

COMMITTEE ON PETITIONS

(FOURTEENTH LOK SABHA)

TENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 2006/Phalguna, 1927 (Saka)

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(FOURTEENTH LOK SABHA)

(Presented to Lok Sabha on 18.03.2006)



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CONTENTS

	PAGES
COMPOSITION OF THE COMMITTEE ON PETITIONS	(iii)
I. INTRODUCTION	(v)
II. REPORT	
Representation regarding misappropriation of money by the Gas Authority of India Limited (GAIL)	1
III. MINUTES	
a. Minutes of the Twenty-first Sitting of the Committee held on 8th July, 2005	18
b. Minutes of the Twenty-eighth Sitting of the Committee held on 16th January, 2006	20
c. Minutes of the Thirty-second Sitting of the Committee held on 13th March, 2006.	22

COMPOSITION OF THE COMMITTEE ON PETITIONS

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4. Shri N.S.V. Chitthan
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2. Shri P. Sreedharan — *Joint Secretary*
3. Shri A. K. Singh — *Director*
4. Shri U.B.S. Negi — *Under Secretary*
5. Smt. Jagriti Tewatia — *Committee Officer*

INTRODUCTION

I, the Chairman, Committee on Subordinate Legislation having been authorised by the Committee to submit the report on their behalf, present this Tenth Report.

2. This Report relates to the action taken by the Government on the recommendations of the Committee contained in the Ninth Report (2002-2003) (Thirteenth Lok Sabha).

3. The Committee considered and adopted this report at their sitting held on 14.12.2005.

4. The summary of recommendations contained in the Ninth Report and action taken reply of the Government thereon have been reproduced in Appendix I of the Report.

5. Minutes of the sitting of the Committee relevant to this report are brought out in Appendix II.

6. An analysis of action taken by Government on the recommendations contained in the Ninth Report of the Committee (13th Lok Sabha) is given in Appendix III.

NEW DELHI;
14 December, 2005

N. N. KRISHNADAS,
Chairman,
Committee on Subordinate Legislation.

TENTH REPORT OF THE COMMITTEE ON PETITIONS
(FOURTEENTH LOK SABHA)

INTRODUCTION

I, the Chairman, Committee on Petitions, having been authorised by the Committee to present the Report on their behalf, present this Tenth Report (Fourteenth Lok Sabha) of the Committee to the House on the representation regarding misappropriation of money by the GAIL.

2. The Committee considered and adopted the draft Tenth Report at their sitting held on 13 March, 2006.

3. The observations/recommendations of the Committee on the above matters have been included in the Report.

4. For facility of reference and convenience, the observations/recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;
13 March, 2006

22 Phalguna, 1927 (Saka)

PRABHUNATH SINGH,
Chairman,
Committee on Petitions.

REPORT

REPRESENTATION REGARDING MISAPPROPRIATION OF MONEY BY THE GAIL

Shri Rajiv Ranjan Singh 'Lalan', M.P. forwarded a representation signed by Shri Ashok Singh, resident of C-1-67, Madhu Vihar, New Delhi regarding misappropriation of money by the Gas Authority of India Limited (GAIL).

2. In the representation, the petitioner *inter-alia* alleged that in the name of sophisticated technology adopted for transmission of gas in Dahej Vijayapur Pipeline (DVPL) by the GAIL, a gross misappropriation had been made in the procurement of the pipelines. According to the petitioner, the Longitudinally Submerged Arc Welded (LSAW) pipes selected for the said gas transmission by the GAIL were much more expensive than those of helically Submerged Arc Welded (HSAW) pipes which were already being used in the past, though both of these pipelines were of the same quality. The tender floated for the DVPL pipelines had specification for LSAW pipelines only and the price received by the GAIL for these pipes was more than that of other pipes in use. After the report submitted by the Centre for High Technology (CHT), it has become clear that despite the similar quality of the two pipes, the selection of the LSAW pipes by the GAIL on high price was done only because the high officials of the GAIL were in nexus with the LSAW pipes manufacturing company and in the process, huge amount of Government fund was looted in that procurement in the name of the technology.

3. The petitioner, therefore, requested that the matter be examined by the Committee so that action may be taken against the guilty.

4. The Committee took up the matter for examination in accordance with Direction 95 of the Directions by the Speaker, Lok Sabha. The aforesaid representation was forwarded to the Ministry of Petroleum & Natural Gas (MOP & NG) on 27th May, 2005 for furnishing their factual comments on the points raised therein by the petitioner. In response thereof, the MOP & NG *vide* their communication dated 17th June, 2005 submitted their comments as follows:—

Dahej Vijayapur Pipeline (DVPL)

(i) Technology selection of pipes

For the past 20 years, GAIL has been procuring pipes produced by the LSAW technology for all its large diameter, high-pressure natural gas pipeline projects, strictly based on consultant's recommendations. The selection of pipes for the DVPL project was also done based on the recommendations of GAIL's consultant M/s Engineers India Limited (EIL). The consultant's recommendations were made keeping in view the vital issues of safety, total cost implications and practice followed by domestic and international gas majors for high-pressure gas pipelines.

In the DVPL project, on the choice of technology of pipes, EIL made an estimate on a total cost basis. As per EIL, the estimated net saving in the total costs of pipes, due to the choice of LSAW pipes in place of HSAW pipes, is Rs. 34.07 crore.

Furthermore, the DVPL project was completed in March 2004, six months ahead of schedule and with a total saving of more than Rs. 700 crore. This fact, after due examination, was officially conveyed by the Ministry of Petroleum and Natural Gas to the Parliamentary Committee on Government Assurances, who examined the matter in detail. A statement to this effect, was also tabled in the Lok Sabha in March 2005.

Earlier, in November 2003, the CAG of India conducted a special audit to review the procurement of line pipes for the DVPL project and after detailed examination, they have not raised any audit objection pertaining to procurement of pipes for the DVPL project in its inspection Report in May 2004.

Similarly, the Central Vigilance Commission (CVC), examined the process of procurement of line pipes for the DVPL project and stated in May 2004 that the matter may be treated as closed.

Therefore, the allegation that in the DVPL project, there has been bungling in the purchase of pipes on the pretext of selection of superior technology of pipes is unfounded.

(ii) *Costs and Quality of LSAW and HSAW pipes*

As stated earlier, for the past 20 years, GAIL has been procuring pipes produced by the LSAW technology for all its large diameter high-pressure natural gas pipeline projects strictly based on its consultant's recommendations.

As regards costs of pipes, EIL carried out a specific study in the case of the DVPL project, and concluded that, on a total cost basis, the estimated net saving in the costs, due to the choice of LSAW pipes in place of HSAW pipes, is Rs. 34.07 crore.

Similarly, as regards quality, EIL carried out a detailed study for choosing the type of pipe for the DVPL project and in its report, stated that on technical considerations, "LSAW pipes are considered superior to HSAW pipes".

Therefore, the allegation that GAIL selected LSAW pipes, which is far more expensive than the previously used HSAW pipes, despite both pipes being of same quality, is totally unfounded.

(iii) *Tendering of pipes for DVPL project*

The pipes for DVPL project were procured through the International Competitive bidding process, duly following the approved tendering procedure of the company. The selection of pipes was done based on recommendations of the consultants, M/s EIL.

No other natural gas pipeline of same diameter, thickness and grade was being laid in India at the time when DVPL project was being executed.

On cost considerations, M/s EIL reviewed the costs of LSAW and HSAW pipes and found that the cost of indigenous LSAW pipes with imported plates is comparable with landed cost of HSAW imported pipe.

Hence, the allegation that the bids received were much higher than contemporary pipes is baseless.

(iv) *Centre for High Technology (CHT) report*

The DVPL project was commissioned in March 2004.

The extracts of the interim report of CHT was provided to GAIL in August 2004 and the "Summary of Findings" of CHT was provided, thereafter, in September 2004.

The extracts of interim report by the CHT, *inter-alia*, stated that, (a) "Since HSAW requires several quality checks during manufacturing, LSAW is preferred to eliminate any defect/doubt" and (b) for higher line size, pressure & critical operating conditions, etc., LSAW pipes are preferred.

However, the "Summary of Findings" of CHT, *inter-alia*, stated that (a) "The International codes and standards do not differentiate between LSAW and HSAW" and (b) "In order to eliminate doubts in respect of quality of HSAW pipes, the owner should rightly satisfy itself about the manufacturing technology."

As can be seen, there is a clear contradiction between the two CHT report, which in any case was prepared after the completion of the DVPL project.

(v) *Procurement of pipes after CHT report*

Since the CHT reports *viz.* the interim report (August 2004) and the "Summary of Findings" (September 2004), came after the completion of the DVPL projects, the question of procurements of pipes for the DVPL project, based on CHT's report, does not arise.

5. After perusal of the comments furnished by the MOP & NG, the Committee took oral evidence of the representatives of the MOP & NG at their sittings held on 8th July, 2005 and 16th January, 2006.

6. At the outset, the then Special Secretary, Ministry of Petroleum & Natural Gas, gave a brief account of the case and submitted as follows:—

".....GAIL is the largest gas trading and gas transportation body in the country. It is almost having a monopoly. Now, they have under their operation over 4000 kilometres of gas pipelines and they have been operating since 1984. The GAIL was constituted as a Central Government public sector enterprise.

.....This DVPL tender was floated sometime in 2002. When it was floated, 17 companies had purchased the documents, out of which 12 companies

submitted their bids and 5 companies were technically qualified. The total value of the contract was Rs. 942 crore.....

.....this project, which involved a total pipeline length of 611 kilometres, benefits a number of States. This project was finally completed six months ahead of the schedule.....These States are Gujarat, Madhya Pradesh, Uttar Pradesh, National Capital Region (NCR), Haryana and Rajasthan. All these States will be benefited with this 611 kilometre long pipeline.....The specifications have also been asked for. This specifications here are prescribed as per the American Petroleum Institute (API) code, which is the oldest, well-known and recognized international code for the pipelines. The mode of manufacture here was specified as Longitudinal Submerged Arc Welding (LSAW). It was so much for this project that they had already given the value of the contract."

He further stated:—

"There were some news items which appeared in the press sometime in November 2003. The Times of India had published a news item saying that a lot of excess or extra cost was incurred by GAIL because they did not open the tender to both the types of line pipes even though the other pipe was also equally fit. This question also came up in the Parliament on two occasions. The Parliament was assured by the Government—that is, by the Ministry—that this matter will be examined and the Government will issued appropriate directions to Gas Authority as considered necessary."

He further added:—

".....Predominantly speaking, GAIL (India) Ltd. is a public sector undertaking company meaning thereby the Government of India is the owner, and therefore, accountable to Parliament for all acts of commission and omission of a public sector company under it's administrative control....

.....when representations were received that all the line pipe types had not been given an adequate opportunity of participation in the tender floated by the public sector, the Government really examined the whole matter and referred the content of the subject representation to an independent expert body.

Sir, the Centre for High Technology (CHT), which has been functioning as a satellite body of this Ministry, contains a lot of expertise in various fields of petroleum, oil and gas sector. This is 18 years old. We referred the subject to them with very clear Terms of Reference."

7. Explaining about the LSAW and HSAW pipes, the witness, the then Special Secretary state:—

".....One is, a huge plate is taken and just rolled like a cylinder. Then, it is welded straight. This is called a Longitudinal Submerged Arc Welded (LSAW) pipe. The other is that you take a long strip of paper and keep it rolling and then weld it along the thing. Now, that becomes Helical Submerged Arc

Welding (HSAW) pipe. Both the types are in common use all over the world. The question may arise as to why these two types. It is because both the strips and plates are made in steel mills. This way, we would like to be able to use both of them because the technology is available today for using them and making pipes. So, we should not restrict any one as long as the performance parameters are met. These performance parameters, I may submit, are specified internationally by many developed countries. Now, one is the American Petroleum Institute (API), which defines the standard specifications for transmission pipelines. The second one is the British Standards. Expert bodies have compiled all these. The third is called the DIN Standard (Germany), and the fourth one is European Standards which is adopted in the whole of European Union. The fifth one is by the Netherlands who are also experts in the whole field. That is called DNB-OISF 101. There are so many international courses available but none of these courses say that only LSAW can be used or only HSAW can be used. What they say is about the process of manufacture, metallurgy, diameter, wall thickness, weight per meter and the specified mills. These are the parameters one must prescribe as long as the particular the pipe supplier is able to say: "Yes, I will give you the line pipe which satisfies all these things. So, you cannot discriminate against them." This is the substance of this course. In the light of this, our Terms of Reference to CHT also said: "Was GAIL justified in selecting LSAW pipes only to the exclusion of HSAW pipes. This we have specifically asked CHT to examine and then tell us. We have also asked for any other related matter including recommendations of appropriate technology for the Indian gas sector. So, this was the Terms of Reference which we had made to CHT."

8. On this issue, the Director, Centre for High Technology (CHT) further explained as follows:—

"Sir, when it was referred to CHT, it included whether only LSAW pipes can be used or whether both of them can be used. This was the first Terms of Reference. It included, nationally or internationally, the types of pipes which are used for gas transmission. It also included whether GAIL was justified in LSAW pipes and excluding HSAW pipes; and any other related matter including recommendations of appropriate technology. As our Secretary pointed out, we have gone through all the codes in depth and the various Standards and course available. We have also taken into account the manufacturing technologies available and then we have also gone in depth about the various pipelines used for gas transmission all over the world. We have quoted the pipe used in Petro-China's West-East pipeline. Then, we have also quoted consortium of Mobile Oil, Indonesia, and Kuwait Oil Company. We have gone through in depth after the new millennium, that is, 2001 and 2004. Finally, we concluded that both LSAW and HSAW pipes are used. There is no restriction considering the diameter or everything. This is our final recommendation that we made. I am not going into the depth. We gave a massive report which contains even the actual reports on the pipelines which have been used by the international agencies giving the reasons or it.

So, our final recommendation is that the stipulated use of LSAW and HSAW pipes for high pressure gas pipeline need not be discriminated without a valid, evident reason. In order to eliminate doubts in respect of quality of HSAW pipes, the owner should rightly satisfy itself about the manufacture, technology, procedures, and various political role steps employed by the manufacturer to provide desired quality assurances. If needed, a competent expert team may be entrusted by the owner to ascertain the capability of the manufacturers in ensuring quality of HSAW pipe as a part of detailed techno-economic evaluation or selection of pipes for high pressure gas pipelines.

Based on the above observations and conclusions, it is recommended that spinal welded, that is, HSAW pipe should be included along with other type of pipes, that is, LSAW, in the tender documents for competitive bidding for high pressure gas transmission projects. This will enable better quality and price advantage to gas pipeline operators or clients. This is the final recommendation that we made."

9. When asked, if the Engineers India Limited, who are the consultants to the GAIL, have recommended that the LSAW pipes should be used for long distance high pressure gas transmission, the then Special Secretary to the MOP & NG replied as follows:—

"..... Yes, in fact, both the Engineers India Limited and also Tractabel, which is a French consultancy firm, which is the GAIL's consultants for this project also, have recommended this. Tractable, which is also the project consultants to the Gujarat State Petrochemicals for another high pressure gas transmission pipeline, has said that they could apply for both. So, the GSPCL floated the tender calling for both types of pipes. Therefore, there is no hard and fast rule in these things."

He further added:—

"For the GAIL, from the very beginning, the Engineers India Limited is the projects management consultant. It has been doing the pipeline projects in India. So far, it is the consultants for the projects. As the consultants, we have also laid about 4600 kms. of high pressure trunk pipelines in India in the last twenty to twenty-two years. We have been using the LSAW pipes."

10. In their subsequent written replies to points for oral evidence *vide* O.M No. L-15016/9/05-GP dated 3rd August, 2005, the MOP&NG stated that the 611.7 kms long pipeline starts from Dahej, runs through Gujarat and Madhya Pradesh before joining GAIL's existing Hazira-Vijaipur-Jagdishpur (HVJ) pipeline at Vijaipur in Madhya Pradesh. The pipeline carries Regasified Liquefied Natural Gas (R-LNG) from Dahej to Vijaipur. From Vijaipur, RLNG is transported through the HVJ system through Uttar Pradesh up to New Delhi. The project was successfully commissioned on 31st March, 2004. The States which will benefit from this project are: Gujarat, Madhya Pradesh, Uttar Pradesh, National Capital Territory, Haryana and Rajasthan. The execution of the DVPL Project was approved by the Navratna Board of GAIL on 18th December, 2001 at an investment of Rs. 2,936 crore and required to be

commissioned in 33 months from the date of approval *i.e.* by 17th September, 2004 based on the Detailed Feasibility Report (DFR) submitted by M/s Engineers India Ltd. (EIL), the consultant for the project.

11. Commenting on the recommendations given by EIL, the witness, the then Special Secretary submitted:—

"..... The EIL has said that it is Rs. 34 crore less for LSAW. We do not necessarily subscribe to the observation of the EIL because the price of any pipeline is a functioning of several factors, namely, where the project is located, where the delivery is going to be effected and what are the coating requirements of a particular pipe. So, there are so many factors. Therefore, it is difficult to compare. Just to cite a latest instance, the Hindustan Petroleum Corporation is implementing a major pipeline project from Mundra to Delhi. It has floated the tender three months ago throwing open the tender to both types of pipes—LSAW and HSAW. The bids, which have been received, very clearly bring out that for the HSAW pipes, the price offered was Rs. 37,500 per tonne whereas for the LSAW pipes, the lowest rate was Rs. 48,680 per tonne. So, it depends on several factors. It is very difficult to pinpoint that this type of pipe is cheaper than that type of pipe line"

He further added:—

"The question is this. Technically, how do they perform? Till now, no major instances have been reported for using either pipe all over the world. So, technologically speaking, if they cross the bottom-line or the performance requirement, I would like to keep my options open. Just calling for quote for only one type pipe saying that this is cheaper is hypothetical calculation. What the EIL had worked out was a hypothetical calculation. As I said, it depends on so many factors like the location of the plant, coating requirements, the delivery point etc. I think everything has to be gone into. So, project to project, it may differ. I have to satisfy myself that the line pipe, which I use is technically good. Once I do that, I will give equal opportunity to both. I will be non-discriminatory. I have to provide a level-playing field. I have to be transparent. I think these requirements are to be met because I am dealing with public money. Once I do that, I think, I will go by the merits of the case."

12. When the Committee desired to know whether there have been any complaint(s) from the projects where LSAW pipes were used, the witness, the then Special Secretary stated:—

"There are no complaints The LSAW pipe is the only recommendation from the EIL except that only 80 kms. of HSAW, spiral-welded pipes were used for one of the branch lines which is being used at low pressure for short distance. Our experience in the last twenty years is that it is trouble-free, safe and everything is protected. As the member has mentioned, Tractable, which is the consultant for DUPL, has also recommended only LSAW pipes for two reasons. One is that world-wide, a majority of the countries use LSAW pipes. But some countries do use the spiral-welded pipes comparatively for less length.

Secondly, the EIL, has made a comparative statement. The advantages of using the LSAW pipes have been mentioned in the report. It has given a report to GAIL. It is because that before taking up the DUPL project, some questions were asked by some people. So, again, we raised this query. It has made a comparative study. Finally, it has recommended saying that the LSAW pipes are the most suitable for high pressure gas pipeline.

Regarding the cost part of it, which I mentioned earlier, the HSAW pipes with higher wall thickness for high pressure are not being manufactured in the country. If we import the spiral-welded pipes from abroad and if we manufacture the LSAW pipes in India importing only steel plates, the rates are comparable. the ONGC, for off-shore, Oil India, GSPCL are the gas pipeline owners. They have mostly been using the LSAW pipes only in India."

13. The Committee desired to know if there would have been any cost difference had HSAW pipe been used instead of LSAW pipe, to which the witness replied:—

"..... Unless you float the tender for a specific project, it is difficult to compare. It depends on where the project is going to be located; whether you had called for tenders for HSAW pipes or something else. Unless I know that, it is difficult for me to compare."

14. The Committee when desired to know if any action was taken by the Government when the attention of the Ministry was drawn through some press statements and statements in Parliament towards the difference between the cost of project using LSAW pipes and HSAW pipes, the witness stated as under:—

"On the DUPL, based on the statement made by the Hon'ble Minister in Parliament saying that this matter would be examined, we referred it to the CHT. The Centre for High Technology has very clearly said: "Do not exclude any pipe; give equal opportunity." So, we issued a Presidential directive in consultation with the Department of Public Enterprises, which is the nodal Ministry for all public sector companies, to GAIL requesting it to make the matter again to its Board; have it deliberated at length and consider the issue. This has since been sorted out satisfactorily. The earlier tender floated by the GAIL in respect of the DUPL has been cancelled. The GAIL is issuing a fresh tender giving equal opportunity to both types of line pipes. So, the matter has since has been sorted out satisfactorily. In fact, this answers one of the main questions of the Committee. So, the Government's Presidential directive has been complied with by the GAIL. In future projects, tenders will be called for both types of pipes.

The tender will not confine itself to only LSAW. Both the manufacturers, both types of technologies, both types of line pipes should be given equal footing based on performance requirement. So, the price will be the determining factor. This is the position."

15. The Committee pointed out that tenders for DVPL were floated with one particular type of pipe line and were not opened for both types of pipe lines and

therefore if the intention of GAIL were impartial, they would have floated tenders for both the types of pipe lines. To this, the witness replied:—

"We are in entire agreement with the observation of the Hon'ble Members and the Chairman. In fact, as I said, as a public sector enterprise dealing in public money, our interest should be to provide the widest participation to each and every player and to provide the increased competition and to provide transparency so that you get the best price. I think we must get the most competitive price and, therefore we must throw the field open to everyone in the field. This apparently was not done in the earlier project. It has since been set right in all the Subsequent projects."

16. When asked if the Presidential Directive was applicable only to GAIL or all other public sector undertaking, the witness replied:—

"This Presidential Directive was issued to GAIL. Later, this was communicated to all the companies for observance. It said, 'if you have been following a different practice in the past, please fall in line. Please see that these are kept in mind while floating tenders in future.' All corporations were informed."

17. While tendering further evidence before the Committee on 16th January, 2006, in response to query about the cost difference after having allowed both the technologies, the Secretary, MOP & NG submitted:—

"Now, coming to the DUPL, in pursuance of Presidential Directive, GAIL had floated a tender throwing open offer to both types of technologies..... the total length was for 499 kilometres or roughly about 5000 kilometers, out of this, for 197 kilometers for the HSAW pipes we got the best offer, the offer was Rs. 240 crore, from one private company, namely, M/s PSL holdings and orders have been placed on them. For another 138 kilometers, the best offer or the lowest offer came for LSAW and it came from M/s Mann Industries and orders have been placed on them. For the remaining 164 kilometers we did not get the best offers in that sense and so tenders have been re-floated."

18. When asked by the Committee if the Ministry have calculated amount which has been saved by allowing both the technologies, the witness stated as under:—

".....I have gone through the international steel journal. During the time between February, 2003 when orders were placed for DVPL and September, 2005, when price bids were received for DUPL, there has been an increase of 44 per cent in steel price. According to international journal which is commonly referred to, this is the position. There has been an increase of 44 per cent in the basic steel price. Inflation is also there which we need not go into. If we take that into account, the estimated cost of DUPL, the present project, should have been Rs. 887 crore. Against that, the offer received amounts to Rs. 592.5 crores. The saving is about 33 per cent."

19. When pointed out by the Committee that if we add 40 per cent, then the saving could have been 73 per cent, the witness stated as follows:—

".....Wider competition will always bring in better prices. There is no second opinion on that. Earlier, there was no wide competition. It was narrow field of competition. We are getting better offers. There is no doubt about it. I can only say that much. If the earlier tender was narrow in terms of coverage, meaning only LSAW and now the present tender is wide and saying both the technologies, we cannot compare oranges with apples. That is the problem we have. As a technical man and as Secretary of the Government, it is difficult for me to answer that specific question in specific terms."

20. When asked if any inquiry was initiated after it was established that, by allowing both technologies minimum 33 per cent could have been saved, the witness replied as under:—

" The High Powered fact finding team headed by Mr. Zutshi has submitted its report and I think it has really settled this question. Earlier, the Centre for High Technology has given us the recommendation based on which, after detailed considerations, a presidential directive was issued. In fact, GAIL Board fell in line after some time. They took our advice and then they floated the tender."

The witness further added:—

" When the presidential directive is issued, we normally expect that it is accepted without question. Now, the Navratna Board considered the issue and then they ask whether it is a directive or a request or an observation or something of that sort with a view to sometimes delay it. But at least, the Ministry did not lose further time. We told the company very clearly that this is the directive, please comply with it. Lest it will be held as guilty of contempt of presidential directive. Then they fell in line and action was taken and we have the result before us. It is very clear for us to see it.

Now, I want to make only one submission. In my opinion there appears to be no need to investigate the matter further. But we will be guided by the observations of the Hon'ble Committee. In fact, the Company has benefited and the economy has benefited. We consider it quite good. I am sure the Navratna Board is mature enough and wise enough to take all this into account in its future projects."

21. When pointed out that Navratnas can take major decisions but that does not mean that they can ignore Presidential Order, the witness replied:—

" The point is well taken. The issues of transparency, the issues of fair play and equity and the issues of equal opportunity to all will be kept in mind by us. If there is any violation apprehended or anticipated, we will issue another directive. We will do that if the Board does not fall in line.

He further added:—

".....When a particular matter was brought to our notice saying that this is very narrow in terms of scope and that this does not provide equal opportunity and unfair, immediately we corrected the situation. Now, the action is underway. Beyond this, at this point in time, we do not consider it necessary to initiate action. But we will be guided by the observations of the Committee.

Definitely, we take that into account for proceeding in future. Let me assure the Committee of one thing very clearly that we expect the Board to ensure transparency, fair play and equal opportunity in its future projects. If there is any such sort of repetition of this failure, then, I think, the entire Boards has to be proceeded against by the Government."

22. The Committee were further informed *vide* OM. L-15016/9/05-GP dated 22nd February, 2006 that in pursuance of the recommendations of the Standing Committee on Petroleum and Natural Gas, a high-level independent expert Committee on DUPL Project was constituted. The expert Committee in the Report had commented on the issue of non-compliance of the Presidential Directive by GAIL as under:—

"That there has been very strong reluctance on the part of GAIL in changing their stand of using only LSAW pipes, till the time the Presidential Directive was issued. The Committee opines, that given the present technology and inspection techniques, both HSAW and LSAW pipes could be used for high-pressure gas pipelines, with Limitation of 20 mm on wall thickness for HSAW pipes. These imitations may undergo changes with further technological improvements. Specifying both HSAW and LSAW pipes as acceptable would lead to more competitive bids. This had not been availed of by GAIL till the time Presidential Directive was issued."

23. In the context, the CMD GAIL in the meeting held on 16th January, 2006, deposed as under:—

"I want to give clarification regarding 2-3 facts that presidential directives received on 28.10.2004 and as a follow up action of the said directives we had cancelled that tender on 10.11.2004, which is a existing tender and floated a new tender. In this regard, we have requested the committee that there is no delay as such on our part on the compliance of Presidential Directives. Secondly, the questions raised regarding the Dahej Vijaypur Pipeline as Mr. Secretary has replied that this technology was being used in the GAIL for the last 20 years. Before that, it was being used in the pipelines of D.V.P.L. and also the Oil Companies in India and O.N.G.C. used to follow it. We only want to say that it was not only for GAIL. As the new technology evolved, we are still using that. Thirdly, regarding the tender that we floated for D.V.P.L., my colleague and Director, Project has told a total of 13 parties from India and aboard filled this tender and it was not for a single or specific party. There are four companies in India which can manufacture pipelines. Out of them, three companies manufacture pipelines of both the technologies and only one manufacturers pipelines of one technology. So far as competition is concerned,

we are specifying the technology for the last 20 years. With the advice of the consultants, but we never wanted to keep out anyone of them. In the end, I would like to say that as Mr. Secretary has said that there are some parts in the tender of D.U.P.L. pipeline which are yet to be settled and there is some part also and is being considered cheaper as compared to EXO. Therefore, these points should be kept in mind."

24. In the light of the substantial savings reported in the DUPL Project following opening of the tender to multi-technologies, the Committee asked if the Government would like to get the matter enquired by CBI, so as to know why a particular technology only was given priority by GAIL in the past resulting in considerable extra expenditure to the exchequer. Responding to the same, the Secretary, MOP&NG stated:—

"Sir, today it is so easy for me if I am heading a public sector undertaking or if I am a functional Director, I can get then any report by employing an appropriate consultant. If I want 'A', the consultant gives me 'A'. If I want 'B', the consultant gives me 'B'. That is the position today. So, the thing is, I strengthen myself with the consultant's report before taking any decision. It is difficult to even pin anyone down in this thing."

He further stated:—

"Let me just mention that CBI can investigate a case if there has been lack of transparency. Supposing, a tender had been floated and bids had been received. For example, you do not open some tenders which are price based or you reject some price based tenders with invalid reasons. Then, CBI can investigate. Here, the whole thing was transparent. On transparency part, there is no dearth. The thing was equal play to all and equal opportunity to all. That is what was pending. This was adopted by GAIL based on the consultant's report. So, I really wonder whether CBI can really step into it and effectively investigate it. That is our view. But we will be guided by the Committee's findings."

He further added:—

"There may have been certain wrongs committed. The question is one of malafide—whether it was done in bad faith. I am of the view that there was no malafide involved in this. If you go into the back record of GAIL also, over the past 20 years, GAIL had been using only one technology. At best, I can say they were ignorant of or indifferent to the technological developments in the alternative technology. I think, that is the only observation I can make with reference to this. Now, this has been set right. So, this point I would like to submit for your consideration. Sir, there is no malafide in this."

Observations/Recommendations

25. The Committee note that the Gas Authority of India Ltd. (GAIL) had been operating over 4,000 km. of gas pipe line since 1984. On 18th December, 2001, the Board of GAIL, a Navratna Company, approved the execution of a

project at an investment of Rs. 2936 crore for transmission of Regassified Liquefied Natural Gas (R-LNG) from Dahej to Vijaypur. The total length of pipeline of this Project, *i.e.* Dahej Vijaypur Pipe line (DVPL) Project is 611.7 km. which starts from Dahej, runs through Gujarat and Madhya Pradesh, before joining GAIL existing Hajira-Vijaypur-Jagdishpur (HVJ) pipe line, at Vijaypur in Madhya Pradesh. The Project was required to be commissioned in 33 months from the date of approval, *i.e.* by 17th September, 2004. The Project was commissioned on 31st March, 2004.

26. The petitioner in his representation in the case under examination has alleged that there was gross misappropriation of funds by the GAIL in the procurement of pipes for the DVPL Project for transmission of gas. According to the petitioner, the tender floated for the said projects had specification for Longitudinally Submerged Arc Welded (LSAW) pipes only but the price received by GAIL for these pipes was much more than that of other pipes already being used in the past *i.e.* Helically Submerged Arc Welded (HSAW) pipes which were of the same quality. The petitioner further stated that the report of the Centre for High Technology (CHT) which conducted detailed study in the matter, had pointed out that the quality of both the pipes is same. According to him, the selection of LSAW pipes by the GAIL on high price was done as the officials of GAIL were in nexus with the LSAW pipes manufacturing company, and in the process, there was a huge loss to the national exchequer. In response to the points made by the petitioner, the Ministry of Petroleum and Natural Gas (MOP & NG) initially maintained that GAIL had selected LSAW type of pipe lines for DVPL on the recommendations of its consultant, *viz.*, Engineers India Ltd. (EIL), that the Project was commissioned six months ahead of the schedule, that there was a saving of Rs. 34.07 crore due to the choice of LSAW pipe in place of HSAW pipe in DVPL Project and that the Comptroller and Auditor General (C&AG) of India and the Central Vigilance Commission (CVC) had looked into the matter, but had not raised any objection. The Committee's examination of the points raised by the petitioner and the submissions made by the MOP & NG thereon, however, revealed several disquieting aspects which are discussed in the succeeding paragraphs.

27. The MOP & NG submitted that GAIL had procured pipes produced by LSAW technology only on the basis of the recommendations of their consultants, EIL which had recommended that the LSAW pipes are the most suitable for high pressure gas pipeline apart from being cheaper by Rs. 34.07 crore. From the information made available to the Committee and further examination of the matter by them, however, revealed otherwise. The Committee note that there were certain reports in the media regarding extra expenditure incurred by GAIL on choosing LSAW pipes over HSAW pipes as the tender was not open to both the types of pipe lines though the other pipe was also equally fit. The question was also raised in Parliament. There were also representations that GAIL did not give an adequate opportunity of participation to all the pipe line types in the tender floated by them. Accordingly, Government examined the whole matter and referred the same to an independent expert body *i.e.* Centre for High Technology (CHT) which has been functioning as a satellite body of the Ministry of Petroleum and Natural Gas. The Committee were informed that the CHT in its 'Summary of

Findings' stated that—(a) the international codes and standards do not differentiate between LSAW and HSAW pipes, and (b) in order to eliminate doubts in respect of quality of pipes, the owner should rightly satisfy itself about the manufacturing technology. It was also informed that the stipulated use of LSAW and HSAW pipes for high pressure gas pipeline need not be discriminated without a valid and evident reason. This clearly shows that the opinion tendered by EIL was not conclusively based on entire facts and warranted a thorough examination. The Committee consider it unfortunate that the GAIL authorities chose to go ahead with their idea without getting the matter duly examined even by the available competent body of their administrative Ministry which had been in existence for more than 18 years. Curiously enough, they solely and totally sought to rely on their trusted consultants. The Committee deplore this attitude of GAIL in such a vital issue having sizeable financial implications.

28. The Committee further note from the submissions made by the Ministry that on 19th February, 2004, an International Competitive Bidding (ICB) tender was floated by GAIL for supply of LSAW pipes for the Dahej-Uran Pipe line (DUPL) project involving a length of about 499 km. However, price bids for the procurement of pipe lines for DUPL projects were not opened in order to await instructions from the Government as announced by the Government nominee Director during Board meeting on 30th July, 2004. On receipt of the recommendations of CHT and after due consultation with Department of Public Enterprises (DPE), a Presidential Directive was issued to GAIL on 28th October, 2004 for cancelling the existing tender for DUPL and issuing a fresh tender incorporating specifications under internationally accepted codes such as American Petroleum Institute (API)-5L without any restriction on any specific type of pipe line. The basic objective of the Presidential Directive was to promote greater competition through wider participation in the tenders of GAIL so that the company receives most competitive bids in its procurement. Thereafter, GAIL re-floated a tender on 10th November, 2004. The intervention of the Ministry and issue of a Presidential Directive thereon clearly underscore the seriousness of the issue and casts a shadow on the questionable action of GAIL. This reinforces the apprehensions of the Committee about the attitude of GAIL in the whole matter.

29. From the information made available to them, the Committee are shocked to note that GAIL did not faithfully implement the Presidential Directive issued on 28th October, 2004. It was observed by MOP&NG that GAIL has not complied with the Presidential Directive in its true spirit. Consequently, in January, 2005, it was clarified by MOP&NG to GAIL that the Presidential Directive was specific on the following two points:—

- "(i) to ensure wider participation in the tender with a view to achieving greater competition in the bids so that most competitive bids could be received; and
- (ii) to firm up the upstream and the downstream tie-ups to ensure that the economic assets created do not remain idle."

GAIL was accordingly advised that further action in the matter may be taken after the entire issue was reviewed by the GAIL Board. GAIL Board in its

meeting held on 13th May, 2005 discussed the matter. Later, on 27th May 2005, a meeting was called to hear the views from other Oil PSUs and Consultants including IOC, BPCL, HPCL, EIL and Tractebel. The recommendations of the meeting were accepted by the GAIL Board in its meeting held on 21st June, 2005. In this meeting, the Board reviewed all the issues and approved the refloating of line pipe tender for DUPL project. Accordingly, the tender for DUPL Project was re-floated.

30. From the sequence of events enumerated above, it is abundantly clear that the initial response of GAIL towards the Presidential Directive was not only casual but also reflective of their gross apathy and reluctance to implement the same in letter and spirit. The Ministry of Petroleum and Natural Gas themselves have admitted that GAIL did not follow the Presidential Directive in true spirit. The Committee are, therefore, constrained to observe that the intention of officials of GAIL to ignore the Presidential Directive needs a deeper probe to bring out the truth and to ensure transparency, fair play, equity and wider participation of competent parties in its future projects.

31. In this context, the Committee were further informed that a high-level independent expert Committee on DUPL Project was constituted. The expert Committee in the Report had commented on the issue as under:—

"That there has been very strong reluctance on the part of GAIL in changing their stand of using only LSAW pipes, till the time the Presidential Directive was issued. The Committee opines, that given the present technology and inspection techniques, both HSAW and LSAW pipes could be used for high-pressure gas pipelines, with limitation of 20 mm on wall thickness for HSAW pipes. These limitations may undergo changes with further technological improvements. Specifying both HSAW and LSAW pipes as acceptable would lead to more competitive bids. This had not been availed of by GAIL till the time Presidential Directive was issued."

The above observations are self-speaking and require no further comments. In fact, this clearly strengthens the suspicions of the Committee made in the preceding paragraph about the questionable intentions of GAIL.

32. The Committee further note that in pursuance of the Presidential Directive, GAIL floated a tender for DUPL project throwing open offer to both types of technologies. The Committee were informed that the total length for DUPL pipe line is 499 km., out of which, for 197 km. for the HSAW pipes, GAIL got the best offer of Rs. 240 crore from one private company and orders have been placed on them. For another 138 km., the best offer or the lowest offer came for LSAW pipes from another company and orders have been placed on them. For the remaining 164 km., tenders have been refloated as they did not get the best offers. It was also informed that according to international journal which is commonly referred to, there has been an increase of 44 per cent in the basic steel price during the time between February, 2003 when orders were placed for DVPL project and September, 2005, when price bids were received for DUPL project. If that is taken into account, the offer received amounts to Rs. 592.5 crore as against the estimated/notional cost of Rs. 887 crore for DUPL project, resulting in saving of about 33 per cent, which works out about Rs. 292 crore, despite the escalation in steel prices. Undoubtedly, had there been

an open competition allowing both the technologies *viz.* LSAW and HSAW in DVPL project, there would have been a greater saving more than 33 per cent but for the narrow field of competition in terms of technology in DVPL project. All these clearly indicate that open tenders were not floated by GAIL with mala fide intention in order to extend benefit to one particular technology in DVPL project. The Committee, therefore, take a very serious note of the entire gamut of events and are of the firm opinion that, had the matter not been brought to the notice of the Government, by Parliament and the media, GAIL would have gone ahead with the DUPL project by using LSAW technology only, causing further huge loss to the national exchequer and a criminal waste of the precious public money.

33. One of the arguments advanced by the Ministry/GAIL to defend the tendering process followed in DVPL Project limiting it open to one technology only was that the same had been subjected to examination by CAG in 2003 and CVC in 2004. The Committee are not aware of the facts/records submitted by the Ministry/GAIL to those authorities at the relevant periods. However, in the light of the admitted savings of more than 33%, despite a price increase of 44% in 2005 in DUPL project, where the tendering was open to various technologies, and the facts merging out of examination dealt with in the foregoing paragraphs, the Committee do not consider it necessary to comment on the argument advanced by the Ministry/GAIL on this score.

34. The facts stated in the preceding paragraphs clearly indicate several unsavoury aspects on the part of GAIL in the execution of pipeline projects. During evidence, the representative of GAIL *inter alia* attempted to justify the contract based on single technology in DVPL stating that other public sector companies had also been doing the same. However, the Secretary, Ministry of Petroleum and Natural Gas was candid in admitting the extent of savings owing to the subsequent opening of the tender to multi-technologies. According to him, in the process the company and the economy has been benefited. But, in his opinion, "there may have been certain wrongs committed. The question is one of malafide—whether it was done in bad faith. I am of the view that there was no malafide involved in this". According to him, the case did not warrant any investigation by an agency like CBI since there was transparency in the process adopted. The Committee consider the deposition of Secretary, MOP&NG in this regard as contradictory and cannot remain contented with this explanation. After a careful examination of the issues raised, the Committee are convinced, that, had GAIL floated tenders for both the technologies, it would have got competitive price not only for DVPL but also for the earlier projects which would have led to saving of hundreds of crores of rupees. The Committee are not at all satisfied that the evaluation of LSAW *vis-a-vis* HSAW and suitability of both types of pipe for GAIL operations, as reported by CHT, could not occur to GAIL and their long trusted consultants, EIL, for more than twenty years. It is inconceivable that GAIL officials were ignorant about it and that their consultants were completely oblivious of the suitability of the other available technology. They, therefore, feel that the reasons for the continued preference to one particular technology over a period exceeding two decades and the

manifested reluctance to permit wider participation to the tender process need to be inquired into by an impartial and independent agency. The Committee are of the considered view that the issue raised in the representation and submissions made thereon by the Ministry leaves several loose ends and inexplicable points including the role of the consultants. In the opinion of the Committee, these issues need to be thoroughly probed to unearth the possible complicity an corruption angles in the matter. The Committee, therefore, considering that *prima facie*, there were irregularities and malafide mismanagement in the tendering process of DVPL and DUPL, strongly recommend that the entire matter be referred to the Central Bureau of Investigation (CBI) for a detailed inquiry and report within a period of three months. The Committee would like to be informed of the precise action taken in the matter.

NEW DELHI;
13 March, 2006

22 Phalgun, 1927 (Saka)

PRABHUNATH SINGH,
Chairman,
Committee on Petitions.

MINUTES OF THE TWENTY-FIRST SITTING OF THE COMMITTEE ON
PETITIONS (FOURTEENTH LOK SABHA)

The Committee on Petitions sat on Friday 8th July, 2005 from 1400 hrs. to
1645 hrs. in Committee Room No. 62, First Floor, Parliament House, New Delhi.

PRESENT

Shri Prabhunath Singh — *Chairman*

MEMBERS

2. Shri Raj Babbar
3. Shri N.S.V. Chitthan
4. Dr. M. Jagannath
5. Shri Baliram Kashyap
6. Shri Suresh Kurup
7. Mohd. Muqueem
8. Shri Dharmendra Pradhan
9. Shri Jyotiraditya Madhavrao Scindia
10. Shri Vijoy Krishna

SECRETARIAT

1. Shri Brahm Dutt — *Director*
2. Shri R.K. Bajaj — *Deputy Secretary*

WITNESSES

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Representatives of the Ministry of Petroleum & Natural Gas/GAIL/CHT

1. Shri M.S. Srinivasan — *Special Secretary*
2. Shri Ajay Tyagi — *Joint Secretary*
3. Shri Swami Singh — *Director*
4. Shri S.P. Rao — *Director (Projects), GAIL*
5. Shri S.L. Raina — *General Manager (HR), GAIL*
6. Dr. K.S. Balaraman — *Executive Director,
Centre for High Technology*

SPECIAL INVITEE

Shri Rajiv Ranjan Singh, M.P.

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4. Thereafter, the Chairman, welcomed the representatives of the Ministry of Petroleum & Natural Gas and drew their attention to Direction 55(1) of the Directions by the Speaker regarding confidentiality of the proceedings.

5. Shri Rajiv Ranjan Singh, M.P. who forwarded the representation on the subject was also present as special invitee.

6. The Committee then took evidence on the representation complaining about misappropriation of funds and misuse of money by the officials of GAIL.

7. The following important points were discussed by the Committee:—

- (i) Details about procurement of LSAW pipes for Dahej Vijayapur Pipeline (DVPL) by GAIL;
- (ii) Salient features/specifications of HSAW *vis-a-vis* LSAW pipes;
- (iii) Comparison in the cost of HSAW & LSAW pipes; and
- (iv) Financing ceiling for furnishing the premises of Chief Executives of PSUs.

The Committee directed the witness to send written replies to the List of Points and also replies on points which were not readily available with them during the evidence, at the earliest.

(The representatives of the Ministry of Petroleum & Natural Gas and Shri Rajeev Ranjan Singh, M.P. then withdrew and representatives of the Ministry of Human Resource Development took their seats.)

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11. A copy of the verbatim proceedings of the sitting of the Committee was kept on record.

The witnesses then withdrew.

The Committee then adjourned.

MINUTES OF THE TWENTY-EIGHTH SITTING OF THE COMMITTEE ON
PETITIONS (FOURTEENTH LOK SABHA)

The Committee on Petitions sat on Monday, 16th January, 2006 from 1400 hrs. to 1535 hrs. in Committee Room No. 62, First Floor, Parliament House, New Delhi.

PRESENT

Shri Prabhunath Singh — *Chairman*

MEMBERS

2. Shri Raj Babbar
3. Shri N.S.V. Chitthan
4. Shri Baliram Kashyap
5. Mohd. Muqueem
6. Shri Jyotiraditya Madhavrao Scindia
7. Shri Vijoy Krishna

SECRETARIAT

1. Shri P. Sreedharan — *Joint Secretary*
2. Shri A.K. Singh — *Director*
3. Shri U.B.S. Negi — *Under Secretary*

WITNESSES

Representatives of the Ministry of Petroleum & Natural Gas

1. Shri M.S. Srinivasan — Secretary,
Ministry of Petroleum & Natural Gas
2. Shri Ajay Tyagi — Joint Secretary,
Ministry of Petroleum & Natural Gas
3. Shri Swami Singh — Director,
Ministry of Petroleum & Natural Gas
4. Shri Proshanto Banerjee — C.M.D., GAIL (India) Ltd.
5. Shri S.K. Bajpai — Exe. Director, GAIL (India) Ltd.
6. Shri M.R. Hingnikar — Director (HR), GAIL
7. Shri S.P. Rao — Director (Proj), GAIL
8. Shri R.P. Chatterjee — GM(MS), GAIL
9. Shri K.S. Balaraman — Director,
Centre for High Technology

SPECIAL INVITEE

Shri Rajiv Ranjan Singh 'Lalan', M.P.

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2. At the outset, the Chairman welcomed the representatives of the Ministry of Petroleum & Natural Gas and drew their attention to Direction 55(1) of the Direction by the Speaker, Lok Sabha regarding confidentiality of the proceedings.

3. Shri Rajiv Ranjan Singh 'Lalan', M.P. who forwarded the representation on the subject was also present as a special invitee.

4. Thereafter, the Committee took further oral evidence of the representatives of the Ministry of Petroleum & Natural Gas on the representation complaining about misappropriation of funds by GAIL to elucidate certain points on which the clarification could not be made during the evidence of the Ministry held on 8th July, 2005.

5. The following important issues/points were discussed by the Committee:—

1. Re-floating of tenders for Dahej-Uran Pipe Line (DUPL) Project.
2. Comparative cost difference as a result of wider competition allowed in DUPL project *vis-a-vis* Dahej-Vijayapur Pipe Line (DVPL) with one technology.
3. Non-compliance of Presidential's Direction by GAIL.
4. Need for an independent investigation by CBI on the entire matter regarding DVPL Project.

6. The Committee directed the witness to send their comments on points which were not supplied or readily available with them during the evidence.

(The representatives of the Ministry of Petroleum & Natural Gas and Shri Rajiv Ranjan Singh 'Lalan', M.P. then withdrew and representatives of the Ministry of Chemicals and Fertilizers took other seats.)

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12. A copy of the verbatim proceedings of the sitting of the Committee was kept on record.

The witnesses then withdrew.

The Committee then adjourned.

MINUTES OF THE THIRTY-SECOND SITTING OF THE COMMITTEE ON
PETITIONS (FOURTEENTH LOK SABHA)

The Committee on Petitions sat on Monday, 13th March, 2006 from 1500 hrs.
in Chairman's Room No. 45 (II), Ground Floor, Parliament House, New Delhi.

PRESENT

Shri Prabhunath Singh — *Chairman*

MEMBERS

2. Dr. M. Jagannath
3. Adv. Suresh Kurup
4. Smt. Nivedita Mane
5. Shri Dharmendra Pradhan
6. Shri Jyotiraditya Madhavrao Scindia
7. Shri Vijoy Krishna

SECRETARIAT

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|-----------------------|---|---------------------------|
| 1. Shri P. Sreedharan | — | <i>Joint Secretary</i> |
| 2. Shri A.K. Singh | — | <i>Director</i> |
| 3. Shri U.B.S. Negi | — | <i>Under Secretary</i> |
| 4. Shri M.S. Jaspal | — | <i>Assistant Director</i> |

2. The Committee considered and adopted the Tenth Report with certain amendments as shown in the Appendix-I.

3. The Committee also authorized the Chairman to finalise and present the Report to the House.

4. After the Report was adopted, Adv. Suresh Kurup came and handed over a note stating that he had gone through the Draft Report on GAIL. He had reservations about the conclusions arrived at and the action being suggested. According to him, a perusal of the Report showed that the conclusions arrived at went out of the subject matter which was dealt with by the Committee. So, he requested that the Report should be re-drafted on the basis of the actual facts before the Committee. He had further stated that he would send a detailed note in that regard by the next day. Responding to the same, it was decided that the said note if received from the Hon'ble Member by the next day *i.e.* 14th March, 2006* might be incorporated in the minutes.

The Committee then adjourned.

*Communication dated 14.3.2006 received from Adv. Suresh Kurup shown as Appendix-II.

Appendix-I

(See Para-2 of Minutes dated 13th March, 2006)

AMENDMENT MADE BY THE COMMITTEE ON PETITIONS IN THE
DRAFT TENTH REPORT

Page 24, Para-34, Line 3 from bottom

For	—	"an appropriate authority"
Substitute	—	"the Central Bureau of Investigation (CBI)"

Appendix-II

(See Para-4 of Minutes dated 13th March, 2006)

Subject: Draft Report of the Committee on Petitions.

As a member of the Committee on Petitions, I was furnished with a copy of a draft 10th report of the Committee, on 'Representation regarding misappropriation of money by the GAIL', for consideration/adoption at the sitting of the Committee, which was scheduled on 13.3.2006. You may kindly recall that during the sitting for consideration of the draft report of the Committee, I had submitted my note of dissent to your honorable self. In continuation to the dissent note. I wish to submit the following details for the favour of your kind consideration and appropriate action:

As a responsible member of Parliament and member of the Petitions Committee as well as Standing Committee on Petroleum and Natural Gas, I consider it is my duty to bring the following facts on the subject matter.

With all humility, I beg to differ with the tone, tenor and the statement of issues cited in the observations/recommendations in the draft report.

As has been stated in the para 2 of the draft report, the representation was about the alleged misappropriation in the procurement of pipelines for the Dahej Vijaipur Pipeline (DVPL) project by the Gas Authority of India Limited (GAIL). The petitioner has also questioned the technology selection for the pipelines of this project.

In response to the said petition, the Ministry of Petroleum & Natural Gas has furnished their comments (para 4), which clearly states that the choice of pipelines for the DVPL project was made on the basis of the recommendations of GAIL's consultants M/s Engineers India Limited (EIL). EIL is a PSU consultant established over several decades in the areas of Petroleum and petroleum projects and is under the administrative control of the same Ministry. As per EIL, the choice of LSAW pipes in place of HSAW pipes for the DVPL, project had really resulted in saving of Rs. 34.07 crores to the exchequer. Moreover, CAG and CVC, after examining the procurement process for DVPL, had ruled out any bungling in the deal.

However, in the observations/recommendations of the Committee, the issues of DVPL, and a different pipeline, viz. Dahej-Uran Pipeline (DUPL) have been mixed up though they are entirely different issues. DVPL was commissioned in March, 2004, whereas the tender for the DUPL pipeline has only been recently awarded. The reference to CHT's report on HSAW pipes Vs LSAW pipes and the issue of Presidential Directive came into the picture only by August 2004 and October 2004 respectively, which are specific to the DUPL project and long after DVPL was commissioned. The Standing Committee on Petroleum & Natural Gas has also gone into the details of DUPL, and a high level fact finding team has been constituted and they have submitted an exhaustive report, which is under the purview of the Standing Committee. It is worth noting that the report of the high level fact finding

team has also made a mention that HSAW and LSAW technologies are comparable, however, HSAW has a limitation of usage only up to 20mm wall thickness, which is not akin to HSAW and LSAW technologies being totally at par. Further, the fact finding team has also mentioned with regard to the Presidential Directive that GAIL has followed and compiled the Presidential Directive in its true spirit and promptly.

The draft Report of Petitions Committee refers to the report of CHT and the Presidential Directive issued with respect to the DUPL project of GAIL, as if this was a part of the DVPL, project. This approach of mixing up two issues in my humble opinion is not proper. The subject matter of the petition pertains to issues of the DVPL, project and it is therefore not proper for the Committee to derive conclusions based on issues of another project, viz. DUPL, which are different and are under the examination by the Standing Committee.

The point mentioned in observation/recommendation of the draft report regarding notional cost saving that is construed to have accrued also needs review. Against DUPL tender, which was floated with both technologies as acceptable, while HSAW pipes became L1 for 197 kms, LSAW pipes turned out be L1 for 138 kms and therefore it cannot be conclusively stated that HSAW is cheaper. Attributing *malafide* intentions in floating of tender with LSAW technology and conclusion of loss to national exchequer are therefore unfounded.

I would therefore humbly submit before the Honourable Chairman to review the entire observations/recommendations of the above facts before proceeding further.