FORTY-SEVENTH REPORT

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2003)

(THIRTEENTH LOK SABHA)

MARKETING AND DISTRIBUTION OF PETROLEUM PRODUCTS WITH SPECIAL REFERENCE TO RURAL AND HILLY AREAS

MINISTRY OF PETROLEUM & NATURAL GAS

[Action Taken by the Government on the Recommendations contained in the Twenty-Third Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on 'Marketing and Distribution of Petroleum Products with special reference to Rural and Hilly Areas']

Presented to Lok Sabha on 22.8.2003
Laid in Rajya Sabha on 22.8.2003

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

August, 2003/*Sravana,* 1925 *(Saka)*

CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM AND CHEMICALS (2003)

Shri Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Shri Ramchander Bainda
4. Dr. (Smt.) Suguna Kumari Chellamella
5. Shri Padam Sen Choudhary
6. Shri Khagen Das
7. Smt. Sheela Gautam
8. Shri Paban Singh Ghatowar
9. Shri Bijoy Handique
10. Shri Shriprakash Jaiswal
11. Shri Jagannath Mallick
12. Shri Punnulal Mohale
13. Shri P. Mohan
14. Shri Ashok N. Mohol
15. Dr. Debendra Pradhan
16. Shri Rajesh Ranjan
17. Shri Mohan Rawale
18. Shri Ram Sajivan
19. Dr. Bikram Sarkar
20. Dr. (Smt.) V. Saroja

*21. Shri Harpal Singh Sathi

22. Shri Shyamacharan Shukla
23. Shri Prabhunath Singh
24. Dr. Ram Lakhan Singh

**25. Dr. Ramesh Chand Tomar

26. Shri Shankersinh Vaghela
27. Shri Ratilal Kalidas Varma
28. Shri A.K.S. Vijayan
29. Dr. Girija Vyas
30. Shri Dinesh Chandra Yadav

---

*Nominated *w.e.f.* 21st February, 2003.

**Nominated *w.e.f.* 26th February, 2003.

Rajya Sabha

31. Shri Balkavi Bairagi
32. Shri Ram Nath Kovind
33. Shri Anil Kumar
34. Shri Rajiv Ranjan Singh 'Lalan'
35. Shri Moolchand Meena
36. Shri Dipankar Mukherjee
37. Shri Pritish Nandy
38. Shri Kripal Parmar
39. Shri Ahmed Patel
40. Shri Keshubhai S. Patel
41. Shri V.V. Raghavan
42. Ms. Mabel Rebello
43. Shri Yadlapati Venkat Rao
44. Shri Thanga Tamilselvan
45. Prof. Ram Gopal Yadav

SECRETARIAT

1. Shri P.D.T. Achary	—	*Additional Secretary*
2. Shri P.K. Grover	—	*Director*
3. Shri J.N. Oberoi	—	*Officer on Special Duty*
4. Smt. Madhu Bhutani	—	*Sr. Executive Assistant*

SUB-COMMITTEE ON PETROLEUM

A SUB-COMMITTEE OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2003)

Shri Mulayam Singh Yadav — *Chairman*

2. Shri Dipanker Mukherjee — *Convenor*

MEMBERS

Lok Sabha

3. Shri Ashok Argal
4. Dr. (Smt.) Suguna Kumari Chellamella
5. Smt. Sheela Gautam
6. Shri Paban Singh Ghatowar
7. Shri Bijoy Handique
8. Shri Ram Sajivan
9. Shri Shyama Charan Shukla
10. Shri Prabhunath Singh
11. Shri Shankersinh Vaghela
12. Shri Ratilal Kalidas Varma

Rajya Sabha

13. Shri Anil Kumar
14. Shri Rajiv Ranjan Singh 'Lalan'
15. Shri Ahmed Patel
16. Prof. Ram Gopal Yadav

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri P.K. Grover — *Director*
3. Shri J.N. Oberoi — *Officer on Special Duty*
4. Smt. Madhu Bhutani — *Senior Executive Assistant*

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Chemicals (2003) having been authorised by the Committee to submit the Report on their behalf present this Forty-Seventh Report on Action Taken by Government on the recommendations contained in Twenty-Third Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on 'Marketing and Distribution of Petroleum Products with special reference to Rural and Hilly Areas'.

2. The Twenty-Third Report of the Committee was presented to Speaker on 28th December, 2001 and later presented to Lok Sabha on 26th February, 2002. The updated Replies of Government to all the recommendations contained in the Twenty-Third Report were received on 18th September, 2002. The Sub-Committee on Petroleum considered the Action Taken Replies received from the Government and adopted the Report at their sitting held on 13th August, 2003.

3. The Standing Committee on Petroleum & Chemicals (2003) considered and adopted this Report at their sitting held on 19th August, 2003. The Committee place on record their appreciation of the work done by the Sub-Committee on Petroleum.

4. An analysis of the Action Taken by Government on the recommendations contained in the Twenty-Third Report (Thirteenth Lok Sabha) of the Committee is given in Appendix-V.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

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

NEW DELHI;
August 19, 2003
Sravana 28, 1925 *(Saka)*

MULAYAM SINGH YADAV,
Chairman,
Standing Committee on
Petroleum & Chemicals.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Twenty-Third Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on 'Marketing and Distribution of Petroleum Products with special reference to Rural and Hilly Areas' which was presented to Lok Sabha on 26th February, 2002.

2. The Committee found that replies to some of the recommendations were either specific or vague. Therefore, the Ministry of Petroleum & Natural Gas was requested to furnish revised replies which the Ministry did. Action taken notes have been received from the Government in respect of all the 60 recommendations contained in the Report. These have been categorised as follows:—

(i) Recommendations/observations that have been accepted by the Government:—

Sl. Nos. 1, 2, 4, 5, 6, 8, 10, 12, 15, 19, 26, 27, 28, 29, 31, 32, 36, 38, 39, 40, 42, 43, 44, 48, 49, 52, 53 and 56.

(ii) Recommendations/observations which the Committee do not desire to pursue in view of the Government replies:

Sl. Nos. 3, 7, 9, 13, 14, 16, 17, 18, 21, 34, 47, 58 and 59.

(iii) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee.

Sl. Nos. 20, 22, 23, 24, 25, 30, 33, 35, 37, 45, 46, 50, 54, 55 and 60.

(iv) Recommendations/observations in respect of which final replies of the Government are still awaited:

Sl. Nos. 11, 41, 51, and 57

3. The Committee desire that the final replies in respect of the recommendations for which only interim replies have been furnished by the Government should be furnished expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

A. JUBILEE RETAIL OUTLETS

(Recommendation No. 20)

5. In the Golden Jubilee Era of Independence, the Government had decided to set up retail outlets on highways having Multiple Associated Facilities (MAF). These outlets were named as Jubilee Retail Outlets (JRO). The Ministry of Petroleum & Natural Gas envisaged at least 51 Jubilee Retail Outlets to begin with as a pilot scheme. These outlets were to be set up and run by the Oil Companies on Company Owned Company Operated basis (COCO). In pursuance of this decision, the Oil Companies established Jubilee Retail Outlets as per the following details and incurred the expenditure as indicated against the name of the Company below:

Name of the Company	No. of Jubilee Outlets	Expenditure incurred (Rs. in crores)
IOCL	89	217.04
HPCL	46	32.00
BPCL	39	59.57
IBP	53	17.47

6. The Committee found from these details that whereas IBP spent on an average Rs. 33 lakhs on a Jubilee Retail Outlet, IOC spent Rs. 2.45 crores for the same type of establishment. The Committee further found that there was wide variation in the expenditure on this account. In other Public Sector Oil Companies, the Committee did not find any rationale in this abnormal variation. The Committee, had, therefore, recommend that the Director (Finance) (IOCL, HPCL and BPCL) should conduct special audit of the expenses incurred on setting up Jubilee Retail Outlets and also economics of establishing these Jubilee Retail Outlets to get at the reasons of wide variation.

7. Government in their reply have contended as under:—

"The variation in the capital expenditure on Jubilee Retail Outlets vary from site to site as investments depend upon the location, prevailing market price of the land in area, which in turn is dependent upon, trading area competition, national routes, market, potential, etc. The investment also would differ depending on type of facilities provided and equipment installed at the site. The expenditure for putting up of JRO consists of 3 main components land, building and plant/machinery."

Indian Oil Corporation has stated as under:—

"As per the policy guidelines issued by MOP&NG *vide* P-43011/19/98-IOC dated 31.07.1998, the following are the salient features of Jubilee ROs.

1. These ROs should be developed on relatively large plot of land of the order of 5 acres or so, on the highways The entire land of the proposed outlets will be under the control of Marketing Company, either through purchase or through long-term lease.

2. The facilities to be provided at Retail Outlets proposed under this scheme will include Secured parking lot, Restaurant/ Dhaba, Hygenic Toilets, Bathing and Washing rooms, Rest rooms, Waiting rooms, Recreation facilities, first aid service, repair facilities, Towing van service, Telephone, STD, ISD, Fax, Shopping Mart, etc.

3. The facilities/amenities developed by the dealer-select will be in line with the norms laid down by the Oil Company.

4. The investment required for the project will range from Rs. 2.5 crores to Rs. 3.00 crores (excluding the cost of land) depending on amenities which will be location specific.

A detailed analysis of expenses incurred by IOC has been carried out with IBP's investment made on JROs. Following is submitted for consideration:

- IBP had spent Rs. 17.47 crore on 53 JROs upto Feb. 2001 *i.e.* Rs. 33 lakhs per JRO.

- Out of the above 53 JROs of IBP, there is data available on 49 JROs, where expenditure upto March 2002 is Rs. 41.88 crore *i.e.* Rs. 85.47 lakhs per JRO.

- 86 JROs of IOC were analysed. Total investment on these JROs upto March, 2002 is Rs. 189.37 crore *i.e.* Rs. 220.20 lakhs per JRO.

Still there is difference in cost per JRO between IOC and IBP. Major reasons for the variation are as under:—

- The expenditure in case of IBP shall go up in subsequent years, since, IBP has been developing these JROs in phases. Whereas IOC's cost is for completed JROs with envisaged facilities.
- IOC has gone for more direct purchase of land (71 out of 86) as compared to IBP (17 out of 49 sites).
- IOC has put up associated facilities like restaurant/Dhaba, toilets, rest rooms, waiting room, STD booths etc. at 46 locations out of total 86 locations (54%), whereas IBP has put up these facilities only at 16 locations out of 49 locations (33%).
- IBP has put up the associated facilities on a very small scale as compared to IOC (per JRO cost of IBP on this account is Rs. 32.34 lakhs as compared to Rs. 133.61 lakhs for IOC).
- There are locations in IBP, where per JRO total cost is about Rs. 2.50 to Rs. 2.77 crores (without land cost).
- IBP seems to have focused only on developing the fuel facilities in the JROs whereas IOC has developed associated facilities also along with fuel facilities.

Therefore, comparison of cost with IBP on per JRO basis shall not provide proper comparison since, IBP at most of the locations has gone with low level of fuel/non-fuel facilities in initial phase and have taken land on lease basis instead of direct purchase.

On random basis, economics of 10 JROs of IOC has been carried out and it indicates IRR ranging from 12-41%."

BPCL stated its position as mentioned below:—

"The variation in the capital expenditure incurred on Jubilee Retail Outlets has been analysed. Essentially, expenditure vary from site to site as investment depends upon the location, prevailing market price of land in that area, which in turn is dependent upon, trading area, competition, national routes, market potential, etc. The investment also would differ depending on the type of facilities provided and equipment installed at the site.

BPCL have 42 Jubilee Retail Outlets (JROs) as of date of which 39 had been commissioned when the data was given to Standing Committee in 2001.

An expenditure of Rs. 55.48 crores was incurred in putting up these 39 Jubilee Retail Outlets involving an average expenditure of Rs. 1.42 crores.

As recommended by the Standing Committee an analysis of the expenditure incurred on these JROs has been carried out with a view to ascertain the reasons for the variations.

The expenditure for putting up of JROs consists of three main components—Land, Building and Plant/Machinery. The item-wise comments on the variation are as follows—

Land—The Expenditure on land in case of BPCL varies from Rs. 7 lakhs to Rs. 1.5 crores. As per the scheme of JROs these are to be set up on large plots of land of area ranging from 2 to 5 acres depending on the requirements of the location and the facilities to be provided. Though the JROs were set up on National Highways, the variation in cost of the land was very extensive depending on the proximity of the location to major town's closeness to commercial areas and other such factors. In view of the above facts like variation in area and valuation of the land, there has been wide variation in the expenditure incurred towards land.

Building—The expenditure incurred on buildings was around Rs. 1 crore on an average. However it varied from Rs. 15 lakhs to Rs. 2.5 crores (only at one location Mathura, the expenditure was around Rs. 4 crores which was incurred since specialised facilities like Indian Restaurants, Fast Food Joint and Shopping Centres were provided as it was prominent tourist destination. As per the scheme of JROs the facilities/services that could be provided at such outlets included—

Bathing facilities/toilets	Dhaba & resting areas
Repair facilities	Secured parking

PCO with STD	First aid facilities
Convenience Store	Recreational facilities for children
Restaurant	Lounge with TV/Magazines

Provision of the above mentioned facilities was done as per the requirements of the location, availability of space, potential and economics of operation. Also the size and nature of facilities, type of construction varied from location to location depending on the clientele.

The cost of land development also varied in accordance with the size of the plot.

Hence there has been wide variation in the expenditure incurred towards cost of buildings.

Plant and Machinery—The expenditure incurred on Plant and Machinery (Dispensing pumps, tanks etc.) varies from Rs. 5 lakhs to Rs. 70 lakhs. The minimum potential for putting up of JRO was fixed as 250 Kls/month. However, there was a wide variation in the sales/potential and at many of the JROs sales were reaching a level of 1000-1600 KIs/month.

Depending on the sales potential the number of dispensing pumps/ underground tanks at each location was decided upon and provided. Hence in view of wide variation in sales, the quantum of facilities provided at each location varied, thereby the wide variation in expenditure incurred."

HPCL gave its points of view when it said:—

"In case of Jubilee outlets HPCL has commissioned 46 nos. at a total expenditure of approximately Rs. 32 crores. Average approximately Rs. 70 lakhs per outlet. The investment of Rs. 32 crores represents the cost of land and development of fuel facilities only. Investment on multiple associated facilities has not been included in the above mentioned expenditure of Rs. 32 crores. The Committee had commented that there is a wide variation in expenditure amongst the oil companies in establishing a jubilee retail outlet and therefore requested to furnish the reasons for variations.

In case of HPCL, the investments were guided by the potential sales volume of MS & HSD for the second year of operations, projected, MAF income and the internal IRR norms *i.e.* a threshold norm of 15% for investments upto Rs. 1 crore and 20% for investments exceeding Rs. 1 crore. Therefore based on the potential sales volume and MAF income, the investments were restricted to justify reasonable returns."

8. The Committee also sought the views of the Ministry of Petroleum & Natural Gas over the heavy expenditure incurred by the Oil Companies on JROs. The Ministry responded as under:—

"The investments made in these JROs have been guided by the commercial considerations such as sales volume, projected multiple associated facilities, income and IRR. The scheme of JROs has been discontinued w.e.f. from 24th November, 2000. The oil marketing companies have taken commercial decision in setting up of JROs. The Government is of the view that such commercial decisions are to be reviewed by the respective Boards of the oil marketing companies."

9. The Committee are not convinced with the replies of the Oil Companies. According to IOC, a detailed analysis of the expenses shows that after adding all the subsequent expenses incurred on IBP JROs upto March, 2002, its average expenditure on a Jubilee Retail Outlet works out to Rs. 85.47 lakhs as against IOC's Rs. 2.20 crore. IOC and other Public Sector Oil Companies namely HPCL and BPCL, have cited various reasons justifying the variations in expenditure incurred on JROs. The Committee are not convinced with the reasoning and deserve that the heavy expenditure incurred on setting up of JROs as also the wide difference of expenditure should be analysed in depth. The Committee feel that the Public Sector Oil Companies' money is public money and should be spent prudently. An example has to be set in this regard. Expenditure in the name of multiple associated facilities is not prudent but extravagant spending especially when the Ministry of Petroleum & Natural Gas has itself subsequently stated that the variety of facilities which were originally sought to be attached to JROs might not be very viable. Therefore, the Committee recommend that all such JROs of IOCL, HPCL and BPCL where the expenditure has exceeded Rs. 1 crore on one unit, should be probed by the respective Chief Vigilance Officer of the Company and a consolidated report furnished to the Committee.

B. SETTING UP OF ONE STOP TRUCK SHOP BY BPCL

(Recommendation No. 22)

10. The Committee found that the Ministry of Petroleum & Natural Gas discontinued the scheme of Jubilee Retail Outlets on 24th November, 2000 with immediate effect and cited the reasons for discontinuation of the scheme as under:—

"(i) It was felt that Jubilee Retail Outlets with the variety of facilities which were originally sought to be attached to them might not be very viable.

(ii) The procurement of vast plots of land along the highways, whether on ownership basis or on long lease, seemed to be difficult.

(iii) The project was found to be very capital intensive and it was felt that it would be prudent to increase the number of retail outlets and not to invest in a few Jubilee Retail Outlets."

The Committee, however, found that after discontinuation of Jubilee Retail Outlet scheme, BPCL went ahead with a similar scheme and named it differently as One Stop Truck Shops (OSTS). These shops were also company controlled. The Committee learnt that the company proposed to set up about 50 such shops and the average expenditure of each such shop would be around Rs. 1.15 crore. BPCL had itself stated that the concept of OSTS was similar to the Jubilee Retailing concept but the Company did not feel the necessity of seeking prior permission from the Ministry as it thought that these outlets were very much on the lines of Jubilee Retail Outlets. As such no separate permission was called for. The Committee wanted Director (Finance) of the Company to go into the economics audit of expenses incurred on setting up of these shops and apprise them of his findings. The Committee also desired the Government to examine the submissions of BPCL regarding the need to seek prior permission before launching the scheme in view of the fact that the Jubilee Scheme was discontinued.

11. Government in their reply forwarded the comments as under:—

"Building on our experience of running Jubilee Outlet, the 'One Stop Truck Shop' (OSTS) initiative was launched. The offerings at

OSTS have been fine tuned taking inputs from the fleet operators and truck drivers and also based on our learnings of Jubilee Outlets. At OSTS the emphasis has been on Quality and Quantity, Emergency Assistance, providing Centralised Payment, Communication and Tracking facilities to the truck operators.

The investment economics in OSTS were in line with the Company's policy where by the Internal Rate of Return (IRR) must meet the hurdle rate of 15%. However, in certain cases exceptions were made when it was anticipated that the future growth in fuel trade and allied retail business would be substantial and would meet the IRR norms. Our experience has shown that the sales at OSTS are considerably higher compared to an outlet without these offerings.

Many of the OSTS are performing extremely well with sales above 1000 KL p.m. The average sales for all OSTS work out to around 700 KL p.m. IRR for an outlet with average level of sales at 700 KL per month and investment of around Rs. 2 crores meets the hurdle rate of IRR of around 15%. The IRR would be higher or lower depending on the sales volumes and investment levels of OSTS. It is worth mentioning that only in 3 outlets investment has been higher than Rs. 2 crores as these included facilities like Fast Food restaurants, Shopping Centres etc. The sales volumes and IRR for these three outlets are as follows:

	Sales vol.	IRR
Sanganer	1210 KL	17%
Sanchore	1550 KL	23%
Mathura	1500 KL	19%

In conclusion it may be stated that the OSTSs are functioning profitably and the economics are quite attractive with a potential of further increase in sales volume enhancing the return on investment."

The Ministry gave its own view point when it stated as under:—

"Oil Marketing Companies (OMCs) have been given independence in commercial matters. Moreover, under the enhanced autonomy granted to Navratna companies, the Government feels that prior permission from the Ministry for launching marketing strategies such as One Stop Truck Shop (OSTS) is not necessary. Post APM, Oil Marketing Companies are expected to devise their own innovative strategies to gain competitive edge in the market."

12. The Committee do not agree with the justification given by BPCL launching One stop Truck Shops Scheme. The Committee would like to highlight the reasons for discontinuation of Jubilee Retail Outlets by Government. One of the main reasons for discontinuation was that the project *viz.* JRO scheme was found to be very capital intensive and it was felt more prudent to increase the number of retail outlets instead of investing in a few Jubilee Retail Outlets. Even after this, BPCL launched a similar scheme *viz.* One Stop Truck Shops in total disregard of the Government's policy decision. The Committee feel that in place of one OSTS, 3 or 4 Retail Outlets could have been set up as the Ministry had envisaged. On the contrary, the Company has spent quite a heavy expenditure on each such shop. The Committee are of the opinion that the entire issue of setting up of One Stop Truck Shops and other matters related to this, such as purchase or lease of land, machinery, equipment needs to be probed independently. They, therefore, recommend that this case of setting up OSTS be enquired into by the Office of Chief Vigilance Commissioner.

C. OPERATION OF JUBILEE RETAIL OUTLETS

(Recommendation No. 23)

13. The Committee had noted that COCO and Jubilee Retail Outlets were operated through contractual labour as per the guidelines given by the Ministry. The contractors selection was done through interviews conducted by a Committee through a system of evaluation adopted by the Oil Companies. The Committee had found lack of transparency in the system and, therefore, recommended that an institutional system be developed for the purpose of appointment of contractors.

14. The Government in their reply stated as under:—

"The Government is in the process of examining the methodology for putting in place a regular, uniform and transparent system for selection of labour contractors by the oil marketing companies for their COCO and Jubilee Retail Outlets in the context of deregulation with effect from 1.4.2002, the proposed divestment of Government equity in HPCL and BPCL and the competition that is likely to arise in oil sector in India from private sector and multinational oil sector companies."

15. The Committee note with regret that Government have not acted expeditiously in the matter and have still not finalised the methodology for putting in place a regular, uniform and transparent system for selection of labour contractors by the Oil Marketing Companies. The Committee desire that Government should develop this system without any further delay.

D. OPERATION COST OF JUBILEE AND COCO RETAIL OUTLETS

(Recommendation No. 24)

16. The Committee were informed that the operational cost of Jubilee and COCO Retail Outlets was as under:—

Company	Charges
IOCL	Rs. 373.42 on MS and Rs. 191.83 on HSD
BPCL	Rs. 424.00
HPCL	Rs. 294.64 to Rs. 2309.28 Varying from State to State.
IBP	Rs. 384.02

The Committee were also intimated that in addition to this operational cost, an expenditure of approximately Rs. 44 lakhs each was incurred in developing a COCO and 'A' category outlets. In addition to this an amount of Rs. 30 lakh was spent for upgradation and modernisation of these types of outlets. For undertaking this modernisation and maintenance process no time frame was fixed. The Committee had desired that Director (Finance) of HPCL should carry out a study about the economics of working of Jubilee/COCO Retail Outlets and the study should look into the volumes of expenses on upgradation and modernisation and also returns on the investments made in developing these types of Retail Outlets.

17. Government have stated in their reply that Director (Finance) HPCL submitted his report as under:—

"The cost per Kl of operation, submitted to the Standing Committee as on September 2001 includes fixed assets cost per kl. The abnormally high costs are in cases where either the facilities have been recently commissioned or not fully commissioned. Thus the per kl costs seem abnormally high where commensurate sales volume have not yet been achieved to cover the fixed assets costs. In order to assess the actual operating costs, we excluded the fixed assets cost per kl and observed that this revised operating costs works out to average Rs. 456/kl. It is also observed that there is no large variation between the least cost and the highest cost of operation per kl.

Further studies were conducted to work out the cost per kl as of December 2001 and it is found that the actual operating cost per kl for ROs visited at randum has improved to average Rs. 339/kl. It may not be out of place to mention here that the fixed assets includes a major expenditure on land which has been procured for operation of fuel as well as non fuel activities.

Our studies reveal that an average investment for a COCO and a category outlets is approximately Rs. 30 lakhs. Since all COCOs are new and commissioned in the recent past, no further investment on modernisation and upgradation is required. However, additional investment on canopy, etc. is done only after satisfactory sales volume have been achieved.

All the repairs and maintenance at the retail outlets are on a ongoing basis. Since the outlets are commissioned in the recent past, our study reveals that the repairs and maintenance cost is low.

The profitability for jubilees and COCOs has been worked out as of December 2001. For HPCL, it is observed that the average net profit for combined sales volume MS & HSD is Rs. 234/kl.

In order to assess the net returns on investments, the study was carried out of profitability and investments and we observe that our investments yields an average annualised return of 15.40%.

Conclusion

(1) The investment for the Jubilee/COCO Retail Outlets are done in line with the Retail Investment policy of HPCL which is based on the IRR norms as follows:

(a) Investments beyond Rs. 1 crore should yield an IRR of at least 20%.

(b) Investments upto Rs. 1 crore should yield an IRR of at least 15%.

(2) The investments for modernisation and upgradation is also done in line with the laid down policy of HPCL as follows:

(a) The outlet should be situated in high visibility and high potential trading area so that incremental volumes justify high investment.

(b) The investments for following basic facilities are made for COCO/Jubilee outlets:—

(i) Sales room and banded facia

(ii) Compound walls

(iii) Dispensing pumps, Service station tanks, pipelines

(iv) Driveways and lighting

(v) HP ID sign and hoardings

(3) The maintenance of these outlets is an ongoing process. While some of the assets are maintenance free for initial years e.g. Salesrooms, driveway, compound wall etc., for the other equipments like dispensing units there are regular maintenance contracts awarded to manufacturers and others to ensure proper functioning of the equipments.

(4) The Return on Investment for HPCL is 15.4% (annualised). This may improve as and when the sales volumes reach its full potential and all the Multi Associated Facilities are fully functional.

In conclusion on Investment it may said that the Jubilee/COCO Retail Outlets are functioning profitably, the sales volumes and returns on investment will further improve when the outlet is fully established."

18. The Committee are not convinced with this report as it does not touch the basic issue *viz.* norms for incurring expenditure on upgradation and modernisation. The Committee recommend that the Government should explore the possibility of releasing all Jubilee

Retail Outlets to dealers instead of retaining them with Oil Companies. For this purpose Government should formulate guidelines of auction of these Jubilee Retail Outlets, through open bid with condition that their minimum price should include all the expenses incurred till date. The Committee would also like the Oil Companies to develop norms for carrying out maintenance and modernisation activities in Retail Outlets and expenditure incurred for this purpose should meet basic tenets of public spending i.e. prudency and transparency.

E. CONVERSION OF 'B' CATEGORY OUTLETS INTO 'A' CATEGORY

(Recommendation No. 25)

19. The Committee had noted that the Oil Companies operated mainly 3 types of retail outlets 'A', 'B' and 'C'. In case of 'A' type of sites movable and immovable assets were owned by the company whereas in case of 'B' sites, only the movable facilities like pump, tank, etc. were owned by the Company. In case of 'C' sites, all movable and immovable assets were owned by the Dealer. Public Sector Oil Companies as a matter of policy had decided to convert 'B' and 'C' category of outlets into 'A' category sites. The Committee had expressed apprehensions that in the deregulated era, the private companies by way of their aggressive campaigning might lure away 'B' and 'C' type retail outlets to their network. The Committee had, therefore, recommended that Oil Companies should examine the possibility of offering 'B' sites dealers such types of guarantees which they desired to protect their interests before converting their outlets into 'A' sites. The guarantee might *inter-alia* include the provision that the site of the dealer after the expiry period would be returned to him.

20. The Ministry responded to this observation as under:—

"After the Government had decided to dismantle the APM in a phased manner and to allow the private players enter the retail marketing, the oil companies had strategically decided to convert high potential 'B' & 'C' types of outlets to 'A' type outlets in order to have control on the site. Each oil company has its own target for such conversions and it will be their endeavour to carry out maximum/commercial viability of the same.

As regards offer of guarantee to 'B' site dealers, oil companies, after conversion, invest suitable amounts towards modernisation of the outlets, which results in increased sales and resultant profit to the dealers. Also, due care is taken to protect their interest.

As regards return of the site to the dealer, dealerships are operated by the dealers lifelong. As such, their interest is automatically protected. The sites are either purchased or taken on long lease and the period of agreement, after its expiry, is extended on mutually agreed terms."

21. The Committee find the reply of the Oil Companies to be vague. They are of the opinion that when the private companies actually enter the field they would try their best to lure away the 'B' and 'C' type of retailer. The Committee, therefore hold their opinion that the Oil Companies should offer guarantees which the dealers might desire to protect their interests before agreeing to convert their outlets into 'A' sites. These guarantees should be specific and in writing.

F. DIVERSION OF DOMESTIC LPG CYLINDERS FOR COMMERCIAL PURPOSES

(Recommendation No. 30)

22. The Committee had noted that LPG cylinders marketed by public sector oil undertakings were being diverted for non-domestic use and the reason for this diversion was the price difference between domestic and non-domestic LPG cylinders. Although, the oil companies had intimated that there were very few cases of non-domestic use but the Committee were not convinced with their version. The Committee had specifically pointed out that during the special drive conducted in 1998, 61862 domestic LPG cylinders were found diverted for non-domestic use as against 361 cases detected by IOCL and HPCL during 1999-2000 and 2000-01. The Committee had, therefore, desired the Oil Companies to strengthen their inspection system to ensure that their LPG cylinders meant for domestic use were not diverted for commercial use. The Committee had specifically desired that for this purpose the Government should revise the prevailing guidelines.

23. The Ministry in response has stated as under:—

"LPG distributors are inspected periodically as well as surprise checks are also made by the officials of Oil Marketing Companies (OMCs) where in all aspects of operation of the agency including possible diversion of refills are checked by way of making refill audits. With assistance of the State Government commercial establishments are raided to detect possible use of domestic cylinder by commercial establishments Committees concern are noted and accordingly the OMCs are being instructed."

24. The Committee are not convinced with the reply furnished by the Ministry. It is an open secret that LPG cylinders meant for domestic use are freely being used in the open market for commercial purposes, a fact even admitted by the representatives of the Oil Companies. The Committee's objective in making the recommendation was that the domestic LPG cylinders are highly subsidised and the subisdy should go only for the people who need it. The Committee would, therefore, recommend that Government should revise the guidelines for marketing domestic LPG cylinders and provide for strict punishment in cases involving their diversion for non-domestic use.

G. UTILISATION OF SURPLUS AMOUNT FOR CUSTOMERS CAUSE

(Recommendation No. 33)

25. The Committee had noted that an amount of Rs. 7527.37 crore was lying with the Oil Companies as security amount received from customers for issuing LPG cylinders and equipment. This accumulated amount was taken as part of overall cash in-flow and out-flow of the Oil Companies and its exact usage was not identified. The Committee had recommended that the Oil Companies should utilise this amount exclusively for customers cause such as increasing the insurance cover, etc.

26. The Ministry responded to this observation as under:—

"The security amount received from the customers is used by the oil companies for purchasing the cylinders. With a recent reduction in the cost of procurement of cylinders, the security deposit on LPG cylinder for new connections was reduced from Rs. 900/ cylinder to Rs. 700/cylinder with effect from 1st February, 2002. Adequate insurance cover has already been taken by the Oil Industry for giving relief to persons sustaining injury or suffering damage to property arising out of LPG accidents. For every customer enrolled by the Oil Industry, provision has to be made for cylinders under repairs, under statutory testing, in transit and in the bottling plants. Thus, the benefit of reduced procurement cost was passed on to the customers."

27. The Committee appreciate that the oil Companies have taken action to provide adequate insurance cover for giving relief to persons sustaining injury or suffering damage to property arising out of LPG accidents. The Ministry has also stated that with a recent reduction in the cost of procurement of cylinders the security deposit on LPG cylinders for a new connection was reduced from Rs. 900 per cylinder to Rs. 700 per cylinder with effect from 1st February, 2002. The Committee would, however, like to emphasise that the accumulated amount of Rs. 7527.37 crore is quite a big amount and there was no sanctity in retaining this amount with Oil Companies which in fact belongs to the customers. The Committee, therefore, recommend that this amount should be utilised for subsidising cylinder's cost especially the 5 kilograms cylinders which are mainly meant for use in hilly and inaccessible areas. The Committee would like that a separate Corpus Fund be made out of this accumulated amount and this fund be used for substantially subsidising 5 kilograms cylinders.

H. PARALLEL MARKETING IN PETROLEUM PRODUCTS

(Recommendation No. 35)

28. The Committee had learnt that some private companies were indulging in parallel marketing in petroleum products violating the statutory orders. The Committee had regretted that no action had been taken against the violators and the Government had simply passed on the burden to State Governments. The Committee had, therefore, desired that the Government should be strict with violators who indulge in parallel marketing.

29. The Ministry while responding to this observation has merely mentioned that the Committee's concern had been noted and instructions to oil marketing companies were also being issued to take action as per the provision of the control order and the Ministry would also monitor.

30. The Committee find that the practice of parallel marketing is on the increase and the enforcement agencies have not been able to check this menace. The Committee have decided to deal with the subject separately and present a report. However, they desire that the Government should at least review their existing orders on this subject to make them enforceable and effective.

I. BENAMI DEALERSHIP

(Recommendation No. 37)

31. The Committee had been apprised that there were a large number of benami dealers engaged in LPG distributorship and retail outlets. The Committee had, therefore, recommended that with an aim to identify the genuine dealer, it should be made mandatory for each dealer to mention his/her name at prominent place in retail outlet/ LPG distributorship in bold and identifiable letters in national and local languages. Further to safeguard the interests of the beneficiaries of the reserved categories, the Committee had also desired that if dealership had been allotted under reserved category, this fact should also be mentioned along with the name.

32. The Ministry is response has submitted as under:—

> "For Retail Outlets, Field Offices have already been advised by their respective Oil Companies that the name of the Dealer should be prominently displayed at the Retail Outlet. It has also been advised that if the dealership has been allotted under any reserved category, the same should also be mentioned along with his name. The instructions are being reiterated.
>
> For LPG distributorships also, instructions are being issued to display the name of the proprietor conspicuously in the showroom to identify benami operation of LPG distributorships. Necessary instructions will also be issued for affixing the photograph of the Proprietor on the LPG distributorship agreement to identify benami operation during the periodic inspection of the Distributorships.
>
> As regards the display of Category under which the LPG Distributorship/Retail Outlet Dealership has been appointed, the Industry is of the opinion that it would not serve the desired purpose."

33 **The Committee appreciate the action taken by the Ministry in advising the oil companies that the name of the dealer should be prominently displayed at the retail outlets/LPG showrooms. However, the Committee do not agree with the contention that the display of category under which the LPG distributorship/retail dealership had been allotted would not serve the desired purpose. The Committee feel that there should be no harm in displaying of the category and the oil companies should have a rethinking on their contention.**

J. SCHEME FOR GIVING LPG CONNECTIONS TO PEOPLE OF RURAL AND HILLY AREAS

(Recommendation No. 45)

34. The Committee had recommended that the Ministry of Petroleum & Natural Gas should approach NABARD, Ministry of Poverty Alleviation and Ministry of Rural Development to prepare schemes to enable the oil companies to arrange soft loans for people who wish to subscribe LPG connections.

35. The Ministry in its reply has stated that oil marketing companies have been allowed to market 5 kilograms cylinders for domestic purposes to meet the customers of low income group of rural and hilly areas. The Ministry had assured that the it would also request the Ministry of Rural Development and Ministry of Poverty Alleviation in this regard.

36. The Committee desire satisfied that the Ministry of Petroleum & Natural Gas should finalise urgently with the Ministry of Rural Development and Ministry of Poverty Alleviation the proposal regarding releasing soft loans for people belonging to low income group of rural and hilly areas. They would also urge the Ministry to prepare an exhaustive scheme for these areas and target a specific number of beneficiaries say one lakh people each year.

K. EXTENSION OF DISTRIBUTOR'S NETWORK IN REMOTE AREAS

(Recommendation No. 46)

37. The Committee had recommended that to ensure all time availability of LPG cylinders in far flung areas, the distributorships should be permitted to set up a number of sub-distributors in their area of operation. The Committee had further desired that the Ministry should examine the possibility of marketing 5 kg cylinders through fair price shops.

38. The Ministry in reply has submitted as under:—

"At present, opening of sub-distributorships are not being allowed by the Government in order to maintain the sanctity of marketing plans prepared by Oil marketing companies. Opening of sub-distributorships by the existing distributors may lead to the erosion of the market for the planned distributorships which may lead to further complication like Court cases etc. Further, Explosives rules also do not allow the storage of more than seven cylinders at a particular place in view of the safety hazards associated with the LPG which is a highly inflammable product."

39. The Committee would like to point out that the objective of the recommendation was that the 5 kg cylinder should be made popular and made easily available for the people for whom they are meant. The Committee are of the opinion that even the storage of 7 cylinders at a particular place in remote areas is sufficient to meet the needs of the people living in that area. The Committee would like the Government to give serious consideration to the recommendation of the Committee.

L. SHORT DELIVERY OF PETROLEUM PRODUCTS AT THE DEPOTS AND TERMINALS

(Recommendation No. 50)

40. The Committee had noted that during the special drive in 1998, out of 1364 retail outlets inspected, 323 cases of short delivery were noticed. The Committee had desired that oil company's Sales Officer should check the retail outlets dispensers periodically and formally certify their correctness. The checking staff should be trained in checking the accuracy of dispensing units as per the provisions and methods of Weights and Measurement Department, petroleum rules. The Committee had further noted that cases of short delivery had also been found at depots and terminals. They had, therefore, suggested that calibrated tower must be calibrated with the same standard was available at retail outlet for checking the accuracy of delivery at the retail outlets.

41. The Ministry has replied to this observation as under:—

"Delivery through the Dispensing Units is checked by the Field Officers/other Officers during their inspection. The findings are also recorded in the Inspection Report. As and when any irregularity is detected, immediate action is taken as per Marketing Discipline Guidelines and/or Dealership Agreement. Customers are also authorised to check the delivery of the Dispensing Units and if they observe any discrepancy, they can bring it to the notice of concerned Officer for necessary action.

Calibration Towers at the depots and terminals for calibration/recalibration of tank trucks are certified by Weights and Measures Authorities. Further, the Industry is progressively moving to filling of the tank trucks through calibrated electronic flow meters and the conventional dip-rods are being dispensed with. These measures are expected to improve the accuracy of correct loading of the tank trucks at the POL depots and terminals."

42. It appears to the Committee that the Ministry has not appreciated the thrust of the recommendation. The Committee had specifically desired that the checking staff should be trained in checking the accuracy of dispensing units as per provisions and methods of Weights and Measurement Department, petroleum rules. The Ministry has not responded to this observation. The Committee, therefore, reiterate their recommendation. The Committee are happy to observe that the oil industry was progressively moving to filling of the tank trucks through calibrated electronic flowmeters and the conventional dip-rods are being dispensed with. They hope that this process would be completed very soon.

M. NEED FOR COMPACT ORDER RELATING TO MARKETING OF PETROLEUM PRODUCTS

(Recommendation No. 54)

43. The Committee had found that there were various statutory provisions, guidelines aiming at quality and quantity control of petroleum products. Various types of agencies were involved in implementing the controlling measures with the result that the enforcement authorities were often confused with regard to their sphere of power and sometimes these authorities allegedly even transgressed their jurisdiction. The Committee had specifically referred to the cases where the Oil Industry Enforcement Staff faced difficulties in collecting samples of short supply as the dealers insisted that this activity was outside their jurisdiction and feel under the jurisdiction of Weights & Measures Department. The Committee had cited specifically referred to Government letter no. P-21025/2/95-DIST., dated 12th September, 1996 and WM 8(1)198, dated 22nd October, 2001. The Committee had expressly opined that dispensing of Petrol, HSD should be regarded as an integral part of retailing and all related activities be monitored centrally. The Committee, had, therefore, recommended that an expert study be conducted to go into the whole gamut of all existing

regulations, guidelines and statutory provisions to explore the possibility of issuing a compact order enforceable by one agency. The Committee had further desired that the Government might revise the existing guidelines accordingly after the study was completed.

44. The Ministry while responding to this observation has simply stated that Committee's recommendation had been noted. When Ministry was specifically asked as to what action had been initiated in this regard, the Ministry replied in September, 2002 that draft Petroleum Product Quality Regulation Bill, 2002 was under examination of the Government.

45. The Committee find that the Ministry has not taken the recommendation of the Committee seriously. The Committee had specifically recommended that the Government should conduct an expert study to go into all the existing rules, regulations, provisions, etc. relating to marketing of petroleum products and combine all the provisions into one order. The Government have submitted an interim reply in September, 2002 that draft Petroleum Product Quality Regulation Bill, 2002 was under examination of the Government. Since then nothing is known about this Bill. However, the Petroleum Regulatory Board Bill, 2002 has since been introduced in Parliament but it does not serve the purpose which the Committee had espoused. The Committee, therefore, reiterate their earlier recommendation that Government should conduct an expert study to go into the whole gamut of all the existing regulations, guidelines and statutory provisions and explore the possibility of issuing a compact order enforceable by one agency.

N. ECONOMICS OF NORTH-EASTERN REFINERIES

(Recommendation No. 55)

46. The Administered Price Mechanism has since been dismantled *w.e.f.* 1st April, 2002. The Committee had in their 23rd Report expressed the apprehension that with the dismantling of APM the North-East refineries might not sustain themselves as these were very small refineries and the refined products of these refineries have to be moved out of the North-East over long distances to centres of demand. The Committee had, therefore, recommended that the Government should play special attention to sustain the economics of the North-Eastern Refineries which were very small and did not have the minimum

scale of economy. The crude production in North-East was of the order of 5.5 MMTPA against the refining capacity of 7 MMTPA. Given the surplus product situation in the country and more competitive sources of supply within the country these refineries had to dispose off their product at huge losses. The Committee had therefore, recommended that special fiscal measures such as freight subsidy, transport subsidy be given to these refineries till the consumption/demand in these areas rose to the extent of the production capacity of the refineries.

47. The Ministry while replying to this observation stated as under:—

"With effect from 1st March, 2002, 50% excise duty concession on the products of the North-East refineries has been provided. As regards providing other concessions to these refineries, the matter is under the consideration of the Government."

48. While appreciating that the Government have provided 50% excise duty concessions on the products of the North-East refineries, the Committee desire that a positive decision on providing other concessions to these refineries should also be taken urgently including enhancement of excise duty concessions to make these refineries economically sustainable. The Committee also recommend that the Government should restore the excise duty exemption to Numaligarh Refinery Limited.

O. UNIFORMITY OF TAXES

(Recommendation No. 60)

49. The Committee had observed that the different States have a different set of taxes applicable to refining as well as marketing. The Committee had desired the Central Government to impress upon the States to have uniform type of taxation on petroleum products so that the private companies might not be tempted to market only in those States where they found the taxation less.

50. The Ministry while responding to this recommendation has stated as under:—

"With the intervention of Ministry of Finance, the States have agreed to adopt uniform floor rates of sales tax in respect of certain commodities including petroleum products. However, there is no agreement on the ceiling rates, which vary from State to State. The Ministry of Petroleum & Natural Gas has taken up the issue of irrecoverable State taxes with the concerned State Governments and has impressed upon these States to do away with irrecoverable taxes and, if required, effect an appropriate increase in the sales tax rates to maintain revenue neutrality."

51. The Committee appreciate the efforts made by the Ministry in regard to achieving uniform taxation on petroleum products but regret to observe that nothing tangible has come out of these efforts. There is wide variation in the rates of taxes amongst the States. The Committee reiterate their earlier recommendation that the Central Government should impress upon the States to have uniform types of taxes on petroleum products.

CHAPTER II

RECOMMENDATIONS WHICH .HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Part II, Para No. 1)

Amongst the various activities of Oil Companies, marketing segment occupies spinal position in their organisations as a whole. From time to time public sector Oil Companies have been restructuring their marketing organisation network. The Committee have observed that all PSU Oil Companies have restructured their marketing organisation during the last five years. Obviously, the structuring has been done to meet the needs of changing marketing requirements. The Committee find that none of these companies have made an independent study to assess the results of restructuring. The Committee recommended that these companies should conduct an independent study better through reputed management consultants to study the impact of restructuring and assess future requirements.

Reply of the Government

Oil Companies under the Ministry of Petroleum & Natural Gas have restructured their marketing organisation network, details of which area as under:—

Indian Oil Corporation Limited—IIM Calcutta was requested to study the effectiveness of the existing Organisational structure and give their recommendations. Based on their findings, IOC has undertaken restructuring exercise internally by empowering specific Divisional Offices initially and then afterwards through formation of fifteen State Offices. The amended structure is essentially aimed at better services to the customer.

The effectiveness of the revised structure is reflected in various performance parameters.

An independent study to assess the impact of re-structuring could be considered after the process of re-structuring is fully stabilised.

Bharat Petroleum Corporation Limited— After the restructuring of the Organisation in 1998, the Company's performance on financial as well as non-financial parameters have shown considerable improvement.

In view of this, it was felt that there is no need for the present to conduct an independent study on the impact of restructuring at this point of time.

Hindustan Petroleum Corporation Limited— HPCL had carried out a Business Process Reengineering Study as a result of which the marketing organisation had been restructured upon formation of separate Strategic Business Units. With the help of a study team developed within the organisation, a necessary review has been carried out on functioning of such Strategic Business Units. The recommendations of the study team are being implemented.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 2)

The present coordination system in oil industry was developed in 1981 and since then the same system is continuing which is reported to be successful. The Committee hope that coordination is not confined to mere exchange of correspondence amongst the parties but is effective for all purposes. In this high-teach information system, coordination system is ought to be prompt. In the deregulated scenario, the relevance and importance of this system may undergo change. The Committee feel that an expert study is needed to examine this system and tune it with technological developments. Also in the wake of dismantling of APM, there is a need to have more inter-action amongst the PSUs Oil Companies and also State agencies at all levels in the State.

Reply of the Government

The Oil Companies have signed MoUs and agreements amongst themselves for sharing of products and infrastructure facilities for a period of two years post-deregulation. These agreements envisage the mechanism of an Industry Logistic Plan (ILP) for movement of products from refineries/ports to the markets. The ILP is to be drawn up in consultation with the participating companies. It is, thus, hoped that effective coordination will be ensured amongst the oil companies for making available petroleum products throughout the country. Further, coordination with the State agencies through the institution of SLC/DLC would continue in the deregulated scenario also.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 4)

The Committee noted that no comprehensive and independent study has been made to make the distribution system cost effective and less time consuming. The committee feels that there is a need for it recommended the same.

Reply of the Government

Comprehensive and independent study on product distribution system has already been made by the consultant M/s. Price Waterhouse Coopers. Based on the study, the modified distribution system as specified in the reply to point No. 3 is being undertaken which will take care of cost-effective product distribution on all-India basis.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 5)

The Committee have also noted that with the introduction of green fuel concept, quality of Petrol and HSD has been vastly improved especially from the pollution angle. Still, it is reported that our quality of petroleum product does not compare favourably with some advanced countries. The Committee would like that a Task Group be constituted to look into the aspect of improving quality of petroleum products and suggest measures to technology update the refineries.

Reply of the Government

The Government have constituted an Expert Committee under the Chairmanship of Dr. R.A. Mashelkar, Director General, Council of Scientific & Industrial Research (CSIR) to recommend an Auto Fuel Policy for the country. It has made various recommendations in its Interim Report relating to introduction of further upgradation of the quality of petrol & diesel and better emission standards etc. The recommendations of the Committee have been accepted by the Government and have been communicated to the concerned Ministries and the oil companies for implementation.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 6)

The PSU Oil Companies are operating terminals, bottling plants at various places as per the demands of the respective areas. The Committee while endorsing their functional autonomy to establish marketing network as per requirement would like them to establish an inter-company mechanism to oversee the actual requirements of big installations at a few places. The aim should be to spread these installations throughout the country and companies have inter hospitality arrangement to use them.

Reply of the Government

Presently, hospitality arrangements, and sharing of infrastructure amongst various PSU Oil Companies namely, BPC, HPC, IBP and IOC are already in vogue.

PSU Oil Companies are also working on closure of unviable storage locations so as to reduce the cost of operations. The requirement of big installations is taken based on product volume/demand and ensuring uninterrupted supplies in the supply zones.

Oil companies do enter into bilateral arrangements all over the world which are on win basis without affecting their competitive positions.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 8)

The Committee are happy to note that the Government have succeeded in wiping out the waiting list for LPG connections. The Committee would like the Government to penetrate into remote, rural and hilly areas and draw up a proper plan for this purpose.

Reply of the Government

As on 1.1.2002, the Public Sector Oil Marketing Companies have 781 distributors operating in Urban/Rural, Rural and remote & Hilly areas. Additional 2093 distributorships are planned to be set up in Urban/rural, Rural and remote & Hilly areas. The area of operating of distributorships appointed in rural areas extends upto 15 Kms. Radius and distributors in hilly areas are allowed to open extension counters upto 75 Kms. Thus distributorships would cover very large portion of population residing in these areas.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 10)

The Committee take note of the assurance tendered by the Petroleum Secretary that the Government is considering a scheme to treat to some extent the pipelines as common carriers with open access with regulatory control. The Committee would like the Government to decide the issue early.

Reply of the Government

Necessary provision for this purpose has been included in the draft Bill for formation of the Petroleum Regulatory Board. The same is being introduced in the current session of Parliament.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 12)

For transportation of petroleum products by road, oil companies jointly float public tenders for engagement of tank lorries. The Committee learnt that the rates paid to the different transporters vary from state to state but the average rate paid is Re. 1/- per KL per KM equivalent to Rs. 12/- per KM/tanker of 12 KL capacity. These Oil Companies also maintain their own fleet of tankers and as per the information furnished to the committee, the cost of operation varies from Rs. 1.39 to Rs. 1.60/KL/KM i.e. almost one-and-a half times more than the cost being incurred otherwise. Economic prudence demands that dependence on ones' own fleet of tankers should be reduced to minimum. The Committee hoped that Oil Companies will keep their fleet to the barest minimum needed for contingency operations.

Reply of the Government

There has been a steady reduction in the Industry-owned Tank Truck fleet.

The Industry is having the bare minimum number of Tank Trucks for contingency operation only.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 15)

The Committee were apprised that as on 15th October, 2001 the marketing plan upto and including 1999-2000 was in operation. As per this plan, 7268 locations were available for selecting the retailers/ distributorships. Out of these, the letters of intent (LOI) in respect of only 2068 locations were issued *i.e.* in about 30% cases. The Committee find that the job of selection is being done at a very low speed. In the free economy slow speed is a negative factor from the commercial point of view. The Committee do not see any relevance in continuing with the selection process of these locations as a very short period is left in dismantling the APM. The Committee, therefore, recommend that instead of pursuing these allotment of selections of these locations the Oil Companies should be given freedom to choose their dealers included in this plan.

Reply of the Government

With the dismantling of the Administered Pricing Mechanism (APM) in the oil industry *w.e.f.* the 1st April, 2002, the existing system of selection of retail outlet dealers/SKO-LDO dealers/LPG distributors in the country through the Dealer Selection Boards, is being reviewed. In the post-APM regime, the oil companies will be expected to make the selections on commercial considerations and as per the system to be evolved by them. However, upto the 31st March, 2002, the existing system will continue.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 19)

In the free market, there are live issues which are quite different from the regulated market. The Committee are glad to know that the Oil Companies have started introducing new concepts as a part of their marketing strategy in the post-APM era. The Committee would however advise the Oil Companies to pool their resources in identifying the new areas and training staff to cope with the challenges in the free market. For this purpose, PSU Oil Companies may explore the possibility of establishing a common training institute with the State-of-art facilities. Regular training of the marketing personnel contributes to the success of any marketing strategy.

Reply of the Government

The oil companies have programmes aimed at preparing their employees for the post-APM scenario. The running of the following programmes is a part of the marketing strategy of the oil industry:—

(i) Attitudinal Change.

(ii) Excellence in Customer Service.

(iii) Killer Instinct.

(iv) Smart Seller.

(v) Smart Seller LPG.

(vi) Smart Supplier.

(vii) General Management Course.

Each company is approaching this subject keeping in view its own needs and the profile of its employees. Each company has its own adequate and advanced state of the art training centres/facilities located at various parts of the country. Indian Institute of Petroleum Management at Gurgaon is their apex training institute with state-of-the art facilities.

The aspect of oil companies pooling their resources and identifying the new areas and also establishing a common training institute, can be taken up in due course.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para Nos. 26 & 27)

26. The Committee are glad to note that with effect from 10th November, 2001, the Government have revised the dealers' commission on petroleum products. The Federation of Petroleum Traders Association had been demanding the realistic commission since long. The oil Industry apprised the Committee that for retail outlets for being economically viable, the minimum sales volume has to be MS 60 kilolitre, HSD 600 kilolitre in case of 'A', 'B', 'C' and 'D' class of market and 300 kilolitre HSD in case of 'E' class of market per annum. However, as against this basis, the average sales per RO taken into account for working the revised dealer commission is 734 kilolitre MS

and 2592 kilolitre HSD per annum. As against this norm, the average sales of IOC's RO's is 475.2 kilolitre MS and 1962 kilolitre HSD. From this the Committee form an impression that average sales of IOC retail outlet is much lower than the sales per retail outlet taken into account for dealer commission. The Committee also form an impression that as per the Volume Distance Norms approved by the Ministry for the economically viable retail outlets, the minimum sales volume of 60 kilolitre MS and 600 kilolitre HSD per annum has no relevance with the practically. It also adduces that all the retail outlets selling less than this volume of MS and HSD are economically non-viable. The Committee gather the impression that an expert independent study is needed to go into the whole gamut of economic viability and dealer commission. The Committee, therefore, recommend that an independent expert study in the whole case be constituted.

27. Presently, the Government takes into account the following parameters for fixing the dealers commission:—

(i) Return on net fixed assets.

(ii) Return on working capital.

(iii) Operating cost.

(iv) Operating product cost.

The dealer's commission has been revised from time to time but in the deregulated era this type of mechanism is not practical. The Committee, therefore, recommend that an independent regulatory authority be appointed who should be charged with regulating the dealers' commission on taking into account the broad policies of the Government.

Reply of the Government

With the dismantling of administered pricing mechanism in the petroleum sector, the pricing of MS and HSD has become market-determined with effect from 1st April 2002. Since these products cease to be controlled, the dealers' commissions on MS and HSD would no longer be fixed by the Government. These commissions henceforth would be decided by the concerned oil companies. Thus, there appears to be no need for the Government to get an independent expert study conducted on the issue. However, oil companies would be advised suitably on it. A bill for setting up the Regulatory Authority is proposed to be introduced shortly in the Parliament. The Regulator will also study this aspect while monitoring the oil companies.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 28)

The Committee note that the demand for LPG (domestic) is rising in the country fast with a 9% growth in the first half of the current year and is expected to rise further with a 15% increase in the later half of the same year. As per the present estimates, the demand for the year 2002-03 is expected to be 8776 TMT which is going to rise to 11966 TMT in the year 2006-07. The deficit is to be met through imports. The Committee note that the PSU oil Marketing Companies had proposed to develop LPG import capacity of 2400 TMT per annum during 9th Plan but later reviewed this plan and decided to develop import facility of the capacity of 600 TMT only. The Committee would like to caution the Government that the development of the import infrastructure is a time consuming process and a perspective plan should be prepared to develop adequate infrastructure for import of around 3500 TMT in the next 5 years.

Reply of the Government

Year-wise import capacity planned to be made available during the Xth Plan period in the country is given as under:—

Year	2002-03	2003-04	2004-05	2005-06	2006-07
Import capacity (TMTPA)	4400	4400	5000	5600	5600

At the end of Xth Plan, there would be enough LPG import facilities in the country to meet coastal/import LPG requirements of each region.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 29)

The setting up of the new bottling plants is linked with demand phenomena of the concerned areas. All the PSUs have their own plans for setting up new bottling plants. The Committee would like the Oil Companies that they should plan their future schemes in such a way that distance between one plant and another should not exceed 300 kms. subject to other economic considerations. The Oil companies amongst themselves should institutionalize a system of hospitality arrangements if required for the use of these bottling plants.

Reply of the Government

LPG Bottling Plants are set up on the basis of techno-economic feasibility after taking into account the demand potential of packed LPG in the nearby consumption zones. .Bottling Plants of Oil Marketing Companies are spread all over the country and hospitality arrangement among them is in place. Distribution of LPG is being done in the most economical manner.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 31)

The Committee found that the cases of spurious/fake cylinders have been noticed in the bottling plants. During the 2000-2001 only BPCL have received 1719 spurious cylinders in their plants. The Committee take this phenomena as a serious one and would like the Oil companies to frame stringent rules to deter the distributors to make them cautious about the need to have foolproof security in their network. The cases of fake cylinders should be viewed seriously and defaulting distributors should be given exemplary punishment.

Reply of the Government

Various checks are being carried out at bottling plants as well as distributorships to prevent the ingress of spurious cylinders in the system. As and when the spurious cylinders are being detected recovery from the distributors/transporters are made at penal rate as the case may be. The spurious cylinders are also confiscated and deshaped in the bottling plants.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 32)

The Committee were apprised that LPG Cylinder Compensation Scheme has been discontinued w.e.f. 1st April, 1998. Subsequently, a new scheme of compensation so as to reimburse 16.21% book depreciation and return on investment has been approved by the Ministry of Petroleum & Natural Gas. However, the Oil Companies have not been given the compensation on the revised formula since 1998-99. The Committee do not see any reason in withholding this compensation amount and would like the Government to release the compensation on yearly basis and in case it is withheld, the Government should pay interest upon the principal amount.

Reply of the Government

Ministry of Petroleum & Natural Gas has conveyed approval for release of amounts towards LPG cylinder compensation to the oil marketing companies for the years 1998-99, 1999-2000, 2000-01 and for capitalization up to April-September, 2001 on provisional basis subject to the recovery/adjustment, arising on finalization of recovery in respect of security deposits collected and retained by the oil companies under Tatkal scheme and utilized for LPG infrastructure development and also subject to settlement of the observations of audit by C&AG. The oil marketing companies have since claimed these amounts from the Oil Coordination Committee. As far as interest on delayed payments is concerned, as per the extant practice followed under the APM, interest at the rate of 10.5% p.a. accrues to the oil companies after the approval of the claim by the Government.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 36)

The Committee have been repeatedly drawing the attention of Oil Companies and Ministry of Petroleum and Natural Gas to the menace of Benami Dealerships. The Committee have found that during the last three years Oil Companies identified 36 cases of Benami Dealerships and action taken as per Marketing Discipline Guidelines (P/IDG). The Committee have, somehow the impression that identified cases are a fraction of the menace. Reportedly, the worst suffers are SC/ST dealers whose allotments have been manipulated by influential persons. The Committee recommend that Oil Companies should undertake special drive and involve local police also to identify Benami dealers.

Reply of the Government

Oil Companies take action as per Retail Outlet Dealership Agreement as and when any benami operation of a Retail Outlet dealership comes to the notice.

In case of SC/ST dealerships, *w.e.f.* 1992, all new SC/ST Retail Outlet dealerships/LPG distributorships are developed by the Oil Companies under Corpus Fund scheme and handed over to dealer in ready condition. Working Capital loan is also provided to the dealers/distributors on their request. They are also extended all possible help and guidance by the Oil Companies. As such, there is no valid reason for any SC/ST dealer to enter into any benami transaction.

Further, as recommended by the Committee, Oil Companies are advising their Field Offices to undertake special drive for identifying benami Retail Outlet dealerships with special reference to SC/ST and take immediate necessary action whenever any such operation is established.

Similarly the LPG distributorships are inspected regularly by the officers of Oil Industry and whenever cases of operation of LPG distributorships by unauthorised persons are reported to the Management, action as per the provisions of the LPG distributorship agreement is taken in all established cases of benami operation.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 38)

The present refining capacity in the country is 114.67 million metric tonnes (MMT) per annum as against consumption of 99.44 (MMT). As per the estimates, the production is likely be around 136 MMT by 2006-07 whereas consumption may be less. In view of the emerging scenario of demand and supply, the Committee feel that it would be appropriate if Oil Companies explore the foreign market. The Committee are happy to note that these companies have already started export of their products but institutional impetus to these efforts is yet to be given. Petroleum Secretary painted a bleak picture when he submitted before the Committee that we should not have too many hopes about major export breakthrough in the petroleum sector. There are many petroleum products such as Naptha, Lubes, FO, automotive and industrial lubricants which are being exported presently. The Committee feel that there is scope of export of these items and other products in neighbouring and other small countries in Asia. The Committee, therefore, recommend that each Oil Company should set up a separate cell in Head Office which should be charged with the responsibility of exploring foreign market. The Committee also recommend that Ministry of Petroleum & and Natural Gas should extend all help in this regard by developing an institutional system with Ministry of Commerce and Oil Companies.

Reply of the Government

The recommendation of the Committee has been noted and the oil companies have been asked to do the needful. The recommendation regarding developing an institutional system with Ministry of Commerce is under examination.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 39)

The Committee find that although the availability of controlled petroleum products especially SKO and LPG (domestic) has been made possible in small cities, yet this has not reached remote rural and hilly areas. From the data furnished on the subject, the Committee found that major Oil Company like IOCL is operating only 271 ROs in remote and rural areas and 106 in Hilly areas. There is needs to reach out to the far flung areas to uplift living standard of the people and also assimilate them in the mainstream of the nation. The Oil Companies should open their ROs in remote and Virgin areas but this objective may become difficult after dismantling of APM, because the Companies would operate, obviously, on economic viability basis and the private players may find it difficult to enter into these areas. The Committee, therefore, recommend to the Government to develop mechanism making it mandatory for all/oil companies to set up specific number of ROs in these areas and the number should have some proportion to the turn over. The mechanism should take care of the present cross subisdy schemes to compensate high inventory and freight cost. The subsidy should be equal for all players *viz.* PSU Oil Companies and also for private companies. The Committee are glad that they have been assured that even in the deregulated era, freight subsidy would continue.

Reply of the Government

The Government Resolution, dated the 8th March, 2002, lays down the guidelines for granting authorization to market MS and HSD to the new entrants including the private sector. As per these guidelines, while giving authorization to the eligible company, Government may impose conditions in public interests, including servicing remote areas and low service areas by setting up retail outlets in such areas at least in proportion to the existing percentage of retail outlets. Further, the proposed regulatory mechanism for the downstream petroleum sector has provision, in respect of notified petroleum and petroleum products, for laying down and enforcing marketing service obligations for the entities. Such obligations *inter-alia* include the obligations to set up marketing infrastructure, retail outlets in remote areas.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 40)

The Committee find negligible marketing net work in tribal and desert areas and even in proposed marketing Plan, these areas have not been given due weightage. The Committee would like the Government to study the Problems of these areas and extend financial benefits to enable people to have purchasing power to avail the basic facilities like LPG connections etc. Financial benefits for these areas should be similar to that of available for the people in North East.

Reply of the Government

It has been decided to have freight subsidy for domestic LPG for far-flung areas post APM. This subsidy would be in addition to the normal subsidy available on domestic LPG throughout the country.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 41)

The Committee have special concern for poor people living in the areas where kerosene is the only kind of fuel for their daily needs. Kerosene is made available to them through public distribution system. The Committee recommend that Oil Companies should provide exclusive Kerosene depots in the interior markets for effectively meeting Kerosene needs of rural population.

Reply of the Government

The existing infrastructure facilities of the State Governments may be utilised by the oil companies. A request for this and also for involving their bodies such as Civil Supplies Corporations, etc., will be made to the State Governments.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 42)

The committee note with satisfaction that Oil Companies are endeavouring to increase the reach of LPG in the far flung area including hilly areas. In 1996-98 and in 1999-2000 marketing plans, 139 and 700 locations have been identified in respective marketing plans. To popularise the use of LPG in such area, cost and availability factors are important. An awareness about the benefits of this fuel is pre-requisite for implementing the marketing plans. The committee, therefore, recommended that Oil Companies should undertake exclusive mass awareness programme to popularise use of LPG in these areas.

Reply of the Government

Oil Industry are undertaking mass awareness campaign in the rural and remote area through the local media, cinema slides, safety films and Gram Meals. Oil Companies are also conducting safety clinics through Mobile Vans, Various safety advertisements are also shown in the electronics media.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 43)

The Committee are happy to note that Government have decided to introduce 5 Kg. Cylinders. This will go a long way in targeting those people who like to switch over to LPG fuel system but find it difficult for the reasons that initial cost of new LPG connection is beyond their reach. The introduction of 5 Kg. Cylinder will obviously not only reduce the initial cost but refilling prices shall be considerably lower. Besides, this, consumer can save the delivery price of small Cylinders as he can carry the same on his own. The Committee recommended to the Government to give vide publicity to this scheme when it is launched.

Reply of the Government

The Government have given 'in-principle' approval to Public Sector Oil Marketing Companies to market 5 Kg. LPG cylinders primarily to increase the supply of LPG for domestic purpose to the low income customers in rural/urban areas and in hilly areas. Oil Marketing Companies will extend wide publicity to the same as soon as the necessary infrastructure for the marketing of 5 Kg. cylinders are ready with them.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 44)

The committee appreciated the initiatives taken by Andhra Pradesh Government in launching Deepam Scheme under which about 14 lakh connections have been released. The Committee expect the other States Governments to launch similar schemes in their States. The Committee recommended that top officials of Oil Companies should pursue the State Governments to adopt and implement these types of schemes. Ministry of Petroleum and Natural Gas as its level should approach Chief Secretaries in States for similar purpose.

Reply of the Government

The facility for release of LPG connections similar to Deepam Scheme in Andhra Pradesh is available to all States. Ministry of Petroleum & Natural Gas has already requested States Governments to utilise the same. Oil Industry officials have also started approaching State Governments for implementing schemes similar to Deepam Scheme launched in Andhra Pradesh. Government of Delhi State has also finalised a similar scheme for Below Poverty Line families of Delhi.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 48)

During the course of examination of the subject, the Committee during interactions with the representations of Oil Companies have been stressing the need to ensure Quality and Quantity standards of petroleum products especially MS, HSD and LPG. Oil Companies in their responses have been apprising the Committee of steps taken to achieve the objectives yet an impression remains that MS and HSD lack purity standards and perhaps this led the Supreme Court to voice concern over fuel adulteration and issued directions to conduct surprise checks at petrol pumps, oil depots and tankers to collect samples of contaminated diesel. The Committee find that only two special drives were undertaken during the last three years which is not enough. The Committee recommend that such vigilance drives be undertaken at least once a year.

Reply of the Government

As recommended by the Committee, Special Vigilance Drive will generally be conducted once every year for Retail Outlets.

The stringent quality and quantity checks are regularly carried out at LPG Bottling Plants, Distributor ends and enroute and ensured that the cylinder delivered to the customer conforms to the right quality and quantity. LPG Bottling Plants are equipped with state of art facilities to ensure correct quality and quantity in cylinders. Plants are also conducting statistical quality control checks to doubly ensure quality of cylinders delivered by plants. Distributors are also under instructions to ensure supply of right quantity and defect free cylinders at the customers' premises.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 49)

The Committee find that the results of special drives are at variance from the route anti-adulteration checks. During special drive of 1998, out of 1364 ROs inspected, 323 No. of cases of short delivery were detected. Similarly, 110 checks were conduct at terminals and irregularities, in 60 terminals were detected. However, during the whole year of 1998, Oil Companies, IOCL, HPCL and BPCL could detect only 154 cases of malpractices. The Committee would like the oil companies to establish the credentials of their checking system. The Committee would, therefore, recommend that oil companies should evolve a credible checking system upon which the Public should have trust.

Reply of the Government

Suitable instructions are being reiterated to the field locations to ensure the quality of inspections so that any irregularity committed by dealers is promptly detected and remedial action taken in this regard as per Dealership Agreement and/or Marketing Discipline Guidelines.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 52)

As part of the marketing promotion the Oil Companies have launched various schemes like *Quality and Quantity', 'Pure for Sure'* highlighting the qualitative feature of their product. The Oil Companies have reported that their schemes are very successful but number of retail outlets covered under these schemes are very few. The Committee would like the Oil Companies to bring maximum number of ROs under these schemes (say 75% within next 2 years) and for this purpose Companies may give incentives to the retailers who opt to adopt these schemes.

Reply of the Government

Committee's recommendation that Oil Companies should bring maximum no. of Retail Outlets under these schemes has been noted by the Oil PSUs for further action.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 53)

The Committee was informed that oil companies in combination have got only 42 mobile labs and 74 quality control laboratories. The retailers do not have any testing facility nearest their retail outlets. The Committee find the number of the mobile labs very less and would recommend that at least one mobile should be available in each Commissionery of the country. The Committee further want that the testing facility both mobile and quality control labs should be made available to all oil companies irrespective of their ownership on hospitality basis. The number of quality control laboratories should also be increased considerably. The Committee also recommends that retailers should be given facilities to get petroleum products at their choice tested at reasonable cost.

Reply of the Government

In the last two years, the total number of Industry's Mobile labs has gone up from 21 to 48 and 46 static laboratories spread all over the country. The views of the Committee are fully acknowledged and respected. The Industry is operating on the same lines. The laboratory testing facilities are being shared by the Industry. The future requirement of fuel testing can be worked out. Laboratory testing facilities are extended to the retailers.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 56)

In all likelihood, the private players may import MS/HSD of high quality. Our indigenous refineries have already made substantial investments for upgrading the quality of MS and HSD and may have to invest more to upgrade the quality even further at international level. Since the import parity price differential for MS and HSD as per the current specification is extremely low, there is practically little or no returns for the heavy investments being made to improve the fuel quality. The Committee, therefore, would recommend to the Government to give fiscal concessions to the oil industry such as nil duty on capital goods (exemption of custom and excise duties), soft loans from financial institutions, internet free financial assistance from OIDB benefits under the Income Tax Act, etc.

Reply of the Government

In its interim report, the expert Committee, constituted by the Government in September 2001 on "Auto Fuel Policy" has *inter-alia* made the following recommendation:

"Environmental concerns are such that to put in place the new emissions norms, substantial investments need to be made to produce appropriate quality fuel and the vehicles. The Committee recommends preferential treatment to the oil and auto industry in matters relating to:

(i) customs duty on imported capital goods, equipment and machinery needed for upgradation of technology/facilities,

(ii) excise duty on indigenously manufactured capital goods, equipment and machinery needed for upgradation,

(iii) 100% depreciation on plant and machinery put up for upgradation,

(iv) soft loans for technology modernisation/upgradation projects, and

(v) adequate incentives, such as tariff differentials and other measures to enable domestic industry to compete with imports."

The interim report of the Committee has been accepted by the Government and further action could be taken accordingly after considering the implication of Supreme Court judgement dated 5th April 2002.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

CHAPTER III

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

Recommendation (Part II, Para No. 3)

The Committee are happy to note that distribution of petroleum products in the country is systematised. The committee would like the Oil Companies to have an inter-company mechanism to assess the needs of efficient and prompt distribution system for all times and all weather. The Committee have taken note of the technological upgradation of the distribution system being carried out by each of the Oil Companies. The Committee would like that technological upgradation in the distribution system should be of international level and for this, if necessary, services of international professionals be requisitioned.

Reply of the Government

The distribution of petroleum products is done through computerised mechanism called CRIS-Plan (Computerised Rolling Industry Supply Plan). This plan takes care of distribution of petroleum products at various places at least transportation cost. This plan also takes into consideration production of all refineries including private refineries and distribution to all areas of demand.

In case of LPG also, advanced computer models are being utilised for efficient and economical mode of distribution of LPG from various production centers to the bottling plants.

Oil Companies are in the process of upgrading this computerised model. This will make the least cost optimisation for distribution of petroleum products inclusive of sales tax and all other levies. It is expected that such upgraded software may be put to use by industry by early 2002-03.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 7)

Each Oil Company establishes its marketing logistics and distribution infrastructure such as port facilities and terminals etc. Companies do not feel the need to pool these logistics for use for all PSU Oil Companies on inter-hospitality basis. However, the Committee feel happy that HPCL have agreed with the suggestion of the Committee that such logistics facility and also product pipelines be pooled for common use. The Committee would like HPCL to undertake a detailed study and submit a paper for adoption and implementation for all the Oil Companies.

Reply of the Government

As mentioned earlier, PSU oil companies would be entering into commercial arrangements with each other which would be mutually beneficial. At the same time, it is ensured that these arrangements do not affect the competitive advantage of these companies.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 9)

The Committee were apprised that there are three major modes of transportation of controlled petroleum products in the country *viz.* Rail, Road and Pipeline. The Committee find that there is variance between HPCL and BPCL over the per unit per Km cost of transportation of petroleum products by above mentioned modes but the established fact is that transportation by pipeline is much cheaper. Apart from economic factor, transportation by pipeline is eco-friendly, secure and avoids congestion of road traffic. The Committee were informed that Public Sector Oil Companies are engaged in spreading pipeline network which requires a big thrust and major investment. As per policy decision, all new pipelines are to be put up by Petronet India Limited, a Joint Venture Company. The Committee appreciate the efforts being made in this regard by Oil Companies and Petronet India Limited but feel the need to quicken the pace of laying the product pipelines. The Committee recommend that Petronet India Limited draw up long term perspective.Plan covering the entire country in a time bound programme and implement the same phase-wise on priority basis. Finance should not be allowed to come in the way of implementation of this Plan.

Reply of the Government

As recommended by the Committee, Petronet India Limited has been asked to do the needful.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 13)

It has often been alleged that transporters deliberately quote the rates less but make-up their losses by indulging in malpractices like adulterating petroleum products enroute to retail outlets or secure excess deliveries in league with Oil Companies' staff. Oil Industry should undertake a survey through experts to assess the actual cost of transportation per km and decide the endeared cost on the basis of this study. If oil industry feel that the rate quoted is much lower than the workable actual/honest cost, the industry should see the reason for it and ensure that transporters do not resort to unfair means. The oil industry should take stringent action such as blacklisting the transporters who indulge in malpractices.

Reply of the Government

Contracted tank trucks are hired through public tender on Industry basis. During finalisation of the contract, CVC guidelines for awarding the contract to lowest quote are followed. In case tender is not awarded to the lowest quote, this will result in violation of CVC guidelines. However, in order to avoid adulteration and malpractices, special security locking system for tank trucks are being introduced in phased manner at various supply points. As per plan, about 50% of the total retail outlets on all-India basis will be covered with such security locking system by 31/03/2002 and all the retail outlets all over India are expected to be covered thereafter.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 14)

Petroleum products are broadly segmented into two major categories *i.e.* regulated and unregulated products. Regulated products are MS, SKO, HSD and LPG (domestic) whereas unregulated products are Naphtha, LDO, FO/LSH, Lubes, Bitumen, etc. In order to make product available throughout the country and to develop dealership/

distributorship for retail selling of regulated products in a planned manner in different class of markets, PSU Oil Companies prepare marketing plan which is approved by Ministry of Petroleum and Natural Gas. Further, Government issue policy guidelines from time to time governing the appointment of dealers/distributors by PSU Oil Companies. The retailers and distributorships outlets emerging out of the implementation of marketing plan are appointed as per laid down procedure. The concept of marketing plan was introduced in June, 1980. In the event of dismantling of APM, the Committee therefore, recommend that the Oil Companies should be given absolute freedom to prepare their own marketing plans on commercial considerations. The marketing plan under operation as of now should be disbanded and Oil Companies should be given freedom to prepare their own plan prior to 1.4.2002.

Reply of the Government

With the dismantling of the Administered Pricing Mechanism (APM) in the Oil Industry *w.e.f.* the 1st April, 2002, the existing system of according approval of the Government to the marketing plans proposed by the oil industry for setting up of retail outlet dealerships/ SKO-LDO dealerships/LPG distributorships in the country, is being reviewed. However, upto the 31st March, 2002 the existing system will continue. In the proposed Regulatory Mechanism, there is a provision to monitor the setting up of dealerships/distributorships of MS, HSD, SKO and LPG during the period 1.4.2002 to 31.3.2004.

[File No. R 37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 16)

From the data furnished to the Committee, it is gathered that per capita consumption of LPG in India is almost half of that of /China and 1/5th of Thailand. Similarly, per capita consumption of HSD is lowest in India as against China, Philippines, Thailand, Pakistan and Vietnam. The Committee feel that in the years to come the per capita consumption of LPG and HSD and also other petroleum products is bound to rise. The Committee note that indigenous availability of LPG is less than demand, therefore, desire that a long term perspective plan anticipating the demand and supply factor be prepared and work on this plan be started at the earliest.

Reply of the Government

To take care of the imports of LPG during the 10th Plan period, the current import facilities are quite adequate in the country. It is expected that by the end of 10th Plan period, total achievable LPG import capacity in the country would be of the order of 5600 TMTPA.

[File No. 37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 17)

The Committee find that for finalisation of marketing plan the Volume Distance Norms is an important element. The norms were framed in 1980. Since then many types of changes-demographic as well as economic have taken place. The Committee feel that these norms should have been revised long back. The Committee understand that the oil industry have made recommendations to the Government to revise these norms. The Committee however, are of the opinion that in the free economy these norms have no relevance. The Committee, therefore, desire that the Volume Distance Norms should be withdrawn *in to* to and the Oil Companies should be given free hand to decide their own norms in identifying the locations. In case, the Government still feel the necessity of adopting the Volume Distance Norms for regulatory control of the market, the Committee recommend that the objective of the revised Norms should be customer oriented than dealer oriented.

Reply of the Government

In the post-APM regime, effective from 1.4.2002, the Government does not propose to enforce the existing Volume-Distance norms for setting up of dealerships/distributorships by the oil marketing companies and the latters are expected to set up the agencies after taking into considerations the viability, commercial interest of the company and the interest of the consumers.

[File No. R 37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 18)

The Committee were informed that with a purpose of reviewing the marketing policies, Ministry of Petroleum & Natural Gas from certain policies in consultation with Oil Coordination Committee (OCC) and Oil Companies. The Ministry also provides clarification and interpretation of policies wherever required for effective implementation.

Marketing intelligence is gathered by Oil Coordination Committee through an institutional system. The Committee appreciate the role of OCC. The Committee desire that OCC should continue its role till the time the free marketing comes fully operational. The Oil Companies should be effectively associated with the OCC in gathering the marketing intelligence and then disseminating the information to the lowest level of the marketing organisation.

Reply of the Government

With the dismantling of APM effective 1st April 2002, the OCC ceases to exist. The oil companies have been asked to strengthen their existing marketing intelligence network post APM.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 21)

As a part of marketing strategy, IOCL has launched Top-Gear Fuel Station and has commissioned one Station at Mumbai by upgrading a Retail Outlet. The Company plans to set up more such model ROs to be developed in various metros and major towns including State capitals for bench marketing the level of service. IOCL has invested an amount Rs. 297.48 lakhs in establishing the Top-Gear which was commissioned in March 2000.

The volume of sales of MS and HSD combined at this RO 3 months before and after the commissioning is as under:—

Before Commissioning		After Commissioning	
August, 1999	262 KL	April, 2000	354 KL
September, 1999	285 KL	May, 2000	364 KL
October, 1999	212 KL	June, 2000	396 KL

(From October, 1999 till March, 2000, the RO was closed for modernisation)

The Committee do not find increase in sales after modernisation commensurate with the expenditure incurred. The Committee would like to be assured that return on investment is taken care of before launching these types of expensive schemes. In this case also, the

Committee would like Director (Finance) of IOCL to go into the economics of the whole scheme taking into account all sorts of expenses incurred for operation of Top-Gear and 18% return on investment and net profit earned per month. The Committee are of the opinion that there should be rationality in establishing expensive units in the name of sales promotion.

Reply of the Government

As desired by the Committee, the Director (Finance) of the IOCL has gone into the economics of the whole scheme of top gear fuel stations and his report is enclosed.

[File No. R-37012/3/2002-MC Dt. 25.7.2002]

Our Comments:

1. The actual sales analysis (Figs. In KLs) for the last two years, *i.e.* post modernisation is as under:—

Product	Sales prior to modernisation 1999-00	Sales During 2000-01 & 2001-02				% Increase over previous year	
		2000-01		2001-02		2000-01	2001-02
		Projected as per Admn. Approval	Actual Sales	Projected as per Admn. Approval	Actual Sales	% increase in Sales	% increase in Sales
MS	1480	3600	3708	3798	4265	150.4	15.02
HSD	451	900	1218	959	1320	170.1	8.3

2. The subject RO has been equipped with amenities like Auto Car Wash, Cyber Cafe, ATM, Convenio Stores, etc. which has not only added to the image of the Corporation, but also generates additional revenue. The revenue generated from non-fuel activities for the year 2001-02 was Rs. 46 lakhs.

3. The subject RO is in prestigious site in South Mumbai where the elite society resides. The total modernization including provision of customer savvy facilities like Auto Car Wash, Cyber Cafe, ATM and Convenio have added to Corporation's image as a role model RO besides earning non-fuel revenues.

4. The RO showcased to our business partners from abroad to whom we provide consultancy services.

5. The RO sets an example by giving the ultimate in Customer Service to customers. There are visits from sales teams all over the country to appreciate the work that goes on TOP Gear and replicate in other Retail Outlets. The notings made in the visitor's book, stands testimony to this.

6. It is an excellent form of advertisement for IOC as our image is greatly enhanced among the motoring public. It is one of the finest corporate advertisements that we have. Although the benefit of this advertisement cannot be measured in monetary terms, the proposal on its own has a Return On Investment of 12.15%.

Recommendation (Part II, Para No. 34)

The Committee note that hitherto the practice of buying LPG cylinders was on the basis of Ministry of Petroleum & Natural Gas pricing formula but effective from April, 2001, the Oil Companies have switched over to procurement of cylinders through tendering system enabling them to save Rs. 186.35 crore for purchase of 160 lakh cylinders. During the course of the examination, the Committee learnt that during the process of tendering the bid of M/s. Balmer Lawrie was the lowest (L1) followed by Ms. Sahu Cylinders & Udyog (L2). However, the Oil Companies preferred to bring down the rates of other competitors lower than M/s. Balmer Lawrie (L1). The Committee was assured that the system of negotiation after opening of tenders was officially correct and all the guidelines were followed before negotiations. The Committee would tend to agree with the contention of the Oil Companies but would like to observe that the very sanctity of tendering system is gone once the buyer decides to negotiate the prices after opening the tender. The Committee attach importance to Balmer Lawrie which is Public Sector Undertaking and whose operational credentials had been of high order whereas this has not been in the case of other manufacturers whose operations were suspended by Oil Companies on identification of manufacturing defects. As per Government's policy, Public Sector Oil Marketing Companies should accord purchase preference on certain norms to other Public Sectors including Balmer Lawrie. The Committee regret to learn that Balmer Lawrie's LPG plant is lying idle for want of orders from Oil Industry. The Committee have the impression that the Oil Companies have not followed the CVC Guidelines in true spirit in negotiating prices after opening the tenders. The Committee recommend that this case be referred to CVC for his looking into the propriety of procedure and purchase. Meanwhile, the Committee recommend that oil companies should place orders on Balmer Lawrie for procurement of cylinders and the pricing aspect be left to Ministry of Petroleum and Natural Gas, Oil Industry and Balmer Lawrie for mutual agreed decision.

Reply of the Government

Indian Oil Corporation has placed order to M/s. Balmer Lawrie for 1.36 lakh cylinders. HPCL has also reserved 71,500 cylinders in State of Orissa for M/s. Balmer Lawrie Limited. As regards adherence to CVC guidelines and the pricing, the matter is sub-juidice and action would be taken by the Oil Marketing Companies based on the final verdict of the court.

Present Status of the Court Case

Hon'ble High Court of Delhi *vide* its judgement dated 30th April, 2002 has upheld the procedure followed by Oil Marketing Companies for procurement of LPG cylinders dismissing various Writ Petitions filed in the matter. Oil Companies are taking further action in the matter accordingly.

[File No. R-37012/3/2002-MC Dt. 25.7.2002]

Recommendation (Part II, Para No. 47)

Another step initiated by Oil Companies is introduction of Rural Marketing Vehicles (RMV) Skid Mounted Vehicles, which supply LPG at village door step in rural and remote areas. While IOCL and HPCL each have two vehicles, BPCL has four. IOCL had made recommendations to the Ministry for allowing RMV to be fabricated and operated by a distributor or a contractor directly. The Committee endorse this recommendation and would like the Government to take decision quickly, Alternatively, each oil company should have at least one RMV for rural population of 25 lakh.

Reply of the Government

Oil Industry are continuoulsy identifying locations for utilizing RMVs wherever new market needs to be developed. However with the setting up of new distributorship in rural and remote markets the utility of RMV is limited. Moreover the existing and proposed distributorships having an area of operation extended upto 15 Kms. radius would be expected to cover rural areas.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 58)

The Committee find that under APM, Same storage point prices are applicable for oil refinery based marketing installations. In the deregulated period the position might change. There is a need to have different prices at different refinery installation depending upon locations. The Committee would like that during the period leading to 31st March, 2002 the differential pricing for storage points at different locations be gradually introduced by OCC to avoid one time sharp rise. After April, 2002 *i.e.* in the deregulated era, the recommendatory selling price may be specified by the regulator on the pattern of maximum retail price specified on a number of general products in the country. However, suitable scheme has to be formulated for supplies to be made in the remote, rural and hilly areas.

Reply of the Government

With the dismantling of the APM effective 1st April 2002, the refinery gate prices or ex-storage point prices would not be determined by the Government. As far as the issue of regulator's intervention in pricing is concerned, the same would be guided by the provisions under the proposed statute on the subject.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 59)

Currently IOCL has the maximum number of refineries followed by HPCL and BPCL having only one refinery at Mumbai. Since no single marketing company has its own source of supply in all parts of the country, in the deregulated market, the PSU Oil Companies will have to tie up their own exchange arrangements to avoid wasteful criss-cross transportation charges and to ensure continuity of supply. The Committee advise the Oil Companies to develop an institutional system in league with OCC or amongst themselves to put in place such system before deregulation begins.

Reply of the Government

The oil marketing companies have entered into a two year agreement with effect from 1st April 2002 covering product exchange and sharing of infrastructure.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

CHAPTER IV

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

Recommendation (Part II, Para No. 20)

In Golden Jubilee Era of Independence, the Government decided to provide retail outlets on highways having Multiple Associated facilities (MAF). These ROs were named as Jubilee Retail Outlets. The Ministry of Petroleum and Natural Gas envisaged at least 51 Jubilee Retail Outlets to begin with as a pilot scheme. The outlets were to be set up and run by the Company on Company Owned Company Operated (COCO) basis and were stipulated to be put up on 5 acre plot. In pursuance of the decision, the Oil Companies established Jubilee Retail Outlets as per the following details and incurred the expenditure as indicated against the name of the company below:—

Name of the Company	Number of Jubilee Outlet	Expenditure Incurred (Rs. in crore)
IOCL	89	217.04
HPCL	46	32.00
BPCL	39	59.57
IBP	53	17.47

The Committee find from these details that whereas IBP spent on an average Rs. 33 lakhs on a Jubilee Retail Outlet, IOC spent Rs. 2.45 Crore for the same type of establishment. Amongst the other Oil Companies also there is wide variation in the expenditure incurred in establishing a Jubilee Retail Outlet. The Committee do not find any rationale in this abnormal wide variation. The Committee, therefore, recommend that the Director (Finance) of IOCL, HPCL and BPCL should conduct special audit of the expenses incurred on setting up Jubilee Retail Outlets and also economics of establishing these Jubilee Retail Outlets to get at the reasons of wide variation and apprise the

Committee of their findings within 3 months. The Committee, thereafter would form their opinion after the receipt of the report.

Reply of the Government

The findings of the Directors (Finance) of the IOCL, the HPCL and the BPCL on the special audit conducted by them of the expenses incurred on setting up Jubilee Retail Outlets (JROs) and the economics of establishing these JROs are enclosed.

[File No. R-37012/3/2002-MC Dt. 25.7.2002]

Comments of the Committee

(Please *see* Para No. 9 of Chapter-I of the Report)

Our Comments:

As per the policy guidelines issued by MOP&NG, *vide* P-43011/1998-IOC dated 31.07.1998, the following are the salient features of Jubilee ROs.

1. These ROs should be developed on relatively large plot of land of the order of 5 acres or so, on the highways. The entire land of the proposed outlets will be under the control of Marketing Company, either through purchase or through long-term lease.
2. The facilities to be provided at Retail Outlets proposed under this scheme will include Secured parking lot, Restaurant/Dhaba, Hygenic Toilets, Bathing and Washing rooms, Rest rooms, Waiting rooms, Recreation facilities, First aid service, Repair facilities, Towing van service, Telephone, STD, ISD, Fax, Mini Shopping Mart, etc.
3. The facilities/amenities developed by the dealer-select will be in line with the norms laid down by the Oil Company.
4. The investment required for the project will range from Rs. 2.5 crores to Rs. 3.00 crores (excluding the cost of land) depending on amenities which will be location specific.

A detailed analysis of expenses incurred by IOC has been carried out with IBP's investment made on JROs. Following is submitted for consideration:

- IBP had spent Rs. 17.47 crore on 53 JROs upto Feb. 2001 i.e. Rs. 33 lakhs per JRO.

- Out of the above 53 JROs of IBP, there is data available on 49 JROs, where expenditure upto March 2002 is Rs. 41.88 crore i.e. Rs. 85.47 lakhs per JRO.

- 86 JROs of IOC were analysed. Total investment on these JROs upto March 2002 is Rs. 189.37 crore i.e. Rs. 220.20 lakhs per JRO.

Still there is difference in cost per JRO between IOC and IBP. Major reasons for the variation are as under:

- The expenditure in case of IBP shall go up in subsequent years, since, IBP has been developing these JROs in phases. Whereas IOC's cost is for completed JROs with envisaged facilities.

- IOC has gone for more direct purchase of land (71 out of 86) as compared to IBP (17 out of 49 sites).

- IOC has put up associated facilities like restaurant/Dhaba, toilets, rest rooms, waiting rooms, STD booths etc. at 46 locations out of total 86 locations (54%), whereas IBP has put up these facilities only at 16 locations out of 49 locations (33%).

- IBP has put up the associated facilities on a very small scale as compared to IOC (per JRO cost of IBP on this account is Rs. 32.34 lakhs as compared to Rs. 133.61 lakhs for IOC).

- There are locations in IBP, where per JRO total cost is about Rs. 2.50 to Rs. 2.77 crores (without land cost).

- IBP seems to have focused only on developing the fuel facilities in the JROs whereas IOC has developed associated facilities also along with fuel facilities.

Therefore, comparison of cost with IBP on Per JRO basis shall not provide proper comparison since, IBP at most of the locations has gone with low level of fuel/non-fuel facilities in initial phase and have taken land on lease basis instead of direct purchase.

On random basis, economics of 10 JROs of IOC has been carried out and it indicates IRR ranging from 12-41%.

BPCL's Report

Analyse reasons for wide variation in expenditure incurred in establishing a Jubilee outlet.

Action Taken Report

The variation in the capital expenditure incurred on Jubilee Retail outlets has been analysed. Essentially, expenditure vary from site to site as investment depends upon the location, prevailing market price of land in that area, which in turn is dependent upon, trading area, competition, national routes, market potential, etc.. The investment also would differ depending on the type of facilities provided and equipment installed at the site.

BPCL have 42 Jubilee Retail Outlets (JROs) as of date of which 39 had been commissioned when the data was given to Standing Committee in 2001.

An expenditure of Rs. 55.48 crores was incurred in putting up these 39 Jubilee Retail Outlets involving an average expenditure of Rs. 1.42 crores.

As recommended by the Standing Committee an analysis of the expenditure incurred on these JROs has been carried out with a view to ascertain the reasons for the variations.

The expenditure for putting up of JROs consists of three main components—Land, Building and Plant/Machinery. The item-wise comments on the variation are as follows—

Land—The expenditure on land in case of BPCL varies from Rs. 7 lakhs to Rs. 1.5 crores. As per the scheme of JROs these are to be set up on large plots of land of area ranging from 2 to 5 acres depending on the requirements of the location and the facilities to be provided. Though the JROs were set up on National Highways, the variation in cost of the land was very extensive depending on the proximity of the location to major town's closeness to commercial areas and other such factors. In view of the above facts like variation in area and valuation of the land, there has been wide variation in the expenditure incurred towards land.

Building—The expenditure incurred on buildings was around Rs. 1 crore on an average. However it varied from Rs. 15 lakhs to Rs. 2.5 crores (only at one location Mathura, the expenditure was around Rs. 4 crores was incurred since specialised facilities like Indian Restaurants, Fast Food Joint and Shopping Centres was provided as it was prominent tourist destination. As per the scheme of JROs the facilities/services that could be provided at such outlets include—

Bathing facilities/toilets	Dhaba & resting areas
Repair facilities	Secured parking
PCO with STD	First aid facilities
Convenience Store	Recreational facilities for Children
Restaurant	Lounge with TV/Magazines

Provisions of the above mentioned facilities was done as per the requirements of the location, availability of space, potential and economics of operation. Also the size and nature of facilities, type of construction varied from location to location depending on the clientele.

The cost of land development also varied in accordance with the size of the plot.

Hence there has been wide variation in the expenditure incurred towards cost of buildings.

Plant and Machinery—The expenditure incurred on Plant and Machinery (Dispensing pumps, tanks etc.) varies from Rs. 5 lakhs to Rs. 70 lakhs. The minimum potential for putting up of JRO was fixed as 250 Kls/month. However, there was a wide variation in the sales/potential and at many of the JROs sales were reaching a level of 1000-1600 Kls/months.

Depending on the sales/potential the number of dispensing pumps/underground tanks at each location was decided upon and provided. Hence in view of wide variation in sales, the quantum of facilities provided at each location varied, thereby the wide variation in expenditure incurred.

HPCL's Report

Special audit/study of the economics of working of the Jubilee, COCO Retail outlets

Recommendation	Analysis
Amongst oil companies, there is a wide variation in the expenditure incurred in establishing a jubilee retail outlet. The Committee did not find any rationale in this abnormal wide variation.	In case of Jubilee Retail outlets HPCL has commissioned 46 nos. at a total expenditure of approximately Rs. 32 crores, (the details are given in attachment I) i.e. average approximately Rs. 70 lakhs per outlet. The investment of Rs. 32 crores represents the cost of land and development of fuel facilities only. Investment on multiple associated facilities has not been included in the above mentioned expenditure of Rs. 32 crores. The Committee had commented that there is a wide variation in expenditure amongst the oil companies in establishing a jubilee retail outlet and therefore requested to furnish the reasons for variations. In case of HPCL, the investments were guided by the potential sales volume of MS & HSD for the second year of operations, projected MAF income and the internal IRR norms i.e. a threshold norm of 15% for investments upto Rs. 1 crore and 20% for investments exceeding Rs. 1 crore. Therefore based on the potential sales volume and MAF income, the investments were restricted to justify reasonable returns.

INVESTMENTS OF JUBILEE OUTLETS

Zone	Jubilee Name	Total Fuel Invest (Rs. in lakhs)
1	2	3
East	Turmunga	57.68
	Podalbahal	77.94
	Girisola	57.54
	Durgapur	111.30
	Khurda	70.22
South	Pudupalayam COCO	124.47
	Narsanapalli COCO	60.80
	Gooty COCO	80.65
	Adilabad COCO	71.00
	Kanchicherla COCO	74.32
	Bayavaram COCO	128.04
	Ravulapalem COCO	72.63
	Ramagundam	15.00
North	Gumjal COCO	80.10
	Nalagarh COCO	89.00
	Bhawanigarh COCO	86.38
	Doomwall COCO	95.15
	Khadawar/Madhopur	90.00
	Pokran	19.34

1	2	3
	Revdhar COCO	210.95
	Sanderao COCO	44.65
	Mandapla COCO	82.51
	Kamlapur COCO	58.35
	Alampur/Sikandra	73.67
	Allahabad Road	74.00
	Raimallkpur COCO	81.04
	Pipliakalan	84.00
	Bar Beawar	69.50
	Rayala Mandala	57.60
	Moradabad	94.00
West	Dahej	59.00
	Tiwri COCO	39.88
	Ashta COCO	65.00
	Satrati COCO	52.23
	Arniapitha COCO	48.22
	Prantij COCO/Oran	125.00
	Chotila COCO	30.00
	Dollya	43.00
	Jamb	71.00
	Mansar	40.00
	Khed COCO	6.17
	Wathar COCO	14.84
	Jeur	64.00
	Saraipall COCO	51.40
	Sitara COCO	55.05
	Sarola	16.00
	Total	3172.62

Recommendation (Part II, Para No. 22)

The Ministry of Petroleum and Natural Gas decided to discontinue with the Jubilee Retail Outlet Scheme with effect from 24th November, 2000 with immediate effect. But still some of the Oil Companies went ahead with the commissioning of the same even after the closing date. Although, the scheme has been discontinued yet the BPCL has introduced another scheme named as One Stop Truck Shops (OSTS). These shops are company controlled. The Committee learn that already 20 such shops have been commissioned at the rate of Rs. 1.15 crore per shop. The BPCL has further stated that the concept in establishing this OSTS is similar to the Jubilee Retailing concept. The Company did not feel that necessity of seeking prior permission from the Ministry as they though that these outlets were very much on the lines of Jubilee Retail Outlets, as such no separate permission was called for. The Committee do not find any rationale in the BPCL submissions. When the Government decided to discontinue the Jubilee scheme, the BPCL should have followed this direction in letter and spirit. The Committee would not like to stop the company in commissioning the new such shops but would surely recommend that the Director (Finance) of the Company should go into the economics audit of expenses incurred on setting up OSTS and also the working of this scheme and apprise the Committee of his findings for further appreciation of the case. The Committee would also like the Government to examine the submissions of BPCL regarding the need to seek their prior permission before launching this scheme in view of the fact that Jubilee scheme was discontinued.

Reply of the Government

The findings of the Director (Finance) of the BPCL after going into the economics, audit of expenses incurred on setting up OSTS and also the working of this scheme, are enclosed.

[File No. R-37012/3/2002-MC Dt. 25.7.2002]

Comments of the Committee

(Please *see* Para No. 12 of Chapter-I of the Report)

BPCL's Report

Analyse economics of setting up of OSTS, Audit of expense and working of this scheme.

Action Taken Report

Building on our experience of running Jubilee Outlets, the 'One Stop Truck Shop' (OSTS) initiative was launched. The offerings at OSTS have been fine tuned taking inputs from the fleet operators and truck drivers and also based on our learning's of Jubilee Outlets. At OSTS the emphasis has been on Quality and Quantity, Emergency Assistance, providing Centralised Payment, Communication and Tracking facilities to the truck operators.

The investment economics in OSTS were line with the Company's policy where by the Internal Rate of Return (IRR) must meet the hurdle rate of 15%. However, in certain cases exceptions were made when it was anticipated that the future growth in fuel trade and allied retail business would be substantial and would meet the IRR norms. Our experience has shown that the sales at OSTS are considerably higher compared to an outlet without these offerings. The sales figures of these outlets for the month of March 2002 are given in the Annexure.

As can be seen from the Annexure, many of the OSTS are performing extremely well with sales above 1000 Kl p.m. The average sales for all OSTSs work out to around 700 Kl per month IRR for an outlet with average level of sales at 700 Kl per month and investment of around Rs. 2 crores meets the hurdle rate of IRR of around 15%. The IRR would be higher or lower depending on the sales volumes and investment levels of the OSTS. It is worth mentioning that only in 3 outlets investment has been higher than Rs. 2 Crores as these included facilities like Fast Food restaurants, Shopping Centres etc. The sales volumes and IRR for these three outlets are as follows:—

	Sales vol.	IRR
Sanganer	1210 KL	17%
Sanchore	1550 KL	23%
Mathura	1500 KL	19%

In conclusion it may be stated that the OSTSs are functioning profitably and the economics are quite attractive with a potential of further increase in sales volume enhancing the return on investment.

Mar.-02

	Location	Territory	Region	Sales Data HSD	Sales Data MS	Sales Data Lubes.
	1	2	3	4	5	6
1.	Adilabad	Warangal	SR	504	4	0.3
2.	Arjun Badoda, Indore	Mangalia	WR	233	15	0.2
3.	Arjunda$	Sambalpur	ER	460	14	0.31
4.	Bangarupalem@	Vijayawada	SR	380	16	1
5.	Banwala	Bhatinda	NR	228	36	0
6.	Bhandara	Bhorkedhi	WR	108	30	0.36
7.	Bichiwada	Udaipur	NR	1304	24	1.5
8.	Dandri Kalan	Jalandhar	NR	855	169	2
9.	Dhobi, Gaya	Patna	ER	528	12	0.7
10.	Dhone	Cheriapalli	SR	456	12	0.85
11.	Govindpur$	Sambalpur	ER	385	12	0.47
12.	Gurdaspur	Jalandhar	NR	193	88	2.5
13.	Halvad	Kandla	WR	772	60	1
14.	Kannevalasa	Vizag	SR	1041	17	1.8
15.	Karur	Sankari	SR	201	34	0.5
16.	Madukkarai, Coimbatore	Coimbatore	SR	1346	56	1
17.	Malwan	Panki	NR	783	56	1

1		2	3	4	5	6
18.	Manakahani, Balasore	Cuttuck	ER	248	23	0.36
19.	Mango Tata Nagar	Tata Nagar	ER	683	9	0.85
20.	Martur	Vijayawada	SR	684	34	0.2
21.	Mathura	Mathura	NR	1322	175	3
22.	Mirzapur	Mugalsarai	ER	546	23	0.5
23.	Navani Namakal*	Sankari	SR	324	49	1
24.	Padga	Sewree	WR	1130	48	2
25.	Polyreddypalem	Vijayawada	SR	672	8	0.65
26.	Purnia	Barauni	ER	368	36	0.2
27.	Rajanagaram	Rajamundary	SR	508	47	1.55
28.	Reddygunta@	Vijayawada	SR	600	28	1
29.	Sanchore	Salawas	NR	1537	15	1.8
30.	Sanganer	Sanganeer	NR	1114	97	1.3
31.	Sewree	Sewree	WR	372	128	2.75
32.	Sira	Devangonthi	SR	691	29	1
33.	Soyla	Salawas	NR	213	15	2.25
34.	Surareddypalem (Ongole)	Vijayawada	SR	1524	52	1.5
35.	Ulberia	Calcutta	ER	1548	26	1.5
36.	Valasamudram, Tuticorin	Tirunelveli	SR	848	8	1.8
	Average Volume			686.4	41.8	1.1
	Total Volume			24709	1505	40.7

Recommendation (Part II, Para No. 23)

COCO and Jubilee Retail Outlets are operated through contractual labour as per guidelines given by the Ministry. The contractor's selection is done through interviews, conducted by a Committee through a system of evaluation adopted by the Oil Companies. The Committee recommend that an institutional system aiming at transparency be developed for the appointment of contractors.

Reply of the Government

The Government is in the process of examining the methodology for putting in place a regular, uniform and transparent system for selection of labour contractors by the oil marketing companies for their COCO and Jubilee Retail Outlets in the context of deregulation with effect from 1.4.2002, the proposed divestment of Government equity in HPCL and BPCL and the competition that is likely to arise in oil sector in India from private sector and multinational oil sector companies.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Comments of the Committee

(Please *see* Para No. 15 of Chapter-I of the Report)

Recommendation (Part II, Para No. 24)

The Committee find that the Oil Companies operate their Jubilee and COCO Retail Outlets on contractual basis and the per kilolitre cost of operation is as under:—

Company	Charges
IOCL	Rs. 373.42 on MS and Rs. 191.83 on HSD
BPCL	Rs. 424.00
HPCL	Rs. 294.64 to Rs. 2309.28 Varying from State to State.
IBP	Rs. 384.02

The Committee were further apprised that an expenditure of approximately Rs. 45 lakhs each, is incurred in developing a COCO and 'A' category outlet. In addition to this, an amount of Rs. 30 lakh is spent for upgradation and modernisation of these types of outlets. No time frame is fixed for incurring expenses for periodical maintenance of this type of outlet. However, the net profit per kilolitre on MS, HSD sold through Jubilee and COCO ROs as per the Company's report varies from Rs. 25 per kilolitre to Rs. 67 per kilolitre. The Committee do not have exact figure regarding amount of profit being earned from COCO outlet but on the basis of the average profits as intimated by the Oil Companies gather the impression that operation of these type of outlets is economically not sound. The Committee would like Director (Finance) of HPCL to carry out a study about the economics of working of Jubilee, COCO Retail Outlets. In Committee's assessment, the net returns on investment should be 18%. Director (Finance) HPCL while conducting a study should take into account all sorts of input coasts while calculating the average net profit and net returns. The study should also look into the volume of expenses being incurred on upgradation and modernisation and returns on these investments and devise policy guidelines including periodicity of maintenance in this regard.

Reply of the Government

The Study Report of the Director (Finance) of the HPCL about the economics of working of its Jubilee and COCO retail outlets, volume of expenses being incurred on upgradation and modernisation and returns on these investments, etc., is enclosed.

[File No. R-37012/3/2002-MC Dt. 25.7.2002]

Comments of the Committee

(Please *see* Para No. 18 of Chapter-I of the Report)

HPCL's Report

	Recommendation	Analysis
	1	2
(i)	The per kl. cost of operation of the Jubilee and COCO outlets is Rs. 294.64 to Rs. 2309.28 varying from State to State in case of HPCL	The Cost per kl. of operation submitted to the standing committee as of September 2001 includes fixed assets cost per kl. (details given in attachment

1	2
	(II). The abnormally high costs are in cases where either the facilities have been recently commissioned or not fully commissioned. Thus the per kl. costs seem abnormally high where commensurate sales volume have not yet been achieved to cover the fixed assets costs. In order to assess the actual operating costs, we excluded the fixed asset cost per kl. and observed that this revised operating costs works out to average Rs. 456/kl. (details in attachment III). It is also observed that there is no large variation between the least cost and the highest cost of operation per kl. Further studies were conducted to work out the cost per kl. as of December 2001 and it is found that the actual operating cost per kl. for ROs visited at random, has improved to average Rs. 339/kl. (details as per attachment IV). It may not be out of place to mention here that the fixed assets includes a major expenditure on land which has been procured for operation of fuel as well as non fuel activities.
(ii) Approximately Rs. 45 lakhs each is incurred in developing a COCO and 'A' category outlet. Additionally an amount of Rs. 30 lakhs is spent for upgradation and modernisation of these outlets.	Our studies reveal that an average investment for a COCO and 'A' category outlets is approximately Rs. 30 Lakhs. Since all COCOs are new and commissioned in the recent past, no further investment on modernisation and upgradation is required. However, additional investment on canopy etc. is done only after satisfactory sales volume have been achieved.

1	2
(iii) No time frame is fixed for incurring expenses for periodic maintenance of these type of outlets.	All the repairs and maintenance at the retail outlets are on an ongoing basis. Since the outlets are commissioned in the recent past, our study reveals that the repairs and maintenance cost is low.
(iv) The net profit on MS & HSD varies from Rs. 25/kl. to Rs. 67/kl.	The profitability for jubilees and COCOs has been worked out as of December 2001 (the details are given in attachment V). For HPCL, it is observed that the average net profit for combined sales volume MS & HSD is Rs. 234/kl.
(v) To carry out a study about the economics of the working of the Jubilee/COCO Retail outlets taking into account all input costs while calculating the average net profits and net returns.	In order to assess the net returns on investments, the study was carried out of profitability and investments and we observe that our investments yields an average annualised return of 15.40% (details given in attachment VI).

Conclusion.

(1) The Investments for the Jubilee/COCO Retail outlets are done in line with the Retail Investment policy of HPCL which is based on the IRR norms as follows:

(a) Investments beyond Rs. 1 crore should yield an IRR of atleast 20%.

(b) Investments upto Rs. 1 crore should yield an IRR of atleast 15%.

(2) The Investments for Modernisation and upgradation is also done in line with the laid down policy of HPCL as follows:

(a) The outlet should be situated in high visibility and high potential trading area so that incremental volumes justify high investment.

(b) The investments for following basic facilities are made for COCO/jubilee outlets:—

(i) Salesroom and banded facial.

(ii) Compound walls.

(iii) Dispensing pumps, Service station tanks, pipelines.

(iv) Driveways and lighting.

(v) HP ID sign and hoardings.

(3) The maintenance of these outlets is an ongoing process. While some of the assets are maintenance free for initial year *e.g.* Salesroom, driveway, Compound wall etc., for the other equipments like dispensing units there are regular maintenance contracts awarded to manufacturers and others to ensure proper functioning of the enquipments.

(4) The Return on Investment for HPCL is 15.4% (annualised). This may improve as and when the sales volumes reach its full potential and all the Multi Associated Facilities are fully functional.

In conclusion it may said that the Jubilee/COCO Retail outlets are functioning profitably, the sales volumes and returns on investment will further improve when the outlet is fully established.

OPERATING COSTS OF COCO & JUBILEE OUTLETS AS OF SEPTEMBER 2001

(Figures in Rs./kl)

States	Wages & Salaries	Cost of ELE/ Stock Loss & Others	Cost of Working Capital	Fixed Asset Cost	Total
Orissa	112.53	129.37	66.43	509.94	818.27
West Bengal	151.32	180.14	83.63	817.36	1232.45
Bihar	85.78	259.98	80.69	706.93	1133.38
Jharkhand	135.68	260.22	94.53	707.00	1197.43
Uttar Pradesh	389.67	213.05	114.04	703.88	1420.64
NCT Delhi	179.80	247.83	97.24	704.00	1228.87
Rajasthan	215.95	108.85	101.91	275.62	702.33
Jammu & Kashmir	121.63	112.49	76.33	121.15	431.60
Haryana	123.81	118.87	249.21	116.48	608.37
Punjab	145.58	187.39	85.32	246.83	665.12
Karnataka	74.98	156.50	105.31	58.01	394.78
Kerala	117.66	178.84	95.17	316.90	708.57
Tamil Nadu	135.61	216.77	95.30	155.48	603.14
Andhra Pradesh	88.08	271.02	85.55	288.20	732.85
Maharashtra	137.49	227.02	82.49	487.60	934.60
Gujarat	52.86	202.70	75.98	1977.74	2309.28
Madhya Pradesh	134.77	222.17	77.67	371.66	806.27
Chhattisgarh	89.66	176.61	69.47	408.51	744.25
Goa	57.08	146.18	88.62	22.76	294.64

OPERATING COSTS OF COCO & JUBILEE OUTLETS (EXCLUDING FIXED ASSETS) AS OF SEPTEMBER 2001

(Figures in Rs./kl)

States	Wages & Salaries	Cost of ELE/ Stock Loss & Others	Cost of Working Capital	Total cost of Operation A	No. of Outlets B	(A*B)
Orissa	112.53	129.37	66.43	308.33	4	1233
West Bengal	151.32	180.14	83.63	415.09	1	415
Bihar	85.78	259.98	80.69	426.45	2	853
Jharkhand	135.68	260.22	94.53	490.43	2	981
Uttar Pradesh	389.67	213.05	114.04	716.76	17	12185
NCT Delhi	179.80	247.83	97.24	524.87	18	9448
Rajasthan	215.95	108.85	101.91	426.71	11	4694
Jammu & Kashmir	121.63	112.49	76.33	310.45	2	621
Haryana	123.81	118.87	249.21	491.89	2	984
Punjab	145.58	187.39	85.32	418.29	3	1255
Karnataka	74.96	156.50	105.31	336.77	13	4378
Kerala	117.66	178.84	95.17	391.67	6	2350
Tamil Nadu	135.61	216.77	95.30	447.68	15	6715
Andhra Pradesh	88.08	271.02	85.55	444.65	26	1151
Maharashtra	137.49	227.02	82.49	447.00	8	3576
Gujarat	52.86	202.70	75.98	331.54	10	3315
Madhya Pradesh	134.77	222.17	77.67	434.61	5	2173
Chhattisgarh	89.66	176.61	69.47	335.74	3	1007
Goa	57.08	146.18	68.62	271.88	1	272
Total					149	68016
Average actual operating cost per kl						456

COST RS. PER KL FOR JUBILEE/COCO OUTLETS AS OF DECEMBER 2001

RO Name	Total Sales (MS/HSD) (kl) (Rs. In lakhs)	Remuneration/ Wages/Salaries	Cost of elect/stock loss/oth. exp.	Cost of Working capital	Total Expenses	Cost (Rs/kl)
Vashi	11506	19.73	30.50	5.47	55.70	484
Mumbai	4710	9.27	10.90	4.23	24.39	518
Raipur	5030	5.93	7.51	1.64	15.09	300
Nagpur	2305	6.25	5.30	0.00	11.55	501
Secunderb	16794	22.59	30.09	3.38	56.06	334
Vijaywada	18552	20.81	24.94	2.21	47.96	259
Visakh	10055	13.57	18.49	2.66	34.73	345
Pune	7748	11.02	15.73	2.15	28.90	373
Jodhpur	33312	38.67	47.33	11.30	97.31	292
Indore	3919	4.64	5.01	0.00	9.65	246
Bhopal	3525	5.80	6.24	0.25	12.30	349
Lucknow	4450	8.97	9.42	1.57	19.95	448
Totals	121906	167.25	211.47	34.86	413.58	339

NET PROFIT RS. PER KL FOR JUBILEE/COCO OUTLETS AS OF DECEMBER 2001

RO Name	Total Sales MS/HSD (kl)	Gross Earnings	Remuneration/ Wages/Salaries	Cost of elect/stock loss/oth exp.	Cost of Working capital	Net profit	Net Profit (Rs. per kl)
		(Rs. in lakhs)					
Vashi	11506	83.47	19.73	30.50	5.47	27.78	241
Mumbai	4710	31.08	9.27	10.90	4.23	6.69	142
Raipur	5030	28.70	5.93	7.51	1.64	13.61	271
Nagpur	2305	13.57	6.25	5.30	0.00	2.02	87
Secunderb	16794	86.45	22.59	30.09	3.38	30.39	181
Vijaywada	18552	100.40	20.81	24.94	2.21	52.44	283
Visakh	10055	53.62	13.57	18.49	2.66	18.89	188
Pune	7748	48.30	11.02	15.73	2.15	19.40	250
Jodhpur	33312	187.21	38.67	47.33	11.30	89.90	270
Indore	3919	21.71	4.64	5.01	0.00	12.06	308
Bhopal	3525	18.82	5.80	6.24	0.25	6.52	185
Lucknow	4450	25.31	8.97	9.42	1.57	5.36	120
Totals	121906	698.65	167.25	211.47	34.86	285.06	234

ATTACHMENT-VI

RETURN ON INVESTMENT FOR JUBILEES/COCO OUTLETS AS OF DECEMBER 2001

RO Name	Total Sales (kl)	Gross Earnings	Remuneration/ Wages/ Salaries	Cost of elect/stock loss/oth exp.	Cost of Working capital	Net profit	Actual Investment	Return on Investment % A	No. of Outlets B	(A*B)
				(Rs. in lakhs)						
Vashi	11506	83.47	19.73	30.50	5.47	27.78	999.63	2.78	5	13.89
Mumbai	4710	31.08	9.27	10.90	4.23	6.69	61.70	10.84	3	32.53
Raipur	5030	28.70	5.93	7.51	1.64	13.61	155.45	8.76	3	26.27
Nagpur	2305	13.57	6.25	5.30	0.00	2.02	93.48	2.16	3	6.47
Secunderb	16794	86.45	22.59	30.09	3.38	30.39	258.94	11.74	9	105.62
Vijaywada	18552	100.40	20.81	24.94	2.21	52.44	247.53	21.18	11	233.03
Visakh	10055	53.62	13.57	18.49	2.66	18.89	402.92	4.69	9	42.20
Pune	7748	48.30	11.02	15.73	2.15	19.40	62.34	31.12	4	124.49
Jodhpur	33312	187.21	38.67	47.33	11.30	89.90	736.32	12.21	13	158.73
Indore	3919	21.71	4.64	5.01	0.00	12.06	104.21	11.58	2	23.15
Bhopal	3525	18.82	5.80	6.24	0.25	6.52	102.64	6.35	3	19.06
Lucknow	4450	25.31	8.97	9.42	1.57	5.36	184.17	2.91	4	11.63
Totals	121906	698.65	167.25	211.47	34.86	285.08	3409.32	—	89	797.09
Return on Investment (Annualised)%										15.40

Recommendation (Part II, Para No. 25)

Oil companies operate mainly 3 types of retail outlets—'A', 'B' and 'C' types of outlets. In case of 'A' type of sites, movable and immovable assets are owned by Company whereas in case of 'B' sites only the movable facilities like pump, tank, etc. are owned by the Company. In case of 'C' sites, all movable and immovable assets are owned by the dealer. As of now, the IOC has 36% of 'A' type of retail outlets whereas HPCL has 56% and BPCL 59%. The Committee have the apprehension that in the deregulated era, the private companies can lure away the 'B', 'C', type of retail outlets to their network. The Committee, therefore, recommend that the Oil Companies should set a target to convert 'B' type of targets into 'A' target and within the next 3 years all companies should have 75% of their retail outlets as 'A' category. The Oil Companies should examine the possibility of offering 'B' site dealers such types of guarantees which they desire to protect their interests before converting their outlets into 'A' sities. The agreement may *inter-alia* include the provision that the site of dealer after the expiry period shall be returned to him and the new agreement shall be executed purely on commercial terms.

Reply of the Gqvernment

After the Government had decided to dismantle the APM in a phased manner and to allow the private players enter the retail marketing, the oil companies had strategically decided to convert high potential 'B' & 'C' types of outlets to 'A' type outlets in order to have control on the site. Each oil company has its own target for such conversions and it will be their endeavour to carry out maximum conversions depending upon the economics/commercial viability of the same.

As regards offer of guarantee to 'B' site dealers, oil companies, after conversion, invest suitable amounts towards modernisation of the outlets, which results in increased sales and resultant profit to the dealers. Also, due care is taken to protect their interest.

As regards return of the site to the dealer, dealerships are operated by the dealers lifelong. As such, their interest is automatically protected. The sites are either purchased or taken on long lease and the period of agreement, after its expirty, is extended on mutually agreed terms.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Comments of the Committee

(Please *see* Para No. 21 of Chapter-I of the Report)

Recommendation (Part II, Para No. 30)

Currently, domestic LPG (marketed by oil PSUs) is under Administrative Price Mechanism but is schedule to be deregulated w.e.f. 1st April, 2002. However, Government propose to continue subsidizing 15% of the cost of the domestic LPG even after deregulation. The Committee find that the domestic LPG cylinder are diverted for non-domestic use. The wide price difference between domestic and non-domestic LPG cylinder is temptation for non-domestic use. Although, the Oil Companies in their report have intimated that there are very few cases of non-domestic use but the Committee are not convinced with their version. During that last 3 years, the IOCL detected 346 cases whereas HPCL has detected only 33 cases. Surprisingly in the special drive conducted in 1998, 61862 domestic LPG cylinder were found diverted. The Committee would, therefore, like the Oil Companies to strengthen their inspection system to ensure that LPG cylinder meant for domestic use are not diverted for some commercial use. For this purpose they may like revise the prevailing guidelines.

Reply of the Government

LPG distributors are inspected periodically as well as surprise checks are also made by the officials of Oil Marketing Companies (OMCs) where in all aspects of operation of the agency including possible diversion of refills are checked by way of making refill audits. With assistance of the State Government commercial establishments are raided to detect possible use of domestic cylinder by commercial establishments Committee's concern are noted and accordingly the OMCs are being instructed.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Comments of the Committee

(Please *see* Para No. 24 of Chapter-I of the Report)

Recommendation (Part II, Para No. 33)

The Committee found that an amount of Rs. 7527.37 crore was lying with the Oil Companies as security amount received from customers for issuing LPG cylinders and equipment. This accumulated amount is taken as part of overall cash in-flow and out-flows of the Oil Companies and exact usage of this amount is not identified. The Committee find this amount as a considerable one and would recommend that the Oil Companies should utilise this amount exclusively for the customers cause, such as increasing the insurance cover, etc., etc.

Reply of the Government

The security amount received from the customers is used by the oil companies for purchasing the cylinders. With a recent reduction in the cost of procurement of cylinders, the security deposit on LPG cylinder for new connections was reduced from Rs. 900/cylinder to Rs. 700/cylinder with effect from 1st February 2002. Adequate insurance cover has already been taken by the Oil Industry for giving relief to persons sustaining injury or suffering damage to property arising out of LPG accidents. For every customer enrolled by the Oil Industry, provision has to be made for cylinders under repairs, under statutory testing, in transit and in the bottling plants. Thus, the benefit of reduced procurement cost was passed on to the customers.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Comments of the Committee

(Please *see* Para No. 27 of Chapter-I of the Report)

Recommendation (Part II, Para No. 35)

The Committee learn that some private companies/company were indulging in parallel marketing violating the statutory orders. The Committee are of the opinion that deliberate violation of statutory orders is not at all a business activity ethical or unethical but simply a challenge to Government authority. The Committee have taken serious note of the submission made by the Ministry with regard to indulgence in parallel marketing and also of Director (Marketing), BPCL. The Committee regret to note that no action has been taken against the violators and the Government has simply passed on the burden to

State Government. The Committee feel that Government have not done its duty in this case and recommend that it should be strict with violators and penalise them. Wherever the action on the part of State Government should monitor the progress to ensure that the guilty is brought to justice.

Reply of the Government

The Committee's concerns are noted and instructions to Oil Marketing Companies are also being to take action as per the provisions of the Control Order and the Ministry would also monitor.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Comments of the Committee

(Please *see* Para No. 30 of Chapter-I of the Report)

Recommendation (Part II, Para No. 37)

With an aim to identify the genuine dealer, the Committee also recommend that it should be made mandatory for each dealer to mention his/her name at a prominent place in Retail Outlet/LPG Distributorship in bold and identifiable letters in national and local languages. In addition to this, if the dealership has been allotted under any reserved category, it should also be mentioned along with the name.

Reply of the Government

For Retail Outlets, Field Offices have already been advised by their respective Oil Companies that the name of the Dealer should be prominently displayed at the Retail Outlet. It has also been advised that if the dealership has been allotted under any reserved category, the same should also be mentioned along with his name. The instructions are being reiterated.

For LPG distributorships also, instructions are being issued to display the name of the proprietor conspicuously in the showroom to identify benami operation of LPG distributorship. Necessary instructions will also be issued for affixing the photograph of the Proprietor on the LPG distributorship agreement to identify benami operation during the periodic inspection of the Distributorship.

As regards, the display of Category under which the LPG Distributorship/Retail Outlet dealership has been appointed, the Industry is of the opinion that it would not serve the desired purpose.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Comments of the Committee

(Please *see* Para No. 33 of Chapter-I of the Report)

Recommendation (Part II, Para No. 45)

The Committee are glad to note that officials of Oil Companies are in contact with Cooperative Banks in the States to extend loan facilities to the rural customers to enable them to have LPG connections. The Committee recommend that Ministry of Petroleum & Natural Gas should approach NABARD, Ministry of Poverty Alleviation and also Ministry of Rural Development to prepare schemes to enable Oil Companies to expand their network in interiors and give soft loans to the people to subscribe LPG connections.

Reply of the Government

Oil Marketing Companies have been allowed to market 5 Kg. cylinders for domestic purposes to meet the requirement of low income customers of rural/hilly areas. Taking note of the recommendation of the Committee, Ministry of Petroleum & Natural Gas would also request the Ministry of Rural Development and Ministry of Poverty Alleviation.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Comments of the Committee

(Please *see* Para No. 36 of Chapter-I of the Report)

Recommendation (Part II, Para No. 46)

To ensure all time availability of LPG cylinders in far flung areas, distributors should be permitted, rather prompted to set up number of sub-distributorships in their area of operation. The Committee would like that even the grocery shops in villages be allowed to store/keep minimum number of Cylinders in their shops just like other salable items with full safety requirements. The Ministry should examine the possibility of marketing 5 Kg. cylinders through fair price shops. For this relevant acts may be amended.

Reply of the Government

At present, opening of sub-distributorships are not being allowed by the Government in order to maintain the sanctity of marketing plans prepared by Oil marketing Companies. Opening of sub-distributorships by the existing distributors may lead to the erosion of the market for the planned distributorships which may lead to the further complication like Court cases etc. Further, Explosives rules also do not allow the storage of more than seven cylinders at a particular place in view of the safety hazards associated with the LPG which is a highly inflammable product.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Comments of the Committee

(Please *see* Para No. 39 of Chapter-I of the Report)

Recommendation (Part II, Para No. 50)

The Committee note that during special drive in 1998, out of 1364 Retail Outlets inspected 323 No. of cases of short delivery were detected *i.e.* about 25% cases were of short delivery. The Committee view this situation very alarming. The Committee desire that Company's sales officer should check the RO's dispensers periodically and formally certify their correctness. Sales officers checking staff should be trained in checking the accuracy of dispensing units as per provisions and methods of Weights and Measurement Department, petroleum rules. Cases of short delivery have also been found at depots and terminals. The calibrated tower must be calibrated with the same standard as is available at RO for checking the accuracy of delivery at RO.

Reply of the Government

Delivery through the Dispensing Units is checked by the Field Officers/other Officers during their inspection. The findings are also recorded in the Inspection Report. As and when any irregularity is detected, immediate action is taken as per Marketing Discipline Guidelines and/or Dealership Agreement. Customers are also authorised to check the delivery of the Dispensing Units and if they observe any discrepancy, they can bring it to the notice of concerned Officer for necessary action.

Calibration Towers at the depots and terminals for calibration/re-calibration of tank trucks are certified by Weights and Measures Authorities. Further, the Industry is progressively moving to filling of the tank trucks through calibrated electronic flowmeters and the conventional dip-rods are being dispensed with. These measures are expected to improve the accuracy of correct loading of the tank trucks at the POL depots and terminals.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Comments of the Committee

(Please *see* Para No. 42 of Chapter-I of the Report)

Recommendation (Part II, Para No. 54)

The Committee find that there are various Acts, statutory provisions, guidelines, aiming at quality and quantity control. Various types of agencies are involved in implementing the controlling measures with the result that the enforcement authorities are often confused with regard to their sphere of power and sometimes these authorities allegedly even transgress their jurisdiction. The Committee have the impression that Oil Industry enforcement staff very often face difficulty in collecting samples of short supply (under-weighing) as the dealers insist that this activity falls under the jurisdiction of Weights and Measures Department. The different Ministries/Departments in the Central Government issue circulars from time to time guiding the agencies to act in accordance with the prescribed rules and procedures. Reference in this context is invited to Government of India letter No. P-21025/2/95-Dist., dated 12th September, 1996 and WM 8 (1) 198, dated 22nd October, 2001 enclosed as Annexure-6 and 7 respectively. The Committee are of the opinion that dispensing of Petrol, HSD etc. etc. should be regarded as an integral part of retailing and all related activities be monitored centrally. The Committee would therefore, recommend to the Government to constitute an expert study to go into the whole gamut of all the existing regulations, guidelines and statutory provisions and explore the possibility of issuing compact order, implementable by one agency. The Government may revise the existing Marketing Guidelines accordingly after this study is completed.

Reply of the Government

Committee's recommendation has been noted.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Comments of the Committee

(Please *see* Para No. 45 of Chapter-I of the Report)

Recommendation (Part II, Para No. 55)

The Government has taken policy decision in November, 1997 that the Administered Price Mechanism would be dismantled *w.e.f* 1st April, 2002. The Finance Minister in the next year's budget may announce some fiscal measures before the actual implementation of this decision. The Committee have full confidence in the competitive strength of the PSU Oil Companies that they would compete in the new deregulated era successfully but for that, level playing field is required which the Government can only provide by legislation or by regulation. One of the area demanding the attention of the Government is the economics of the North-East refineries. These refineries are very small and do not have the minimum scale of economy. The crude production in North-East is of the order of 5.5 MMTPA against the refining capacity of 7 MMTPA. Since the demand in North-East is much less than the refining capacity, most of the refined products have to be moved out of the North-East over long distances to centres of demand. Given the surplus product situation in the country and more competitive sources of supply within the country, these refineries cannot dispose off their product without incurring huge losses. The Committee, therefore, recommend that special fiscal measures such as freight subsidy, transport subsidy, etc. etc. be given to these refineries till the consumption/demand in these area rise to the extent of the production capacity of the refineries.

Reply of the Government

With effect from 1st March 2002, 50% excise duty concession on the products of the north-east refineries has been provided. As regards providing other concessions to these refineries, the matter is under the consideration of the Government.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Comments of the Committee

(Please *see* Para No. 48 of Chapter-I of the Report)

Recommendation (Part II, Para No. 60)

The different States have a different set of taxes applicable to refining as well as marketing. The Committee would like that the Central Government should impress upon the States to have uniform type of taxation on petroleum products so that the private companies may not be tempted to market only in those States where they find the taxation less.

Reply of the Government

With the intervention of Ministry of Finance, the States have agreed to adopt uniform floor rates of sales tax in respect of certain commodities including petroleum products. However, there is no agreement on the ceiling rates, which vary from State to State. The Ministry of Petroleum & Natural Gas has taken up the issue of irrecoverable state taxes with the concerned State governments and has impressed upon these States to do away with irrecoverable taxes and, if required, effect an appropriate increase in the sales tax rates to maintain revenue neutrality.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Comments of the Committee

(Please *see* Para No. 51 of Chapter-I of the Report)

CHAPTER V

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

Recommendation (Part II, Para No. 11)

The Committee would like the Ministry of Petroleum & Natural Gas and also the Oil Companies to examine the proposal of Railways offering their land for right of use running nearby their rail tracks. In the Committee's view, Oil Companies/Petronet India Limited should seize this opportunity as land nearby railway track for laying pipelines is more safe than somewhere else.

Reply of the Government

As recommended by the Committee, Oil Companies/Petronet India Limited have been asked to get in touch with the Railways for doing the needful.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 41)

The Committee have special concern for poor people living in the areas where kerosene is the only kind of fuel for their daily needs. Kerosene is made available to them through public distribution system. The Committee recommend that Oil Companies should provide exclusive Kerosene depots in the interior markets for effectively meeting Kerosene needs of rural population.

Reply of the Government

The existing infrastructure facilities of the State Governments may be utilised by the oil companies. A request for this and also for involving their bodies such as Civil Supplies Corporations, etc., will be made to the State Governments.

[File No. R-37012/3/2002-MC Dt. 30.4.2002]

Recommendation (Part II, Para No. 51)

The dealers receive MS and HSD from the nationalised Oil Companies through tanker trucks after verifying the quantity by dip measurement. The dealers have alleged that Oil Companies discriminate on the issue of reference temperature and ambient temperature between retailers and COCO outlets. This issue is pending long for resolution although the Ministry while revising dealer's commission recently has tried to address this also yet there is need to examine this aspect further. The Committee recommend that this issue should also be referred to the REGULATOR for indepth examination whose institution has been recommended earlier in some other context.

Reply of the Government

This issue was looked into by a Committee constituted under the Chairmanship of Executive Director of OCC. This Committee had not recommended any change in the current system. The recommendations of this Committee are presently under the consideration of the Government.

[File No. R-37012/3/2002-MC, Dt. 30.4.2002]

Recommendation (Part II, Para No. 57)

The Public Sector Oil Companies here subjected to scrutiny at multi-level, which are not applicable to private sector companies. There are number of administrative orders of the Ministry of Petroleum and Natural Gas which are only followed by PSU Oil Companies. The private companies are supposed to have a field of their own choice. The Committee would like that PSU Oil Companies also enjoy the same type of autonomy as the Private Oil Companies do. The Committee would like the Government to review all the existing statutory requirements, guiding principles so as to govern less and less. The Government should enable the PSU Oil Companies to take their decisions instant.

Reply of the Government

The recommendations of the Committee have been noted. Further autonomy will be considered in the light of the dismantled APM regime.

[File No. R-37012/3/2002-MC, Dt. 30.4.2002]

NEW DELHI,
August 19, 2003
Sravana 28, 1925 *(Saka)*

MULAYAM SINGH YADAV,
Chairman,
Standing Committee on
Petroleum & Chemicals.

APPENDIX I

MINUTES

SUB-COMMITTEE ON PETROLEUM

A SUB-COMMITTEE OF THE

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2003)

Ninth Sitting
(13.08.2003)

The Sub-Committee sat from 1500 hrs. to 1700 hrs.

PRESENT

Shri Prabhunath Singh — *In the Chair*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Smt. Sheela Gautam
4. Shri Bijoy Handique
5. Shri Ram Sajivan

Rajya Sabha

6. Shri Rajiv Ranjan Singh 'Lalan'

SECRETARIAT

1. Shri J.N. Oberoi — *Officer on Special Duty*

Representatives of Government of Uttar Pradesh

1. Shri D.S. Bagga — Chief Secretary
2. Shri P.K. Mishra — Principal Secretary, Food & Civil Supplies

3. Shri N.K. Chowdhary	—	Special Secretary, Food & Civil Supplies
4. Shri V.K. Srivastava	—	Controller, Weight & Measures

Representatives of Government of Bihar

1. Shri Shishir Sinha	—	Secretary, Food, Supply and Commerce Department

In the absence of Hon'ble Convenor of the Sub-Committee on Petroleum, Members chose Shri Prabhunath Singh to act as Convenor in terms of Rule 258 (3) of Rules of Procedure and Conduct of Business in Lok Sabha.

2. The meeting was divided in two parts. In the first part, the Sub-Committee considered two draft Reports namely:—

(i) ** ** ** **

** ** ** **

(ii) Action Taken by the Government on the recommendations contained in the Twenty-Third Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on 'Marketing and Distribution of Petroleum Products with special reference to rural and hilly areas';

After a brief discussion, the Sub-Committee adopted these reports and authorised the Convenor to present these Reports to Hon'ble Chairman for placing before the full Committee for consideration and adoption.

3. ** ** ** **

** ** ** **

4. ** ** ** **

The Sub-Committee then adjourned.

**Matters not related to this Report.

APPENDIX II

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS
(2003)

Seventh Sitting
(19.08.2003)

The Committee sat from 10.00 hrs. to 10.30 hrs.

PRESENT

Shri Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Dr. (Smt.) Suguna Kumari Chellamella
3. Shri Khagen Das
4. Shri Harpal Singh Sathi
5. Shri Paban Singh Ghatowar
6. Shri Bijoy Handique
7. Shri Shriprakash Jaiswal
8. Shri Punnulal Mohale
9. Shri P. Mohan
10. Shri Ashok N. Mohol
11. Dr. Debendra Pradhan
12. Shri Ram Sajivan
13. Dr. (Smt.) V. Saroja
14. Dr. Ramesh Chand Tomar
15. Shri Prabhunath Singh
16. Dr. Ram Lakhan Singh
17. Shri A.K.S. Vijayan

Rajya Sabha

18. Shri Balkavi Bairagi
19. Shri Ram Nath Kovind
20. Shri Anil Kumar
21. Shri Kripal Parmar
22. Shri V.V. Raghavan
23. Ms. Mabel Rebello
24. Shri Thanga Tamilselvan

SECRETARIAT

1. Shri P.K. Grover	—	*Director*
2. Shri J.N. Oberoi	—	*Officer on Special Duty*
3. Dr. Ram Raj Rai	—	*Assistant Director*

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting and explained the purpose of the day's meeting.

3. Thereafter, he invited the Members to give their suggestions, if any, on the following draft Reports being considered for adoption:—

(i) * * * * *

(ii) * * * * *

(iii) Forty-Seventh Report on action taken by Government on the recommendations contained in the Twenty-Third Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on 'Marketing and Distribution of Petroleum Products with special reference to Rural and Hilly Areas';

(iv) * * * * *

(v) * * * * *

(vi) * * * * *

(vii) * * * * *

4. After some consideration, the Committee adopted the Reports subject to minor modifications.

5. The Committee, thereafter, authorised the Chairman to finalise the Reports after factual verification from the concerned Ministries/ Departments and present them to the Parliament.

6. The Committee placed on record their appreciation of the work done by all the Sub-Committees of the Standing Committee on Petroleum & Chemicals.

7. The Committee also placed on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

8. * * * * *

The Committee then adjourned

---

*Matter not related to this Reports.

APPENDIX III

COMPOSITION OF STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

Shri Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Shri Ramchander Bainda
4. Shri Ananda Mohan Biswas
5. Shri Ajay Singh Chautala
6. Dr. (Smt.) C. Suguna Kumari
7. Shri Padam Sen Choudhary
8. Shri T.T.V. Dhinakaran
9. Shri Dilipkumar Mansukhlal Gandhi
10. Shrimati Sheela Gautam
11. Shri Pawan Singh Ghatowar
12. Shri Bijoy Krishna Handique
13. Shri Shriprakash Jaiswal
14. Shrimati Nivedita Mane
15. Shri Punnulal Mohale
16. Shri P. Mohan

*17. Dr. Debendra Pradhan

18. Shri Mohan Rawale
19. Dr. Bikram Sarkar
20. Shri Shyama Charan Shukla
21. Shrimati Kanti Singh
22. Shri Prabhunath Singh
23. Shri D.C. Srikantappa
24. Dr. Ramesh Chandra Tomar
25. Shri Tarlochan Singh Tur
26. Shri Shankersinh Vaghela
27. Shri Ratilal Kalidas Varma
28. Shri B. Venkateshwarlu
29. Shri Rajesh Verma
30. Dr. Girija Vyas

---

*Nominated on 13.11.2001 on casual vacancy caused consequent upon appointment of Sh. Ashok Pradhan, M.P. (LS) as Minister *w.e.f.* 2.9.2001.

Rajya Sabha

31. Shri Anil Kumar
32. Shri Gaya Singh
33. Shri Ramnath Kovind
*34. Shri Daya Nand Sahay
35. Shri Moolchand Meena
36. Shri Dipankar Mukherjee
37. Shri Suresh Pachouri
38. Shri Ahmed Patel
39. Shri Mukesh R. Patel
**40. Vacant
41. Shri K. Kalavenkata Rao
42. Shrimati Basanti Sarma
43. Shri Rajiv Ranjan Singh 'Lalan'
44. Shri P. Soundararajan
45. Prof. Ram Gopal Yadav

SECRETARIAT

1. Shri P.D.T. Achary	—	*Additional Secretary*
2. Shri K.V. Rao	—	*Joint Secretary*
3. Shri Brahm Dutt	—	*Deputy Secretary*
4. Shri J.N. Oberoi	—	*Under Secretary*
5. Smt. Madhu Bhutani	—	*Sr. Executive Assistant*

* Nominated on 28.9.2001 as casual vacancy caused consequent upon the retirement of Dr. (Smt.) Joyashree Goswami Mehanta, M.P. (RS) from the membership of Rajya Sabha *w.e.f.* 14.6.2001

** Vacancy caused consequent upon appointment of Sh. Ravi Shankar Prasad, M.P. (RS) as Minister *w.e.f.* 1.9.2001.

APPENDIX IV

COMPOSITION OF SUB-COMMITTEE ON PETROLEUM A SUB-COMMITTEE OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

Shri Mulayam Singh Yadav — *Chairman*

2. Dr. Girija Vyas — *Convenor*
3. Shri Ashok Argal
4. Smt. Sheela Gautam
5. Shri Pawan Singh Ghatowar
6. Shri Bijoy Krishna Handique
7. Shri Ahmed Patel
8. Shri Mohan Rawale
9. Shri Shyama Charan Shukla
10. Smt. Kanti Singh
11. Shri Prabhunath Singh
12. Shri Tarlochan Singh Tur
13. Shri Shankersinh Vaghela
14. Shri Ratilal Kalidas Varma
15. Prof. Ram Gopal Yadav

APPENDIX V

(*Vide* Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE TWENTY-THIRD REPORT (13TH LOK SABHA) OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001) ON 'MARKETING AND DISTRIBUTION OF PETROLEUM PRODUCTS WITH SPECIAL REFERENCE TO RURAL AND HILLY AREAS'

I.	Total No. of Recommendations.	60
II.	Recommendations which have been accepted by the Government. (*Vide* Recommendations at Sl Nos. 1, 2, 4, 5, 6, 8, 10, 12, 15, 19, 26, 27, 28, 29, 31, 32, 36, 38, 39, 40, 42, 43, 44, 48, 49, 52, 53, and 56)	28
	Percentage to Total	46.67%
III.	Recommendations which the Committee do not desire to pursue in view of Government Reply. (*Vide* Recommendations at Sl. Nos. 3, 7, 9, 13, 14, 16, 17, 18, 21, 34, 47, 58 and 59)	13
	Percentage to Total	21.67%
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee. (*Vide* Recommendations at Sl. Nos. 20, 22, 23, 24, 25, 30, 33, 35, 37, 45, 46, 50, 54, 55 and 60)	15
	Percentage to Total	25%
V.	Recommendations in respect of which final replies of the Government are still awaited. (*Vide* Recommendations at Sl. Nos. 11, 41, 51 and 57)	4
	Percentage to Total	6.66%.