised.

The conclusion of IOC's investigation is that the case has arisen because of malafide on the part of the firm and their bankers and that no employee in the IOC can be held responsible for this.

The delay in filing a suit in the court was because IOC was trying to obtain an out of court settlement with the company. There were a number of claims and counter claims between IOC and this firm. Efforts were made from the beginning of 1968 to sort out the disputes arising out of these claims without recourse

*Not Vetted by Audit.

to legal action. However on finding that these efforts had not resulted in any satisfactory result the Management appointed a Committee on 5th March, 1971. This Committee submitted its report to the management in 1972. After fully considering Committee's report and making further efforts to settle the issues by negotiations with the party, the management took the decision to initiate legal action against the party in June, 1973. The matter is now sub-judice.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/74-IOC, dated 14-11-1974].

Further information called for by the Committee

The Ministry have stated in the reply that efforts were made from beginning of 1968 to sort out the disputes arising out of the claims and counter claims between IOC and the firm without recourse to legal action. However on finding that these efforts had not resulted in any satisfactory result, the Management appointed a Committee on 5th March, 1971. This Committee submitted its Report to the management in 1972. After considering the Committee's report etc. the management took the decision to initiate legal action against the party in June, 1973. This matter is now sub-judice.

The final outcome of the legal action against the party concerned may please be intimated.

(Lok Sabha Sectt. O.M. No. 13-PU/74, dated 24-6-1975).

Reply of Government

The matter is still sub-judice. IOC had filed the case in the Bombay High Court on 26th June 1973. As per the advice received by IOC from its solicitors, the case may not come up for hearing for another three years.

[Ministry of Petroleum and Chemicals O.M. No. 54012/66/74-IOC dated 24-7-1975].

Recommendation Sl. No. 35 (Paragraph 8.63)

The Committee find that IOC made payment to the Railways for railway freight on all tank wagons loaded from the pipeline instal-

lations at Panki (Kanpur) on the assumed carrying capacity of the individual tank wagons instead of the actual carrying capacity which in many cases was found to be lower. Considering the fact that the payment was continued to be made for four years right from July, 1967, resulting in excess payment of Rs. 16.03 lakhs, upto December, 1970. The Committee are unable to agree with the view of the Corporation that the payment was made due to an oversight. The Committee desire that the matter should be further probed into with a view to fixing responsibility for the negligence on the part of the officials concerned. The Committee would also like to be informed of the refund of the balance claims amounting to Rs. 2.54 lakhs pertaining to the period from January, 1971. July 1971 but not realised upto March 1973.

Reply of Government

The excess payment of railway freight took place immediately after a retired Station Master was appointed as an Assistant in the Depot.

IOC's claim for refund of freight pertaining to the period July 1967 to December, 1970 was turned down by Northern Railway on the plea that it had become time-barred. The matter was subsequently taken up by the Chairman of IOC with the Railway Board on 12th October 1972 to grant the refund, as it was a case of a genuine mistake which could not be disputed but was only being technically barred from payment by Northern Railway. The Ministry of Railways replied that the Railways could not verify the claim. The matter was once again taken up by the Chairman of IOC with the Railways. Secretary, Ministry of Petroleum and Chemicals has also addressed a communication to the, Ministry of Railways, for considering the claim on sympathetic grounds on its merits and not to reject the same merely on technical grounds of its being time-barred. Vigorous follow up is being done for realisation of the amount. Payments against IOC's claim for the period January 1971 to July, 1971 are being received progressively.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012/5/74-
IOC, dated 14-11-1974].

Further information called for by the Committee

(i) The Committee desired the responsibility to be fixed for the negligence on the part of officials concerned. The Government

have merely stated that the excess payments of railway freight took place immediately after a retired Station Master was appointed as an Assistant in the Depot. What action has been taken against this or any other official involved has not been intimated. The Ministry may please give definite reply to Committee's recommendation.

(ii) As for realisation of excess freight paid from July, 1967 to July, 1971 it has been stated that vigorous follow up is being done to realise the amount. The latest position in this regard may be intimated.

(iii) It has also been stated in the reply that railways are not refunding the amount because IOC's claim was time-barred. The Ministry may please intimate as to what was the time lag between the detection of overpayment and the filing of claim? What were the reasons for delay in filing the claim? What action has been taken against the delinquent officials concerned?

(iv) It has been stated in the reply that payments against IOC's claim for the period January, 1971 to July, 1971 were being received progressively. The Ministry may please intimate the amount received by IOC so far and when the final payment is likely to be made by the Railways.

(L.S.S. O.M. No. 13-PU/74, dated 16-12-1974).

Reply of Government

(i) and (iii) IOC has been advised to hold an enquiry at a senior level to fix responsibility for negligence on the part of officials concerned, if any, for the lapse resulting in overpayment to the Railways and also to determine if there was any avoidable delay in preferring claims after the initial lapse was detected and if so fix responsibility for the same and take suitable action.

(ii) On a reference from this Ministry, Railway Board has stated that these claims are not only time-barred under Section 78(b) of the Indian Railways Act, but also barred for suits under the Law of Limitations. Even if this technical plea is not taken, there is a severe physical limitation which makes the task of reviewing these claims, which involves a recheck of thousands of

invoices and their verification with reference to the forwarding notes and accountal particulars which may not be available in a number of cases at this late stage, very difficult. Northern Railway Administration would nevertheless be making an endeavour to finalise claims pertaining to as many invoices as possible but the prospects of settlement of many of these claims are not quite encouraging in view of these physical limitations. IOC is, however, pursuing the matter with Northern Railway which has been issued instructions accordingly by the Railway Board. Finalisation of this matter is, however, likely to take time.

(iv) The total claim for the period January, 1971 to July 1971 is Rs. 3,08,704|- of which Rs. 46,426|- has been received till now.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012(5)74-IOC, dated 14-11-1974].

Recommendation Sl. No. 38 (Paragraphs 8.90 to 8.93)

The Committee note that under the arrangements between the Corporation and IOBL the Corporation gets its base stocks and additives blended in the IOBL plants in consideration of which the Corporation was to pay a blending fee at 5 cents for premium grade lubricants and 2 cents for non-premium grade lubricants, 60 cents and 25 cents per pound for premium and non-premium greases. The Committee note that on account of devaluation, the blending fees were enhanced by 57.5 per cent.

The Committee fail to understand as to why the Corporation should not have stipulated the blending fees in Indian currency in the agreement with IOBL which is an Indian Company and why no attempt was made in this regard either initially or even at the time of the revision of the fees later. The failure to fix the fees in Indian currency has given an unintended benefit to IOBL.

The Committee recommend that the Corporation should see that such commitments in foreign currencies with Indian firms are avoided in future.

The Committee recommend that Government should issue suitable directions in the matter to all the public undertakings so that the commitments of this nature are settled in Indian rupees and not in foreign currency, particularly, when the companies with whom contracts are entered into are companies incorporated in India.

Reply of Government

The Committee's recommendations have been noted for future guidance. A copy of the instructions issued to the public sector undertakings in this regard *vide* this Ministry's letter No. 54012|93| 74-IOC dated 9-11-1974 is enclosed (Appendix XI).

[Ministry of Petroleum and Chemicals O.M. No. IS-54012(5) 74-IOC, dated 14-11-1974].

CHAPTER V

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

Recommendation Sl. No. 6 (Paragraph 3.31)

The Committee note that although it was as early as 1966 that the dispute arose between the Burmah-Shell and the IOC in regard to payment of devaluation duty on the products outstanding for return by the Corporation to the Burmah-Shell as on 5th of June, 1966. Under the Installation Exchange Account, the matter was kept pending for settlement. It was only in October, 1969 that the case was referred to the solicitors. Even after this the Committee find that the suit was filed against Burmah-Shell for the recovery of the amount withheld by them only in March, 1971. In the opinion of the Committee, this delay of over 5 years on the part of the IOC seems hardly justified. The Committee would like to be informed of the outcome of the case.

Reply of Government

Suit filed against Burmah-Shell for the recovery of amount withheld by them under the Installation Exchange Account has not been taken up yet by the High Court of Bombay. The outcome of the case will be intimated to the committee.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012(5)/74-
IOC, dated 21-10-1974.]

Recommendation Sl. No. 26 (Paragraph 7.44)

The Committee also note that during April to July, 1972, the Corporation was required to lift 2025 kls. of transformer oil earmarked by the firm. However, since the Corporation could not secure any order for sale as the selling price was not competitive, it was unable to lift its share of the oil. It, however, supplied on credit base stock worth Rs. 42:79 lakhs to the firm between May to August, 1972. The Committee were informed that out of 2,025 kls. of transformer oil earmarked by the firm under the agreement, the

Corporation was, upto 31st August, 1973, able to dispose of only 1,498 kls. While the Corporation made a gross profit of Rs. 1.56 lakhs on this sale, it incurred a loss of Rs. 3.56 lakhs as interest upto 31st August, 1973 on the blocked capital of Rs. 44.91 lakhs representing the value of base stocks supplied to the firm on credit. The Committee are constrained to observe that the entire deal with the firm had been finalised by the IOC without a careful analysis of the contractual obligations and financial implications thereof. The Committee therefore, recommend that Government should conduct a thorough investigation into the matter so as to pinpoint the lapses at the various stages and also fix responsibility for the loss suffered by IOC.

Reply of Government

With a view to fixing the selling price of transformer oil statutorily, a notification under Section 19 of the Industries (Development and Regulation) Act, 1951 was issued in May, 1972 empowering an Officer of the Cost Accounts Branch, Ministry of Finance, to obtain the cost data from all the manufacturers of transformer oil for furnishing a report on fixing a fair selling price for this product. The Report was submitted by the Cost Accounts Officer in December, 1972 and it was held that data for sufficiently long period for the two large scale units was not available and therefore, it might not be appropriate to reach conclusions on the basis of data already collected. It was also noticed that the competition between manufacturers of transformer oil was resulting in considerable price advantage to the consumers, who were mainly the State Electricity Boards. It may also be pointed out that the determination of ceiling selling prices of various lubricants and specialities including transformer oil is one of the terms of reference of the Oil Prices Committee, constituted by Government in March, 1974. Based on the recommendations of the O.P.C., action would be taken by Government regarding fixing of ceiling selling price of transformer oil.

[Ministry of Petroleum and Chemicals O.M. No. IS-54012(5)/74-
IOC, dated 6-2-1975].

Further Information called for by the Committee

The Ministry have also stated that the determination of ceiling selling prices of various lubricants and specialities including transformer oil is one of the terms of reference of the Oil Prices Committee, constituted by Government in March, 1974. On the recommendations of this Committee, action would be taken by Government regarding fixing of ceiling selling price of transformer oil.

Please intimate whether the Oil Prices Committee has given its report to the Government. If so, what action has been taken thereon. If no report has been received so far then please intimate as to when the same is likely to be received.

[L. S. Sectt. No. 13-PU/74 Dated 24-6-1975].

Reply of Government

In the Interim Report submitted by the OPC in February, 1975 this matter was not dealt with. Final report of the Oil Prices Committee is expected by 16-9-1975.

[Min. of Petroleum and Chemicals O. M. No. IS. 54012(68)/74-IOC,
Dated 24-7-1975].

A P P E N D I C E S

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APPENDIX I

[Vide Reply to recommendation at Paragraph 4.45—Chapter II]

No. 1(1)/74-FSP

GOVERNMENT OF INDIA

MINISTRY OF PETROLEUM AND CHEMICALS

NEW DELHI, the 18th November, 1974

To

The Managing Director,
Indian Oil Corporation Ltd.,
(Marketing Division),
254-C, Dr. Annie Besant Road,
Prabhadevi, Bombay-400025, DD.

Sir,

I am directed to say that the issue of giving reimbursement of under-recoveries from the FSP on all kerosene oil movements from Siliguri to Gauhati supply area has been examined by this Ministry in consultation with the Chairman, Indian Oil Corporation and it has been decided that in future no reimbursement of under recoveries from the FSP would be permissible for rail movement of Kerosene oil from Siliguri to Gauhati supply area to the extent of pipeline movement undertaken from Gauhati to Siliguri during the month.

Yours faithfully,

SD|- (N. C. GUPTA)

Deputy Secretary to the Government of India

Copy for F. 54012(33)/74-IOC.

APPENDIX II

[Vide Reply to recommendation at Paragraph No. 4.52—Chapter II]

COPY

INDIAN OIL CORPORATION LIMITED

(Marketing Division)

HEAD OFFICE

“true copy”

HO Operations

All BMs

OP/36

Sept. 9, 1974

Performance of Corporation Owned Tanktrucks.

During the recent Branch Managers' Conference held in Bombay on 23rd, 24th and 25th August 1974, the performance of company owned tanktrucks came under review. The various aspects of tanktrucks operations were discussed for maintaining strict control on operating costs. Efficient operations of company owned tanktrucks assume higher priority at the present juncture of meagre availability of resources.

For the past 3 years or so, it has not been possible to add new trucks to our total fleet which stands around 310 with a capacity of about 3200 KL including the aviation trucks. Approximately 30 new trucks are being procured every year which are just sufficient to replace old and uneconomical units.

We give hereunder a few guidelines for the Branches to maintain effective control on utilisation of company owned fleet of tanktrucks. If the company owned tanktrucks are efficiently operated, they are a source of earning also:

- (a) Aviod split loads/mixed loads,
- (b) Pre-documentation and reduction in filling|decanting time,

- (c) Percentage utilisation should not be less than 15 per cent.
- (d) Idling hours should not be more than 6 per cent.
- (e) Servicing and repair hours should not be more than 15 per cent and if possible carried out on Holidays and Sundays.
- (f) The approximate ratio KMs X KLs should be around 16 lacs i.e. on an average a truck of 10 KL should deliver 400 KL and travel around 4000 KM.
- (g) Reasonable fuel consumption should be 5 KM per litre, reasonable lube consumption should be 300 KM per litre.

The above are some of the guidelines though they are not exhaustive.

We have analysed performance of some of our units in each Branch and give hereunder the operating costs of company owned units versus contractors' trucks separately:

	Rate Paise	KM	KL	Actual expense	Cost through contractors
				Rs.	Rs.
NB:—Local per KL :	5.75			846	3018.00
Long haul per KL/KM:	8.5	4231			4855.00.
EB:—Local per KL :	11.00	..		522	4941.00
Long haul per KL/KM:	10.5	3845			4397.00
WB:—Local per KL :	11.00	..		621	3000.00
Long haul per KL/KM :	10.5	2836			3492.00
SB: —Local per KL :	5.50	..		972	3642.00
Long haul per KL/KM :	10.0	2709			3665.00
					2438.10

The above table indicates that company owned trucks are economical for local trips and for longer hauls contractors' trucks are cheaper. For good utilisation, trucks should be given short and longtrips intermittently in big cities to improve the performance

and maintain the balance between KM and KL ratio. A study may be carried out at Branch level to check the break even point between long distance and short distance so that performance of the truck is at optimum level.

Sd/-
Operations Manager

cc: BOMs M|S|W|E Branches.
cc: Dy GM(Facilities).

APPENDIX III

(Vide Reply to recommendation at Paragraph No. 8-80 and 8-81—Chapter II)

Financial results of Dalgaon Depot

	1970-71	1971-72	1972-73	1973-74	Total KL	Margin Rs. / KL	Total Rs. / lacs
(Thruput/KL)							
I. Depot Margin.							
MS:	657	2468	2360	1779	8264	32.24	2.34
HSD:	507	4509	4865	5108	14989	25.29	3.79
LDO:	66	955	1659	2541	5221	11.47	0.60
FO:	12	1080	10068	13054*	24180	6.15	1.49
Total all products:	1242	9012	18952	22448	51654		8.22
II. Revenue Expenditure on Depot (Rs./Lacs).	0.54	1.06	1.31	1.08	..		4.17
III. Gross Profit (Rs./lacs).							4.05
IV. Total capital cost of Dalgaon Depot.							4.37

*Corrected vide C. & A.G. endorsement No. 696—CA—III/311-74, dated 22-7-1975.

APPENDIX IV

[Vide Reply to recommendation at Paragraph Nos. 9.11 and 9.12—Chapter II]

INDIAN OIL CORPORATION LIMITED

CHAIRMAN'S OFFICE

Delegation of Powers to the Chairman and the
Managing Directors of R&P Division
and the Marketing Division as
approved by the Board of
Directors

New Delhi

D/- 4-7-75

P R E A M B L E

1. For all matters arising within the area of their administrative control, the Chairman/Managing Directors shall have full powers subject to the following provisions:—

- (a) For items listed in Enclosure I, powers shall be exercised only by the Board of Directors.
- (b) For items listed in Enclosure II, the powers shall be exercised only by the Chairman.
- (c) For items listed in Enclosure III, the Chairman/MDs, shall submit reports to the Board.
- (d) For items listed in Enclosure IV, financial concurrence will be required.
- (e) The Chairman and Managing Directors shall exercise these powers subject to the condition that expenditure incurred on capital account shall be within the allocations made for specific purposes in the approved budget. For capital works, for which there is no specific provision in

the approved budget or where the expenditure is required to be incurred in excess of allocations for specific purposes in the approved budget, such expenditure can be incurred provided that as a result of this additional expenditure, the total budget for the year is not exceeded and subject to the rules relating to the approval of projects by the Board/Government. A statement of all sanctions issued in excess of Rs. 2 lakhs by such reappropriation in each case, shall be submitted to the Board at the next meeting.

- (f) These powers will be subject to the provisions of the various statutory enactments applicable to the Corporation, the Memorandum and Articles of Association of the Corporation, the Directives issued by the Government and the policies laid down by the Board from time to time.

2. The Chairman and Managing Directors shall have full powers to institute, defend, compound or abandon legal proceedings or refer claims to arbitration and execute powers of the attorney and sign *Vakalatnamas*, *Mukhtiarnamas*, Plaints, written statements and all other documents and papers in connection with case in law courts or before arbitrators or before Tribunals|Commissions of Inquiry on behalf of the Corporation.

3. The Chairman|MDs may sub-delegate powers conferred upon them to subordinates under their administrative control subject to a report being submitted to the Board of Directors immediately following the date of each sub-delegation.

Enclosure I

The following matters shall require the sanction of the Board of Directors:—

A. BUDGET:

1. Long term/annual plans and capital and revenue budget estimates.

B. PERSONNEL:

2. Changes pertaining to wage structure, emoluments, perquisites and rules relating to the conditions of service approved by the Board. For relaxations in the rules also, Board's approval shall be obtained.

3. Creation of posts on approved scales of pay in the grades above Rs. 1800—2250.

4. Selection/appointments/promotions and fixation of initial pay on the advice of the appropriate selection committees in respect of officers in the grades above Rs. 1800—2500. An outside expert may also be associated in the Selection Committee where necessary.

5. Termination of/dismisal from the service of officers in the grade of Rs. 2000—2500 and above as a result of disciplinary proceedings.

6. Termination from the service of all officers after due notice and without assigning reasons under the standard termination clause of the appointment letter.

7. Acceptance of resignation of officers above the grade of Rs. 1800—2250.

C. WORKS & PURCHASES:

Estimates

Budgeted Programmes:

8(a). Any item of work above Rs. 25 lakhs of capital nature included in the approved annual capital budget.

Note: This, however, shall not apply to project works included in the DPR with estimates of different component parts of the project duly approved by the Central Government.

8(b). Capital expenditure in excess of 10 per cent of the estimates on a component part thereof approved by the Board or the Central Government.

Un-budgeted Programmes:

8(c). Any estimate above Rs. 15 lakhs for new items of capital nature not included in the approved annual capital budget.

N.B. The above power will be exercised only when there are countervailing savings in other items. If, however, the total budget is likely to be exceeded, approval of the Government will be necessary.

Contracts:

9(a). *Acceptance of Single Tender:*

In the case of Private
Parties
Above the value of
Rs. 5 lakhs

In the case of Public
Sector Enterprises
Above the value of
Rs. 50 lakhs

(b) *Acceptance of Limited but Lowest Tender:*

Above the value of
Rs. 25 lakhs.

Above the value of
Rs. 50 lakhs

(c) *Acceptance of Limited Tender—Other than the Lowest:*

Above the value of
Rs. 15 lakhs

Above the value of
Rs. 50 lakhs

(d) *Acceptance of Open Tender—Other than the Lowest:*

Above the value of Rs. 25 lakhs.

(e) In the case of items covered under rate running contracts, entered into by DGS&D, it will not be necessary to invite any tenders.

10. Any changes in the rates in a concluded contract/order in excess of 20 per cent of the contracted/ordered rate or the financial implication of such changes exceeding Rs. 5 lakhs in each case whichever is lower, subject to the conditions that:—

- (i) if any contract is approved by the Government/Board, change should be made only after approval of Government/Board is obtained;
- (ii) if as a result of the change the limit is exceeded, approval of the competent authority should be obtained; and
- (iii) in case of all changes, reasons should be recorded.

11. Settlement of disputed claims, under legal or solicitors' advice, outside the court of law exceeding Rs. 2 lakhs in each case.

D. WRITE OFF:

12(a). Write off of losses of any item of store, equipment, plants etc. other than petroleum products exceeding Rs. 2 lakhs in each

case in the event of theft, fraud or negligence and exceeding Rs. 5 lakhs in other cases.

(b) Write off of losses above Rs. 2 lakhs in each case on sale of contaminated and off-specification products below cost.

(c) Write off of losses of petroleum products:

(i) Ocean loss—above 1 per cent

(ii) Other losses—above 2 per cent

E. FINANCE:

13. To make calls on shareholder in respect of moneys unpaid on their shares.

14. To issue debentures.

15. To borrow moneys otherwise than on debentures.

16. To invest the funds of the company not immediately required for the purpose of company.

17. To make loans other than those under approved schemes or policies.

18. To open accounts with banks and to draw moneys from such accounts.

19. To approve cash credit/overdraft arrangements with the banks.

F. GENERAL:

20. The grant of compensation to and/or settlement of claims, in favour of any party other than company employees arising from any cause, exceeding Rs. 25,000 in each case.

21. The sale or alienation in any form of any immovable property vested in the company.

22. Any grant or donations above Rs. 10,000 in each case.

23. (a) *Ex-gratia* payment to company employees, not arising from approved policy or rules, exceeding Rs. 2000 in each case, or Rs. 25,000 in a year.

(b) Ex-gratia payment to private parties.

24. The contract of the type in which the Directors are interested; as mentioned in Section 297 of the Companies Act, 1956.

25. Sale of petroleum products, other than contaminated or off-specification products, to parties at rates below cost, except in cases where the selling prices are regulated by the Government.

26. Expenditure on publicity schemes costing Rs. 1 lakh and above in each case.

27. Payment of advances to contractors/suppliers other than Government/Public Sector Organisations (excluding advances against despatch documents/supplies/work done), in respect of contracts over Rs. 2 lakhs, in case the advance exceeds the 20 per cent of value of the contracts/goods supplies or Rs. 10 lakhs whichever is less.

28. Payment of advance rental for lands or buildings, exceeding 2 years rental or Rs. 2 lakhs, whichever is less, in each case (excluding payment to Government, Semi-Government, Public Sector Undertakings, local bodies etc.).

29. Purchase of land/buildings and/or other facilities above Rs. 25 lakhs in each case and all proposals of residential accommodation irrespective of their value.

30. T.A. to foreign experts/consultants except where covered by foreign collaboration agreement.

31. Waiving of compensation above Rs. 1 lakh for loss and/or liquidated damages due to failure of contractors in each case.

32. Fixation of rent ceiling for company lease houses.

33. In the following matters, certain procedural restrictions are imposed on the Board of Directors by the Companies Act 1956. All such matters, therefore will be placed before the Board for procedural requirements of the Act.

(i) To sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the company.

(ii) To remit or give time for the repayment of any debt due by a Director.

(iii) To make contributions to political parties; to make charitable contributions in excess of Rs. 25,000/- or 5 per cent of its average net profits for three financial years whichever is greater.

(iv) To appoint sole selling agents.

34. Any diversification of existing activity.

Enclosure II

In respect of the following matters, the powers shall be exercised only by the Chairman.

A. PERSONNEL.

1. Creation of posts in the grades of Rs. 1400-1760 and upto and including Rs. 1800-2250.

2. Grant of special pay for any post or employee/officer upto and including the grade of Rs. 2000-2500.

3. Selection/appointment/promotion and fixation of initial pay on the advice of the appropriate selection committee, of officers in the grade of Rs. 1400-1760 and upto and including Rs. 1800-2250.

4. Officiating arrangements to posts in the grade of Rs. 2000-2500 and Rs. 2500-3000.

5. Acceptance of resignation of officers in the grade of Rs. 1400-1760 and upto and including Rs. 1800-2250.

6. Reviewing of Confidential Reports where the Managing Directors and other functional Directors are the reporting authority. Countersigning C. Rs. of all officers in the grade of Rs. 1700-2100 and above before these are sent to Secretary (Petroleum) for perusal.

In respect of all officers in the grades of Rs. 1700-2100 and above, for the purposes of their career planning and progression and transfers and postings, Chairman's approval will be required.

7. Finalisation of procedure for grant of advance increments for outstanding merit within the policy approved by the Board.

Estimates:

Budgeted Programmes:

8(a) Any item of work above Rs. 15 lakhs and upto Rs. 25 lakhs of capital nature included in the approved annual capital budget.

N.B This, however, shall not apply to project works included in the DPR with estimates of different component parts of the project duly approved by the Central Government.

Un-budgeted Programmes:

8(b) Any estimate above Rs. 10 lakhs and upto Rs. 15 lakhs for new items of capital nature, not included in the approved annual capital budget.

N.B. The above power will be exercised when there are counter-vailing savings in other items. If, however, the total budget is likely to be exceeded, approval of the Board Government will be necessary.

B. WORKS, PURCHASES AND SALES:

9(a) All commercial contracts to be concluded with foreign parties subject to prior approval of the Govt. of India being obtained before the contract is finalised.

“NOTE: This however, will not apply to purchase contracts in respect of spares, equipment, chemicals and additives required for the running refineries/installations and in respect of equipment and materials required for approved projects upto a limit of Rs. 1 crore per contract. (However for any import, Government’s approval will be required)”.

(b) All contracts for a period of one year and above and of a value of Rs. 1 crore and above.

10(a). Acceptance of Single Tender:

In the case of
Private parties.

In the case of Public
Sector Enterprises.

Between the value of

Between the value of

Rs. 3 lakhs and Rs. 5 lakhs

Rs. 25 lakhs and Rs. 50 lakhs

(b) Acceptance of limited but Lowest Tender:

Between the value of Between the value of Rs. 25
Rs. 15 lakhs and Rs. 25 lakhs lakhs and Rs. 50 lakhs.

(c) Acceptance of Limited Tender—Other than Lowest:

Between the value of Between the value of Rs. 25
Rs. 10 lakhs and Rs. 15 lakhs lakhs and Rs. 50 lakhs.

(d) Acceptance of Open Tender—Other than Lowest:

Between the value of Rs. 15 lakhs and Rs. 25 lakhs.

“NOTE: In respect of sales contracts, wherever the word “Lowest” appears in B, C and D above, the same should be read as “highest”.

11. Settlement of disputed claims under legal or solicitor’s advice outside the court of law, over Rs. 1 lakh but upto Rs. 2 lakhs in each case.

C. WRITE OFF.

12. Write off of losses of any item of store, equipment, plants etc. other than petroleum products below Rs. 2 lakhs in each case in the event of theft, fraud or negligence and below Rs. 5 lakhs in other cases, but:—

- (a) of the value above Rs. 25,000/- in each case, not due to theft, fraud or negligence;
- (b) of the value above Rs. 20,000/- in each case, due to theft, fraud or negligence.
- (c) of the value above Rs. 25,000/- in each case of amounts due to the Corporation, including book debts, considered irrecoverable.

13. Write off of loss of petroleum products: Norms for different types of losses as well as authorities to approve such losses will be laid down by the Divisions with the approval of the Chairman.

D. GENERAL.

14. Grant of compensation to and or settlement of claims, in favour of any party other than company employees above Rs. 15,000 and upto Rs. 25,000/- in each case.

15. Any grant or donations between Rs. 5000/- and Rs. 10,000/- in each case subject to annual limit of Rs. 1 lakh. The annual limit for MDs will be Rs. 50,000/-.

16. Ex-gratia payment to company employees not arising from any approved policy or rules upto Rs. 2,000/- in each case or Rs. 25,000/- in a year.

17. Purchases of land|buildings and|or other facilities above Rs. 5 lakhs but not exceeding Rs. 25 lakhs in each case, except for residential accommodation.

18. Fixation of norms of rent for quarters, lands, buildings etc. belonging to the Corporation.

19. Expenditure above Rs. 2000/- and upto Rs. 1 lakh in each case on ceremonial occasions. In the case of MDs, the annual limit will be Rs. 25,000/-.

20. Hiring of office accommodation exceeding a rental of Rs. 25,000/- per month in each case.

21. Waiving of compensation between Rs. 25,000/- and Rs. 1 lakh for loss and/or liquidated damages due to failure of contractors in each case.

22. The Chairman, may from time to time, issue such directives to the Divisions as may be necessary to implement the programmes and policies and to improve the performance, profitability and image of the Corporation. The MDs shall give immediate effect to the directives so issued.

23. In between two Board meetings, the Chairman may, to meet an emergency, exercised the powers of the Board provided, however, that a report is made to the Board at its next meeting and *ex-post-facto* sanction or approval obtained.

“NOTE: This, however, does not restrict the Managing Directors in exercising their own powers in emergencies such as fire, flood, major accidents, and the like to save further

loss to property or life of people working in Refinery/ Installation, notwithstanding the restrictions contained in 1(f) of the preamble to the Delegation of Powers so far as it relates to the policies laid down by the Board from time to time. It will be necessary to make an immediate report to Chairman who will obtain Board's *ex-post-facto* approval at the earliest opportunity."

24. Foreign economic relations.

25. Approval and their deputation to all foreign tours of Corporation's employees subject to a periodical report of such tours and the results thereof being submitted to the Board.

ILLUSTRATIVE FUNCTIONS AND RESPONSIBILITIES OF THE CHAIRMAN

(1) All functions and responsibilities enjoined under the Articles of Association of the Corporation and the Companies Act.

(2) Preparation of over-all developmental, operational and economic plans for the Corporation by integrating and, if necessary, proposing the modification of the plans of the several Divisions.

(3) Co-ordination of the work of all the Divisions of the Corporation and for this purpose to:—

(a) call for any information from any Division;

(b) arrange inter-division discussion or consultations for resolving differences or difficulties;

(c) report any matter to the Board, which, in the opinion of the Chairman, requires consideration by the Board; and

(d) watch and ensure implementation of the decisions of the Board or of Government as the case may be.

(4) Allocation of funds to the Divisions of the Corporation, in consultation with the Finance Director, so as to ensure their best utilisation on the plans and policies approved of for the Corporation.

(5) Chairman's Office will be the channel for communications with Government in respect of all matters involving policy and finance. It is not necessary that each and every letter must issue

from the Chairman's Office, but on all important matters communications may issue either from his Office or from the offices of the Divisions concerned after papers have been shown to the Chairman and necessary orders obtained. This would be particularly necessary where references received by one Division cover the field of activities of the other Divisions. Correspondence of a routine nature, including monthly progress reports, when not touching other Divisions, can go direct, with a copy to the Chairman.

(6) In respect of discussions with Government and negotiation with other Companies, Chairman will be brought into the picture well in time, so that it can be decided whether Chairman's Office should participate or discussion be left to the Division concerned alone.

(7) Chairman's Office will provide guidelines to all the Divisions and be responsible for:—

- (a) Industrial relations and personnel policies;
- (b) Inter-change of personnel between the Divisions;
- (c) Terms & Conditions of service aimed at ensuring uniformity as far as practicable;
- (d) Absorption of surplus hands of one Division in other Division.

(8) Chairman will be the competent disciplinary authority for posts beyond the powers of the Managing Directors and will be responsible for over-all vigilance and maintenance of discipline. This will not, however, whittle down the responsibilities of the Divisions concerned in regard to these matters.

(9) Any matter likely to raise controversy with Government, sister Divisions, any important organisation, official or non-official, Indian or foreign, will be brought to the notice of the Chairman, as early as possible, and the Division concerned will act under his guidance and instructions.

NOTE: The Board of Directors have delegated some powers to the Chairman from time to time. Such of those powers which are not incorporated in the above delegations will not be affected and continue to be exercised by the Chairman.

In the exercise of powers in respect of the following matters, a report to the Board shall be made by the Chairman/Managing Directors.

A. PERSONNEL:

1. Creation of posts in all the grades.

2. Termination of services/dismissal of officers in the grade of Rs. 1400—1700/- and above.

3. Travel by air of non-eligible employees drawing basic pay of less than Rs. 1,000/- p.m.

B. WORKS AND PURCHASES:

4. Acceptance of tenders other than the lowest tender exceeding Rs. 10 lakhs in each case.

5. Award of contracts, on a single tender basis or without calling of tenders, exceeding Rs. 1,00,000/- in each case.

6. Settlement of disputed claims under legal or solicitor's advice outside the Court of Law, above Rs. 1,00,000/- in each case.

7. Purchase of land/buildings or other facilities, exceeding Rs. 5 lakhs.

C. WRITE OFF:

8. Write off of losses above—

(i) the value of Rs. 15,000/- in each case not due to theft, fraud or negligence.

(ii) the value of Rs. 5,000/- in each case due to theft, fraud or negligence.

(iii) the value of Rs. 10,000/- in each case, of the amount due to the Corporation, including book debts considered irrecoverable.

D. GENERAL:

9. A statement of all sanctions issued in excess of Rs. 2 lakhs for capital works, for which there is no specific provision in the ap-

proved budget or where the expenditure is sanctioned in excess of the allocation for specific purposes in the approved budget.

10. Items of non-recurring expenditure (other than capital expenditure) and not provided in Revenue Budget exceeding Rs. 1,00,000/- in each case.

11. Rental agreements for hired accommodation with private parties involving payment of advance rental of Rs. 50,000/- or above in each case.

12. Claims or demands referred to for arbitration or Court of Law, or civil/criminal suits filed by or on behalf of the Company or against the Company exceeding Rs. 2 lakhs in value in each case.

13. Grant of compensation to and or settlement of claims in favour of any party other than company employees, above Rs. 15,000/- in each case.

14. Any grant or donations above Rs. 5000/- in each case.

15. Ex-gratia payment to company employees not arising from any approved policy or rules upto Rs. 2,000/- in each case.

16. Re-appropriation of funds from one revenue head of account to another head or new items of revenue expenditure not included in the approved revenue budget over Rs. 3 lakhs in each case other than materials for operation and maintenance requirements.

17. Waiving of compensation for loss above Rs. 25,000/- due to failure of contractors in each case.

Enclosure IV

MATTERS REQUIRING FINANCIAL CONCURRENCE

1. PERSONNEL:

(a) Proposals involving variations with reference to the existing wage structure, emoluments, perquisites and service rules including negotiations with Unions on such matters.

(b) Sanction of recoverable advance to employees in excess of budget provisions.

(c) Payments to employees in respect of matters not covered by specific rules including ex-gratia payment.

2. WORKS, PURCHASES, TRANSPORTATION & SERVICES:

- (a) Proposals for sanction of capital expenditure.
- (b) Evaluation and acceptance of tenders and execution of contracts and award of contracts without inviting tenders.
- (c) Variations in the standard terms and conditions of contracts.
- (d) Variations in accepted contract rates.
- (e) Negotiations with tenderers regarding price or the terms and conditions of the contract.
- (f) Sanction of extra item rates and ex-gratia payments.
- (g) Proposals for expenditure in excess of the original sanction for capital works.
- (h) Proposals for advance payment to contractors/suppliers with or without security.
- (i) Settlement of disputed claims.
- (j) Waiving of compensation/penalties/liquidated damages for loss due to failure of contractors/suppliers.
- (k) Rescinding of contracts.
- (l) Referring of claims or demands of contractors/suppliers for arbitrations.
- (m) Variations in the tendering procedure.

3. GENERAL:

- (a) Advance payment to outsiders with or without security.
- (b) Write off of losses.
- (c) Price fixation of products/materials for sale.
- (d) Disposal of materials, surplus or otherwise.
- (e) Insurance arrangements.
- (f) Investment of money not immediately required for the working capital of the company.
- (g) Permitting credit arrangement for outside parties.
- (h) Matters relating to the changes in the accounting systems.
- (i) Sanction of imprests and arrangements relating to handling of cash.

- (j) Fixation of rents for quarters, lands, buildings etc.
- (k) Expenditure on ceremonial occasions.
- (l) Hiring office accommodation, plant, machinery, furniture etc.
- (m) Legal charges and other professional fees.
- (n) Re-appropriation of capital and revenue budget.
- (o) Export Contracts.

NOTES

(1) In respect of the above items, the Chairman shall obtain financial concurrence from the Finance Director and the Managing Directors from their respective Financial Controllers.

(2) In case of disagreement between the views of the FD and Chairman, and the latter over-rides the advice of the former, for reasons to be recorded in writing, the Chairman shall bring such matters to the notice of the Board.

(3) In case of disagreement between the views of the Financial Controller and the Managing Director and the latter overrules the advice of the former, for reasons to be recorded in writing, the MD shall bring such matters to the notice of the Chairman through the Finance Director.

(4) The Chairman may add any item to the above list which in his opinion requires financial concurrence.

(5) With a view to provide flexibility and to meet the administrative requirements, the Financial Controller may sub-delegate his powers of financial concurrence or may fix financial limits for which no financial concurrence would be necessary. Such sub-delegation will be subject to the approval of the Finance Director.

APPENDIX V

(Vide reply to recommendation at Paragraphs Nos. 9.17 and 9.18—

Chapter II)

No. 48011 (5) |73-IOC

GOVERNMENT OF INDIA

MINISTRY OF PETROLEUM AND CHEMICALS

NEW DELHI, Dated 10th June, 1974

To

The Chairman,
Indian Oil Corporation Ltd.,
Indian Oil Bhawan,
Janpath, New Delhi.

SUBJECT—*Powers and Responsibilities of the Finance Director of the Indian Oil Corporation Limited.*

Dear Sir,

In supersession of this Ministry's letter No. 8(10)/68-IOC dated 4-10-1971, on the subject mentioned above I am directed to say that the powers and responsibilities of the Finance Director of the Indian Oil Corporation are detailed in the annexure.

Yours faithfully,

Sd/- (A.K. MAGO)

Under Secretary to the Government of India

Copy along with a copy of the note forwarded to:—

- (i) The Advisor (F)
Ministry of Finance,
Bureau of Public Enterprises,
New Delhi.

- (ii) Additional Secretary (B)
Ministry of Finance,
Department of Expenditure
(P&Ch. Branch),
New Delhi.
- (iii) Shri S. M. Budhiraja,
Managing Director,
Indian Oil Corporation Ltd.,
(Marketing Division),
254-C, Annie Besant Road,
Prabhadevi, Bombay-25 DD.
Pin Code No. 400025.
- (iv) Shri R. N. Bhatnagar,
Managing Director,
Indian Oil Corporation Ltd.,
(Refineries & Pipelines Divn.)
Indian Oil Bhawan, Janpath,
New Delhi.
- (v) Finance Director,
Indian Oil Corporation Ltd.,
Indian Oil Bhawan,
Janpath, New Delhi.

Sd/- (A. K. MAGO)

Under Secretary to the Government of India.

ANNEXURE

Enclosure to Ministry of Petroleum & Chemicals

letter No. IS-48011(5)/73-IOC, dated 10-6-1974.

**Powers and responsibilities of the Finance Director of the
Indian Oil Corporation Ltd.**

1. Finance Director will be responsible for coordinating the financial and accounting work of all the Divisions of the Corporation, such coordination having the objectives of:

- (a) securing as far as possible uniform or similar financial and accounting policies and procedures;**
- (b) Consolidating the accounts of the two divisions;**
- (c) ensuring that the corporation acts in all financial and accounting matter with due regard to Government requirements for public enterprises.**

2. With the approval of the Board of Directors, F. D. will prescribe the financial and accounting procedures to be followed in the corporation and will take all necessary steps to ensure that they are complied with.

3. Finance Director will coordinate and place before the Board:

- (a) annual accounts and balance sheets;**
- (b) annual budgets for submission to Government;**
- (c) annual and periodical revenue budgets;**
- (d) quarterly financial reviews;**
- (e) resources budgets;**
- (f) such other periodical reports as are necessary to enable the Board to exercise control over the operations of the Corporation.**

4. Finance Director will be in direct charge of the Internal Audit organisation of the corporation and furnish periodical internal audit reports to the Divisions. The Internal audit reports need to be

discussed with the management at various levels, and to be brought before the Board, only with the concurrence of the Chairman, in cases where major lapses need to be brought to Board's attention and/or their direction is required.

As the Unit Finance and Accounts Department are intended to be under the administrative control of the respective MDs while the internal audit Dept. functions under the Finance Director, neither of the Functional Directors will have absolute powers to transfer staff from Accounts to Internal Audit and *vice versa*. Such transfers should be done in consultation between the MDs and FD and in cases of disagreement, the Chairman should be the deciding authority.

5. F.D. will advise the Chairman about distribution or application of available resources of the Corporation amongst the different divisions with a view to utilising the resources to best advantage.

6. F.D. may bring before the Board any matter which in his opinion has a financial bearing on the affairs of the Corporation.

7. Any matter having a financial bearing, which may have to come to the Board, shall be placed before the Board only with the comments of the F.D. Only in an emergency, should the Chairman allow such a matter to come up without FD's prior comments and request him to offer his comments in the Board meeting itself.

8. F.D. will work in close consultation with the Chairman of the Board and Managing Directors of the two Divisions in discharging his functions.

9. F.D. will also look after:

- (a) study of feasibility reports, their economic viability and resources for meeting the capital expenditure;
- (b) assessment of working capital and sources of financing the same;
- (c) study and advising on all matters of purchases of equipment and raw materials, etc.;
- (d) advising on pricing policies;
- (e) submission of financial reports on the performance of the enterprise as a whole to Government.

10. The Financial Controllers shall be appointed by the Board or if power is delegated, by the Chairman and not by Finance Director. However Finance Director shall be consulted by the Chairman in the matter.

11. The financial Controllers shall be under the administrative control of the MDs. In cases where there is disagreement between the views of FCs and MDs, and the latter over rules the advice of the FCs for reasons to be recorded in writing, the MDs should themselves bring such matters to the notice of the FD.

12. Financial Director should exercise technical control over the Financial Controllers and remain ultimately answerable to the Board for efficient financial management of the Undertaking. This authority should be exercised by way of a financial code or manual; issue of circular instructions; calling for periodical reports and by inspections not only of the Financial Controller's office but also on a selective basis of the Branches. Inspection reports ought to be recorded and made available to the Chairman and the Managing Director.

13. Confidential reports on the Financial Controllers should be initiated by the Managing Directors and countersigned by the Finance Director and the Chairman.

14. Financial Director should obtain monthly reports of activities from the Financial Controllers. Copies of these reports should be endorsed to the respective Managing Directors. This will enable the Finance Director, if necessary, to issue appropriate directions to the Financial Controllers to streamline and improve the efficiency of their working.

APPENDIX VI

[Vide Reply to Recommendation at Paragraphs No. 6.28 and 6.29—

Chapter III]

INDIAN OIL CORPORATION LIMITED

(MARKETING DIVISION)

Head Office,
Bombay-25.DD.
March 18, 1974.

No. 16010|Credit

ALL BRANCH MANAGERS

In the Branch Managers' Meeting held on 15th|16th November, 1973, on the credit policy, the following decisions were taken:

- (i) All private credit customers should be put on cash/cheque basis for supplies expeditiously.
- (ii) Private customers enjoying credit facility as per contract with them will be put on cash terms on the expiry of the current contract after giving them one month's notice.
- (iii) Credit allowed to contractual customers should be withdrawn if they fail to pay within the stipulated period of credit.
- (iv) Advance payment amounting to 15 days supply on a revolving basis may be taken from the International Airlines and industrial customers who are willing to deposit such advances with us and thereafter these parties will be billed once in 15 days with the proviso that the party must pay the bill within 15 days of the last supply. Alternatively, if the customer desires to have a billing cycle of more or less than 15 days (example 7 days or one month) the period of deposit should be so fixed that there is no credit (e.g. if a customer desires a monthly cycle he should deposit one month's advance and the bill for the month should be paid by the end of next month).

- (v) In the case of International Airlines, their local offices should be asked to effect payment of bills.
- (vi) Also no discounts/rebates will be allowed to any category of customers on POL products. Rebates/discounts enjoyed by customers currently by virtue of contractual obligations will also be discontinued after the expiry of the agreement/contract.

The Board has approved our above recommendations. Accordingly, with the exception of DGS&D customers, all other private and Government customers including State Transports should be put on the basis of the above revised credit policy with immediate effect. All contractual customers will of course continue to enjoy their existing terms for the duration of the contract. Due notice ranging between 30 to 60 days as considered necessary may be given to the customers at the appropriate time.

Please acknowledge this circular and confirm action.

Sd/-
T. KUMARAN,
Dy. GM(S)

cc: FC HO
cc: All BFCs
cc: All Heads of Departments, HO

APPENDIX VII

[Vide Reply to Recommendation at Paragraphs No. 6.28 and 6.29—

Chapter III]

INDIAN OIL CORPORATION LIMITED

(MARKETING DIVISION)

WESTERN BRANCH

No. WB;BM/19

March 19, 1974

All District Managers

A copy of circular letter No. 16010/Credit of March 18, 1974 from HO regarding future credit policy to be adopted by us is enclosed for necessary action at your end. The instructions contained therein should be strictly adhered to by you and in case of doubt, necessary clarifications should be sought from us.

We have already taken action on many of our credit customers by putting them on cash or cheque basis and it will now be necessary for you to ensure that all private credit customers are converted likewise expeditiously.

Please also ensure that necessary notice, upon expiry of the current contract period in regard to customers when you are handling, is given so that putting them on cash basis can be done smoothly. Please also ensure that no discount or rebates allowed to any category of customers on POL products in future. The rebates/discounts enjoyed by customers currently in terms of contractual obligations will be honoured and after the expiry of the agreement/contract, the same should be discontinued.

Please acknowledge receipt of this circular and confirm that action will be taken accordingly.

Sd/- J. Jayaraman,
Branch Manager,

Encl : 1

cc to BSM/HFC/BAM

c.c. to Manager, Consumer/BAM

A review of all the customers should be undertaken immediately so that action as indicated in the policy circular may be initiated and complied with.

APPENDIX VIIA

(Vide Reply to Recommendation at Paragraph No. 8.56—
Chapter III)

SALIENT FEATURES OF THE QUALITY CONTROL MANUAL

The Quality Control Manual for handling products other than the aviation fuels has been approved on 25th May 1975 by MD. The salient features are:

1. Fixing areas of responsibility for quality control of products at various stages of operations;
2. Standardising the minimum facilities required for effective quality control;
3. Standard sampling procedure and the types of sample required for various operations precautions while sampling and retention period of samples have been spelt out;
4. Introduction of reporting system for reporting contamination to higher levels of authority;
5. Detailed quality control procedures:—
 - (a) while loading a tanker
 - (b) while receiving product from a tanker
 - (c) while receiving product through pipeline
 - (d) while loading tank wagons and tank trucks.
 - (e) while receiving product in tank wagon and tank trucks.
6. Laying down the limits for taking interface of two products in a pipeline transfer into any product tank;
7. Quality control measures to be adopted for the product in storage and introduction of periodicity of testing;
8. Details of various tests to be carried out for effective quality control at the time of receiving product and delivery of product at various stages.

The Quality Control Manual envisages suitably equipped laboratories in various Installations to enable to do quality control tests and also for periodical monitoring of products.

APPENDIX VIII

(Vide Reply to Recommendation at Paragraph Nos. 2: 27 to 2: 30 and 2: 32—Chapter IV)

Statement indicating the reasons for IOC's not taking over retail outlets.

S. No.	Name of Company	Location	Reasons	Remarks
1	CALTEX	1. Gandhi Square, Mysore	IOC have a retail outlet namely M/s. Vital Rao & Sons situated on public land at Gandhi Square within 100 metres. Thus under class 8-9(e) of ROC's report IOC is not entitled to take it over.	No remarks
2	BURMAH-SHELL	1. Amber Court Road, Jaipur	The land was sold to Shri Bhagirath Singh Virender Singh by the Municipal Authorities in 1962 by auction. Subsequently the plot of land was leased to Burmah-Shell in 1963 by the above party. However, Govt. of Rajasthan had come to know during the year 1969 that this plot was auctioned by the Municipal Authorities and the Rajasthan Govt. had cancelled the lease deed of Municipal Council and passed orders for taking the possession of the land. A notice was served on M/s. Narayan Das Shayam Sunder, Burmah-Shell dealers to vacate the site. However, Shri Bhagirath Singh moved the Govt. and the proceedings have been stayed. The case is pending with the State Govt. for final disposal.	No remarks
		2. Bori Bunder, Bombay	The site had been taken over by the Collector as per the Traffic Committee Resolution. The Retail Outlet was decommissioned on 3rd January, 1968.	No remarks
		3. Bombay Garage, Jabalpur	It has been stated by IOC that the site is within 100 metres from their Narbada Road, 'A' site retail outlet. Hence, as per clause 8-9(e) of ROC's Report, IOC is not entitled to take it over. It is further mentioned that Burmah-Shell has decommissioned this in 1972.	No remarks

- 4- N. M. Vora, Nyaya-Mandir, Baroda. The site was required by Baroda Municipal Corporation for road widening and hence the retail outlet was decommissioned in 1967. No remarks
5. Marvah & Co., Nagpur . The outlet had been closed under the orders of District Magistrate, Nagpur and hence it was decommissioned in January, 1967. No remarks
6. Elephant Gate, Lorry Stand, Madras. IOC have another retail outlet at Sydenhams Road M/s. Sai Supur Station. The through-put of this Burmah-Shell outlet was only 8 KL of HSD. Because of paucity of trade, IOC were not interested. The said outlet has already been decommissioned by Burmah-Shell in 1970. No remarks
7. Dum-Dum, Calcutta (Hemraj Rajgopal) . This retail outlet is within 100 metres of IOC's Corporation-owned-Corporation operated retail outlet at Dum-Dum. Hence under Clause 8-9(e) of ROC's report, IOC were not entitled to take it over. No remarks
- 3 ESSO . 1. Motor Stand, Jabalpur . There were objections from the Municipal Corporation and the outlet was closed prior to 1-1-68. No remarks

APPENDIX IX

(Vide Reply to Recommendation at Paragraph Nos. 2.27 to 2.30 and 2.32—Chapter IV)

H. R. GOKHALE

D.O. No. 50(69)/71-IOC

GOVERNMENT OF INDIA

MINISTRY OF PETROLEUM AND CHEMICALS

New Delhi, the 16th February, 1972.

My dear Chief Minister,

With the approval of the Prime Minister, we have evolved a scheme for rehabilitating disabled servicemen and the dependents of those killed or missing in action. The scheme itself was inaugurated by the Prime Minister earlier this month by releasing the first set of 20 appointment letters to the entitled persons for operating the agencies of the Indian Oil Corporation and its subsidiary, the Indo-Burma Petroleum Co. Ltd., for retail outlets (Petrol and diesel pumps), Kerosene, light diesel oil and Indane cooking gas. This is to be followed by the issue of a large number of letters of employment by the Indian Oil Corporation and the Indo-Burma Petroleum Co. Ltd., on the basis of the all India lists now being finalised by the Resettlement Directorate of the Ministry of Defence. A target for the award of 500 such agencies all over the country has been laid down for this purpose.

2. I am writing this D.O. letter to seek the assistance of your Government in the quick implementation of this scheme. The Indian Oil Corporation and the Indo-Burma Petroleum Co. Ltd., will be contacting your concerned officers at the State as well as the District level for specific assistance, *inter alia*, in regard to the following matters:—

- (a) Release of land.
- (b) Issue of building licences, no objection certificates, electric connections, etc.
- (c) Procurement of shops and Godowns for operating agencies.

(d) Grant of other permissions such as sales tax, licence, calibration by Weights and Measures department, etc.

3. Most of the agencies have been awarded to war widows some of whom are quite young and they are all still grief-stricken. Some information about those who have received the appointment letters in the first batch are given in the enclosed brochure brought out by the Indian Oil Corporation on the occasion. They need all possible counselling and assistance. Indian Oil Corporation and Indo-Burma Petroleum Co. Ltd., have set up a special machinery for this purpose at the Head Office, and also at the Branch and District Levels. Their efforts will, however, need to be supplemented by considerable assistance from the State Governments. Unless this is done, we may fail in our resolve to quickly resettle these war victims.

4. We would be grateful if you please issue suitable instructions to all concerned. A copy of these instructions may please be endorsed to Shri Kamaljit Singh, Managing Director, Indian Oil Corporation Ltd., Marketing Division, 254-C, Dr. Annie Besant Road, Prabhadevi, Bombay-25.DD., to enable him to suitably brief the field officers of the Indian Oil Corporation and the Indo-Burma Petroleum Co. Ltd.

With kind regards,

Yours sincerely,

Sd/-

(H. R. GOKHALE)

All Chief Ministers

APPENDIX X

(Vide Reply to recommendation at paragraph Nos. 2.27 to 2.30 and 2.32—Chapter IV)

P. K. DAVE, *Secretary*

D.O. No. 50(69)/71-IOC

GOVERNMENT OF INDIA

MINISTRY OF PETROLEUM AND CHEMICALS

New Delhi, the 24th March, 1972.

My dear Mathew,

With the approval of the Prime Minister, we have evolved a scheme for rehabilitating disabled servicemen and dependants of those killed or missing in action. The scheme itself was inaugurated by the Prime Minister early last month by relating the first set of 20 appointment letters to the entitled persons for operating the agencies of the Indian Oil Corporation and its subsidiary, the Indo-Burmah Petroleum Co. Ltd., for retail outlets (petrol and diesel pumps), kerosene, light diesel oil and Indane cooking gas. This has been followed by the issue of a large number of letters of appointment by the Indian Oil Corporation and the Indo-Burma Petroleum Co. Ltd., on the basis of the all India lists now being finalised by the Resettlement Directorate of the Ministry of Defence. A target for the award of 500 such agencies all over the country has been laid down for this purpose.

2. I am writing to seek the assistance of your Ministry in the quick implementation of this scheme. The Indian Oil Corporation and the Indo-Burma Petroleum Co. will be contacting your Land and Development Officer and his staff for specific assistance, *inter alia*, in regard to the handing over of the possession of the retail outlet sites pending the completion of the lease formalities, which are necessarily time-consuming and take anything from two to four months. This will enable the IOC to speed up its commissioning programme. IOC-IBP will, of course, be paying the ground rentals in advance as before.

3. We should be grateful if you please ask the Land and Development Officer to render all possible assistance in this matter. Most of the agencies have been awarded to war widows some of whom are quite young; they are all still grief-stricken and they need all possible counselling and assistance and I am sure that we can count on the support of your Ministry in this task.

With kind regards,

Yours sincerely,

Sd/-

(P. K. DAVE)

Shri P. C. Mathew,
Secretary,
Ministry of Works and Housing,
New Delhi.

Copies for information to:—Shri J. Jayaraman, Branch Manager, Indian Oil Corporation Ltd., Indian Oil Bhavan, Janpath, New Delhi.

2. Indo-Burma Petroleum Company, Allahabad Bank Building, Parliament Street, New Delhi.

Sd/-

(A. P. VERMA)

DIRECTOR.

APPENDIX XA

(Vide Reply to recommendation at Paragraph 6.36—Chapter IV)

**CHAIRMAN'S OFFICE,
INDIAN OIL BHAVAN,
JANAPATH,
NEW DELHI,**

November 2, 1973,

CIAO|12|73|Vol.II|1586

Dy. CIAO, HO, Bombay
Dy. CIAO, NB, New Delhi
BIAO, WB, Bombay
BIAO, EB, Calcutta
BIAO, SB, Madras.

SUBJECT.—*Internal audit scrutiny of cases of write off proposals submitted to the Board.*

Dear Sir,

To enable the Board of Director to ensure that all possible ways have been tried by the Management to recover the debts before issuing sanction for write off, it has been decided by CIAO in consultation with FC(M) that all write off proposals which are to be put up to the Board by the Marketing Division may be subjected to internal audit scrutiny before the same are placed before the Board.

As and when any proposals to be submitted to the Board for write off are given to internal audit for prior scrutiny, the same may please be undertaken by the JAOS and the findings of internal audit may be recorded in a note to be furnished to the departmental head concerned with a copy to this office.

Yours faithfully,
Sd/-

(L. S. SUBRAMANIAN)

Dy. Chief Internal Audit Officer.

cc: Shri H. N. Roy Chowdhury, Chief Accountant. IOC (MD) Bombay with reference to his d.o. letter No.AC:CR:3735, dated 23-10-1973.

File No. IAR/CIAO/82.

APPENDIX XI

(Vide Reply to recommendations at Paragraphs Nos. 8.90 to 9.98—
Chapter IV)

GOVERNMENT OF INDIA

MINISTRY OF PETROLEUM AND CHEMICALS

No. IS-54012|21|74-IOC

New Delhi, the 9th November, 1974.

To

All Undertakings under Ministry (P&C),
(As on reverse)

SUBJECT.—*49th Report of the Committee on Public Undertakings on Indian Oil Corporation Ltd (Marketing Division) (Fifth Lok Sabha)—Recommendation at para 8.93.*

Sir,

I am directed to say that while examining the collaboration arrangements between IOC and Mobil Petroleum Company Inc., New York, for Indian Oil Blending Limited (a 50 : 50 concern of IOC & Mobil), under which blending fee was payable in foreign currency to Mobil by IOC, "the Committee on Public Undertakings has recommended that commitments of this nature should be settled in Indian rupees and not in foreign currency particularly, when the companies with whom contracts are entered into are companies incorporated in India." However, in exceptional cases where commitments have to be made in foreign currency in the overall public interest, prior specific approval of the Government may be obtained before making the commitment.

You are requested to take note of the Committee's above recommendation for compliance.

Yours faithfully,

Sd|—
(A. K. MAGO)

Under Secretary to the Government of India.

Copy for information and necessary action to:—

1. Ministry of Finance (BPE), New Delhi.
2. Ministry of Industrial Development, New Delhi.
3. Ministry of Finance (DEA), New Delhi.

Sd/-

(A. K. MAGO)

Under Secretary to the Government of India.

1. Shri C. R. Das Gupta,
Chairman, Indian Oil Corporation Ltd., Indian Oil Bhavan, New Delhi.
2. Shri D. L. Purkayastha,
Chairman & Managing Director, Bongaigaon Refinery and Petro-chemical Ltd.,
19-Kasturba Gandhi Marg, New Delhi.
3. Mr. John W. Loy,
Managing Director, Cochin Refineries Ltd., Post Box No. 2, Ambala Mughal,
Cochin-683-302.
4. Shri N. B. Prasad,
Chairman, Oil & Natural Gas Commission, Tel Bhawan, Dehra Dun.
5. Shri M. S. Pathak,
Chairman & Managing Director, Engineers India Ltd., Allahabad Bank Bldg., 17-
Parliament Street, New Delhi.
6. Dr. M. S. Nadkarni,
Managing Director, Madras Refineries Ltd., Manali, Madras-68.
7. Dr. J. P. Dala,
Managing Director, Lubrizol India Limited, Delstar Building, 9-A S, Patkar Marg,
Bombay-36.
8. Dr. S. Vardarajan,
Chairman & Managing Director, Indian Petro-Chemicals Corpn. Ltd., Jawahar
Nagar P.O., Distt. Baroda (Gujarat).
9. Shri A. P. Verma,
Managing Director, Indo-Burma Petroleum Company Ltd., Allahabad Bank Bldg.,
Apollo Street, Fort, Bombay.
10. Shri S. Krishna Swamy,
Chairman & Managing Director, Hindustan Petroleum Corporation Ltd., Adminis-
tration Building, Corridor Road, Mahul, Bombay-400074.
11. Shri H. P. Wandrewala,
Managing Director, Hindustan Organic Chemicals Limited, P.O. Rasayani, (Maha-
rashtra).
12. Dr. L. K. Behl
Managing Director, Indian Drugs & Pharmaceutical Ltd., 'N-12, NDSE', Part I,
Ring Road, New Delhi.
13. Shri C. N. Chari,
Managing Director, Hindustan Antibiotics Ltd., Pimpri, Poona-18.
14. Shri P. K. Narayana Swamy,
Managing Director, Hindustan Insecticides Ltd., E-3, Defence Colony, New Delhi.

15. Mr. Stein Holf Jr.,
Managing Director, Madras Fertilizers Limited, Manali, Madras-68.
16. Shri K. C. Sharma,
Chairman & Managing Director, Fertilizer Corporation of India Limited, F-43, NDSE,
Part I, New Delhi.
17. Shri B. K. Khanna,
Chairman & Managing Director, Fertilizers & Chemicals Travancore Ltd., Udyog-
mandal, Alwaye (Kerala).
18. Shri T. N. Jeggi,
Managing Director, Pyrites Phosphates & Chemicals Limited, Dehri-on-Sone, Distt.
Rohtas, Bihar.

APPENDIX XII

(Vide para 5 of Introduction)

Analysis of Action Taken by Government on the recommendations contained in the Forty-ninth Report of the Committee on Public Undertakings (Fifth Lok Sabha).

I. Recommendations that have been accepted by Government : Serial Nos. 2·54, 2·55, 2·61, 4·18, 4·19, 4·29, 4·30, 4·35, 4·45, 4·52, 4·65, 4·66, 4·78, 5·22, 5·35, 5·36, 6·32, 6·33, 6·39, 6·42, 6·43, 7·20, 7·21, 7·60, 7·70 to 7·72, 8·44, 8·59, 8·60, 8·80, 8·81, 9·11, 9·12, 9·16 and 9·17	36
Percentage to total	38%
II. Recommendations that the Committee do not desire to pursue in view of the Government replies: Serial Nos. 1·20, 2·31, 2·52, 2·53, 3·23, 3·24, 4·16, 4·17, 4·51, 4·79, 5·21, 5·23, 5·57, 5·58, 5·59, 6·3, 6·11, 6·12, 6·28, 6·29, 7·61, 8·30, 8·54, 8·55, 8·56, 8·74 and 8·75	27
Percentage to total	28%
III. Recommendations in respect of which replies of Government have not been accepted by the Committee: Serial Nos. 2·27 to 2·30, 2·32, 3·21, 3·22, 3·25, 3·26, 4·38, 5·31, 5·47, 5·48, 5·60, 6·30, 6·31, 6·38, 7·42, 7·43, 7·45, 8·23, 8·24, 8·29, 8·43, 8·48, 8·49, 8·63 and 8·90 to 8·93	31
Percentage to total	32%
IV. Recommendations in respect of which final replies of Government are still awaited: Serial Nos. 3·31 and 7·44	2
Percentage to total	2%