

C. P. U. NO. 818

COMMITTEE ON PUBLIC UNDERTAKINGS

(2000 – 2001)

(THIRTEENTH LOK SABHA)

STUDY TOUR REPORT

ON

INDIAN OIL CORPORATION LIMITED

Laid on the Table of Lok Sabha.....18.12.2000

Laid on the Table of Rajya Sabha.....

LOK SABHA SECRETARIAT

NEW DELHI

December, 2000/Agrahayana. 1922 (9)

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS

(2000 – 2001)

CHAIRMAN

Prof. Vijay Kumar Malhotra

MEMBERS LOK SABHA

2. Shri Prasanna Acharya
3. Shri Sudip Bandyopadhyay
4. Shri Surinder Singh Barwala
5. Shri R L Bhatia
6. Shri Shiv Raj Singh Chauhan
7. Shrimati Sangeeta Kumari Singh Deo
8. Shri C K Jaffer Sharief
- * 9. Shri Ram Tahal Chaudhary
10. Shri K E Krishnamurthy
11. Shri Vilas Muttemwar
12. Shri Dharam Raj Singh Patel
13. Shri R P Rudy
14. Shri Tarit Baran Topdar
15. Shri Devendra Prasad Yadav

MEMBERS RAJYA SABHA

16. Shri Jibon Roy
17. Smt Ambika Soni
18. Shri Suresh Kalmadi
19. Shri Ranjan Prasad Yadav
20. Shri K Kalavenkata Rao
21. Shri B P Singhal
22. Shri Satishchandra Sitaram Pradhan

SECRETARIAT

1. Shri Rajagopalan Nair, Joint Secretary
2. Shri S Balakrishna hekar, Director
3. Shri Raj Kumar, Under Secretary

- * Elected w.e.f. 29th November, 2000 vice Maj.Gen. (Retd.) B.C. Khanduri ceased to be member of the Committee consequent upon his appointment as a Minister w.e.f. 7th November, 2000.

PREFACE

The Committee on Public Undertakings selects a few Public Undertakings every year to make a detailed study and to submit a Report on them to the Parliament. Besides this, certain common aspects of working of various Public Enterprises are also selected for making a horizontal study of the chosen aspect. In connection with the examination of these subjects, the Committee undertakes study tours to various places with the permission of the Hon'ble Speaker. While studying the selected aspect for horizontal examination, the Committee are also given an appraisal of the general working of the Public Enterprise concerned during the tour. During expositions, several difficulties / constraints faced by the various Public Undertakings are brought to the notice of the Committee requiring some intervention by the Committee to help improve functioning of the Undertakings concerned. The Committee, therefore, felt that some observations / recommendations may be made in respect of those Undertakings although they have not been selected for detailed examination.

2. The Committee, therefore, proposed that after the completion of every study tour, the Committee may get study tour Reports prepared including observations / recommendations in the Reports and lay them on the Tables of the Houses of Parliament regularly and also forward copies of the Reports to Government / Undertaking concerned for taking appropriate action on the observations / recommendations contained in the tour reports.

3. In order to adopt this new procedure, the Committee on Public Undertakings at its sitting held on 7th September, 2000 passed a Resolution to this effect in terms of Rule 281 of the Rules of Procedure and Conduct of Business in Lok Sabha and submitted the same for consideration and orders of the Hon'ble Speaker, Lok Sabha. Hon'ble Speaker, Lok Sabha accorded his approval to it on 20th November, 2000.

4. Accordingly, the Committee decided to lay the Study Tour Reports relating to the discussions it had with the officials of the undertakings examined during their visit to Guwahati, Shillong, Calcutta and Darjeeling from 5th to 12th June, 2000. A copy of the tour programme is annexed (Annexure-I). This Study Tour Report pertains to Indian Oil Corporation Ltd. with whom the Committee held discussion at Guwahati on 5th June, 2000. The Committee considered and approved this report at its sitting held on 17th November, 2000.

5. The Committee on Public Undertakings would like to express their thanks to the Indian Oil Corporation Ltd. for providing facilities during the visit of the Committee and for supplying necessary material and information required in connection with the study tour.

6. They would also like to place on record their sense of appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

PROF. VIJAY KUMAR MALHOTRA
CHAIRMAN
COMMITTEE ON PUBLIC UNDERTAKINGS

NEW DELHI,
DECEMBER 17, 2000
AGRAHAYANA 21, 1922(s)

"STUDY TOUR NOTES" OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

Discussion with the Officials of Indian Oil Corporation at Guwahati on 5th June, 2000.

1. At the outset, the Chairman, Committee on Public Undertakings made opening remarks and requested the Chairman, Indian Oil Corporation to give a brief account of the working of the Corporation.
2. The Chairman, Indian Oil Corporation informed the Committee that the Indian Oil Corporation is India's largest and only Indian Company to figure in Fortune 500th list of the world's largest corporations with 276th ranking. Among the petroleum refining companies covered in the listing, it ranked at the 16th place. The Corporation has been adding to the refining capacity consistently by way of debottlenecking/revamping as well as by installation of grassroots units/refineries towards achieving self-sufficiency in the field of oil refining in the country. As a result, the total refinery capacity of the Corporation which was 0.75 MMTA in 1964 when IOC was formed, has increased to 35.55 MMTA as on 1.4.2000. The Corporation is operating 7 refineries at Guwahati, Barsingh, Gujarat, Haldia, Mathura, Panipat and Digboi with a combined capacity of 35.55 MMTA. It has the country's largest network of on-land crude oil and product pipelines of 6,435 km. with a combined capacity of 43.45 MMTA. Constant technology upgradation has enabled both refineries and pipelines to register over 100% capacity utilisation. The Corporation meets 55% of petroleum products consumption of the country. The Corporation has 185 bulk terminals and depots, 53 LPG bottling plants and 92 Aviation Fuel Stations. The marketing/distribution network is administratively

supported by 4 Regional offices, 15 State Offices, 31 Area offices for LPG and 42 Divisional Offices.

3. The Chairman, IOC has informed the Committee that in order to ensure better customer service, IOC has enhanced the dealer network for distributing the products from the storage points. As on 1st April, 2000, the Corporation has 7252 Retail Outlets, 3430 SKO/LDO Dealerships, 1314 SERVO Shops, 5033 Consumer Pumps and 3251 LPG Distributors. The Corporation is operating 41 Consumer Service Cells in Divisional Offices and a Customer Service Cell for LPG at every Area Office with a view to ensure that Customers' grievances are suitably addressed and resolved.

4. The Chairman, IOC has also informed the Committee that the formation of Navratna Board has resulted in higher autonomy to the Corporation, especially in the area of making investments. The autonomy has speeded up the decision making process, allowing the Corporation to act more quickly in making investment decisions. However, the Navratna Board's power on establishing financial Joint Ventures are limited to:-

- a) Rs. 200 crore in any one project.
- b) 5% of the net worth of the PSE in any one project.
- c) 15% of the net worth of the PSE in all joint ventures/subsidiaries put together.

5. The Chairman, IOC has also informed the Committee that the Company aspires to become a major diversified, transnational, integrated energy Company. It is augmenting its infrastructure and harnessing new business opportunities in petro-chemicals, power, tube marketing, exploration and production, LNG fuel management in India and abroad. The Company has

entered into joint ventures which include India-Mobil for premium lubricants; Avi Oil Tanking for defence aviation lubricants; Indian Oil Tanking Ltd. for tankage Infrastructure; and Petronet India Ltd. for pipelines. Another joint venture has been formed with Petronas, Malaysia, for setting up LPG import facilities at Haldia. An agreement exists with Air BP in the area of aviation fuel services. Memoranda have been signed with Maruboni of Japan; Emirates National Oil Company of UAE; Petrotrin of Trinidad and Tobago; for collaborative ventures in both upstream and downstream areas. An agreement has been signed with Amoco, USA for manufacture and marketing of Di-Methyle-Ether (DME) in India.

6. The Committee have been informed that the productivity of Guwahati/Digboi Refinery is comparatively less than the productivity of the other refineries of the Company. The main reason for less productivity is that these two are the oldest refineries of the country with very old technology and they are having comparatively small installed capacities. The per man productivity of Guwahati and Digboi Refineries is 1089.00 MT/Employee and 395.93 MT/Employee respectively.

7. The Committee have also been informed that Hydro Treatment Facilities Project at Guwahati and Digboi Refineries at a cost of Rs. 497 crore and Rs. 343 Crore respectively are under construction and are likely to be completed by February, 2002. The Hydrotreatment Unit (Capacity 600000 Tonnes per annum at Guwahati and 330000 Tonnes per annum at Digboi) alongwith associated facilities viz. Hydrogen Unit and Sulphur Recovery Unit

are being set up to improve the quality of HSD in respect of Cetane number from the existing level of 42 (min) to 48 (min). The project also envisages upgradation of LDD component, besides improvement in the smoke point of raw kerosene with the objective of dispensing with KTU operation where toxic SO₂ is used as solvent.

8. The Committee have also been informed that the Guwahati Refinery has well established pollution control systems in place to deal with the environmental pollution. The important measures being taken are as under:

Air Pollution Control Measures

- i) Use of low sulphur internal fuel to control Sulphur Dioxide emission.
- ii) Implementation of Energy Conservation measures.
- iii) Installation of Floating roof tanks for storing crude and products having volatile hydro carbon.
- iv) Closed Blowdown system and safety Release System to arrest release of hydrocarbons during operation and emergencies.
- v) Slack Emission Monitoring
- vi) Hydro Carbon leak survey.
- vii) Tree plantation and Eco-Park Development.

Water Pollution Control Measures

- (i) Segregation of Contaminated Waste Water and store water.
- (ii) Treatment of Waste Water.
- (iii) Discharge of treated effluent through long distance pipeline in the downstream of receiving body.

- (iv) Recycling/Reuse of treated effluent in refinery.
- (v) Regular monitoring of treated effluent quality.

Guwahati Refinery is certified with ISO-14001 Environmental Management System since 1997. The Committee have also been informed that the Guwahati Refinery is having Multi-tier Safety Management System.

9. When asked about the views on disinvestment in IOC, the Committee have been informed that Disinvestment of Government stake in IOC may facilitate the following objectives:

- (i) In line with the Govt. policy of economic reforms in the country, various sectors are being opened up for private players and therefore, the Government is disinvesting its holding in Government companies operating in this sector. Oil & Gas sector in India is being deregulated in phases and simultaneously Government is in the process of divestment of its stake in various oil and gas companies.
- (ii) Refining sector has been deregulated. Pricing for all products except MS, ATF, HSD, LPG and SKO (for Public Distribution System) have also been decontrolled.
- (iii) This has resulted in the entry of a number of private multinational players in the oil and gas industry, which was till now in the exclusive domain of the PSUs.
- (iv) In order to meet the challenges of increased competition, there is an urgent need for administrative and operational flexibility.

Disinvestment will also involve increasing participation of employees in equity capital and providing sufficient flexibility and incentive

systems to these enterprises so that it can function in a manner which would improve productivity.

10. When asked why realistic targets are not fixed in order to avoid cost and time overruns, the Committee have been informed that in order to avoid problems associated with conventional approach in earlier projects which arose due to involvement of multiple agencies, IOC has adopted the LSTK (Lump Sum Turn Key) route which has proved beneficial in recently completed DHDS projects at all the four IOC locations viz. Gujarat, Panipat, Mathura and Haldia. In this method, the entire job of engineering, procurement and execution is awarded to a single party. LSTK approach ensure a single point for effective coordination. With this approach, there is full confidence in ensuring that there is no cost and time overruns (approved scheduled v/s actuals) as the LSTK contractors have a good motivating basis of bonus as also reasonable concern for the penalty envisaged in the contracts.

11. When asked to explain whether Hydrotreatment plant is required only for Refineries processing Assam Crude or for Refineries processing other type of crudes as well, the Committee have been informed that in the case of Assam Crude processing refineries, the base Cetane Number of HSD is about 38-40 and the sulphur content of HSD is about 0.2%WT. In order to meet the revised BIS specification of 48 Cetane Number of HSD, facilities for hydrotreatment are required at Assam Crude processing refineries. Further, Hydrotreater will help in upgradation of LDO to HSD. In refineries processing other than Assam Crude, the base Cetane Number meets the requirement of 48 Cetane in HSD and accordingly hydrotreatment of Diesel Streams was not required.

(Figs. In% WT on crude)

IOC Refineries	Hydrocarbon Loss
Barauni	0.28
Gujarat	0.24
Haldia	0.37
Mathura	0.36
Digboi	0.82
Panipat	0.90

14. As regards the international refineries, the loss varies generally in the range of 0.2 to 0.5%. However, this is totally dependent on configuration of refinery operations.

15. On the question of security measures taken at the Guwahati Refinery and other refineries taking into account the threat perception, the Committee have been informed that –

- (i) Security at IOC refineries including Guwahati Refinery, (but excluding Digboi Refinery), is provided by CISF, Ministry of Home Affairs. Security at Digboi Refinery is looked after by departmental security personnel.
- (ii) Security arrangements are reviewed regularly and close co-ordination is maintained with District Administration and local police authorities.
- (iii) Lapses, if any, observed during the course of security review are taken care of immediately with the help of concerned agencies.
- (iv) Apart from manning all strategic and vital points, all vulnerable areas are manned by armed guards. Regular patrolling both inside and outside is done by security personnel.
- (v) Surprise checks at odd hours are conducted by senior officers.

- (vi) Combing operations and mock drills are carried out by CISF/security personnel.
- (vii) Checking of all men and material entering the refinery premises is carried out regularly and nobody/no vehicle is allowed entry without a valid gate pass.
- (viii) With a view to further strengthening the Access Control System at the IOC refineries, action for procurement and installation of Electronic Access Control System with Photo Imaging/Bio-Metric Finger Print Facility/Proximity Cards and Turnstile Gate has been initiated.
- (ix) The issue regarding strengthening of security coverage in the peripheral areas has been taken up with the concerned State Governments through MOP&NG/MHA.

16. There is high threat perception to the oil installations particularly in the North-Eastern States. Full cooperation of the State Governments is needed to counter security threats from extremist groups.

17. When asked why capacity addition in Guwahati Refinery is negligible in the last 36 years, the Committee have been informed that the reasons for low capacity expansion of Guwahati Refinery is due to Inadequate availability of crude oil from Assam Oil fields. There is limited demand for products in the North-East region. Even at the present level of Guwahati Refinery throughput, around 30% of Guwahati product was required to be moved out of N.E. region in 1999-2000 and total refining capacity in the NE region far exceeds the product demand.

18. When asked whether IOC is exploring any possibility to import crude oil from the Commonwealth of Independent States (CIS) of former Soviet Union, the Committee have been informed that the political developments in the Former Soviet Union in the early 1990s, led to the independence of several countries and subsequently the formation of the Commonwealth of Independent States (CIS). Among the CIS Countries, the major producers of oil are Russia, Kazakhstan, Azerbaijan, Turkmenistan and Uzbekistan. Russia is the largest oil producer in the CIS followed by Kazakhstan and Azerbaijan. However, Kazakhstan and Azerbaijan are land-locked countries. Prior to the 1990s, term contracts with Russia accounted for a large portion of crude oil imports. However, consequent to the political developments in Russia, since the year 1994-95, there have been no imports of crude oil products from Russian companies to India.

19. India's oil imports can be broadly classified as High Sulphur crude oil imports and Low Sulphur crude oil imports. The High Sulphur crude oil requirements account for about 60-70% of the total requirements and are essentially met by import of crude oil from the Middle East region which is a large producer of high sulphur crude oils. Given the proximity of the Middle East region to India, the Middle East is the natural market for India. A large portion of the low sulphur crude oil requirement (about 30-40% of total crude oil requirement) is generally imported from West African region through tenders based on economic considerations. Some quantity of low sulphur crude oils is imported from Malaysia. Since the Russian crude oils fall under high sulphur category, they have to compete with other high sulphur crude oils of Middle East. However, given the long distance of transportation from Russia to India, the Russian crude oil suffers from freight dis-economy as compared with Middle East crude oils.

20. With the withdrawal of the Administered Pricing Mechanism (APM) for all oil refineries in the country since April 2002, the domestic oil sector refineries pay international prices for crude oil received by them and receive international product prices. Further, the domestic oil sector PSU refineries have to compete with Joint Sector/Private Sector refineries. Considering the above, refinery economics is the prime determinant for selection of crude oil.

21. In the post APM scenario in which domestic oil refineries are currently operating, the refinery economics is greatly influenced by the crude oil processed. PSU oil refineries are required to compete with joint sector/private refineries. The imported crude oil requirements of PSU refineries in India are largely met from the Middle East region which, given its proximity to India, is a natural and commercially attractive market for oil imports. However to encourage diversification of the crude oil basket, a number of crude oils of different regions like the Far East, Middle East, Africa, North Sea are included in the tenders and purchases are made on competitive basis. Over the past few years, there has been no encouraging response from the Oil Companies of Russia/CIS countries for crude oil supply to India. Accordingly, approval of the Government for crude oil imports through term contracts does not provide for imports from Russia/CIS countries. However, crude oils of Russia/Azerbaijan are included in the tenders for trial processing. If the crude oils are found suitable for processing, term contracts for the same can be considered by IOC with prior Government approval and within the policy framework in vogue.

22. When asked what steps have been taken to face competition from private players like Reliance, the Committee have been informed that the IOC's refineries are mostly located inland and are close to demand centres. With the vast pipelines and marketing network, IOC is in a better position to service the

customers and is better placed compared to Reliance which has its single largest refinery in Western sector, where the total refining capacity is in excess of demand. IOC is prepared to meet the competitive challenges. The various steps taken by the Corporation in this regard are as under:

1. Restructuring of the marketing set up;
2. Re-engineering Lubricants and Aviation operation of the Marketing Division.
3. Upgradation of the Retail Outlets.
4. Conversion of Dealer Owned Dealer Operated Retail Outlets, into Company Owned Dealer Operated Outlets.
5. Long Term Agreements with major customers.
6. Introduction of information technology to increase the efficiency of operation and provide better services to the customers.
7. Upgradation of secondary processing in refineries for value addition.
8. Benchmarking refining and pipeline operations with international organisations.
9. Cost reduction of operation.
10. Implementation of "Manthan" Project i.e. Information Technology ERP solution – for good connectivity.
11. Manpower optimisation.

23. When asked what steps have been taken for cost reduction in the Corporation, the Committee have been informed that continuous steps are being taken for cost reduction in the Corporation. As raw material cost constitutes over 90% of total cost of input, measures have been taken to optimise the raw

material cost for improvement of profitability. Besides, various steps have also been taken to reduce administrative and other expenses.

24. On the question about the criteria for selection of LPG bottling site, the Committee have been informed that criteria for putting up a new Bottling Plant are given below:-

1. Enrolment plans are finalised by MOP&NG on industry basis considering the waiting list and the availability of LPG etc. Year-wise all India/state-wise packed LPG demand is then worked out on the basis of existing customer strength proposed customer enrolment and the per capita consumption pattern. Taking into consideration the projected demand and the capacities of existing bottling plants, future plants are decided state-wise on industry basis. Capacities of the plants are identified based on supply-demand analysis of the consuming centres and approval of MOP&NG/OCC is obtained.
2. Locations for the plants are decided considering the consumption centres and economical movement of bulk LPG.
3. Once the place for putting up a plant is decided, suitable land is selected where proper infrastructure facilities like power and water are available. Risk analysis is carried out and environmental clearance is obtained.
4. Considering investment and the operating cost, economic viability of the plant is worked out so as to achieve the desired IRR i.e. minimum of 15% IRR at 8% mark up on CIF value.

25. It was pointed out that since 1993, no new gas connection has been released by the gas agencies operating in the Chhapra District. The Committee have been informed that the waiting list of 4587, as on 1.12.99, would be cleared in the year 2000 through M/s. Shiv Enterprises.

26. On the question of appointment of Handicapped persons and clearance of backlog for handicapped, the Committee have been informed that the Corporation is implementing the provisions of 3% reservation for physically handicapped and disabled persons in letter and spirit. The minimum qualifying marks for the test and/or interview are relaxed for PH persons. They are also exempted from payment of application fee. The number of vacancies reserved for PH persons against the vacant posts filled during the year 1999 were 17,7 & 10 in Group 'A', 'C' and 'D' respectively and against these 15,7 and 9 PH persons were recruited in Group 'A', 'C' and 'D' during the year. This could be achieved in spite of the constraints like Insufficient number of suitable PH candidates in Group 'A' posts and in Group 'C' technical posts. As on 31st March, 2000, the total backlog including carried forward reservations from previous years is as under:

Group of posts	No.
A	16
C	8
D	13

27. The backlog of 16 in Group 'A' will get reduced further due to recent clarification dated 10.5.2000 by the Ministry by which 3% reservation is to be made only to the identified posts in Group 'A'. This backlog is likely to be liquidated in the next batch of recruitment of officers/engineers for which written

test has already been conducted on 28th May 2000. As regards the backlog of Group 'C' and 'D' respectively, Units/Offices of the Corporation would be making special efforts to induct required number of PH persons.

28. When asked why the inventory levels are high, the Committee have been informed that the Inventory level of stores & spares has been kept under check. In spite of new projects and increased activities at the existing locations and installations, the inventory level has been showing decreasing trend. With the implementation of ongoing Info-Tech project 'Manthan', inventory levels are expected to be reduced further.

29. On the question of experiences of working with various JV Partners, the Chairman, IOC stated that experiences with them are good/satisfactory.

30. On the question of social welfare measures, the Committee have been informed that the Board of Directors of Indian Oil Corporation in 1984 had approved implementation of rural development/social welfare programmes for villages surrounding the field locations as a measure of discharging Corporation's social responsibility towards the neighbouring community. The Community Development Programme adopts a multi-disciplinary approach incorporating health, family welfare, education, environment protection, drinking water and sanitation, empowerment of women and other marginalised groups. During the last 5 years, the following amounts have been spent by the Corporation towards Community Development activities including donations/contributions:-

(Rs. in lakh)

Year	Amount spent towards Donations/contributions	Amount spent on CD activities	Total
1995-96	103.25	297.76	401.01
1996-97	75.79	313.57	389.36
1997-98	111.00	437.99	548.99
1998-99	131.78	298.00	429.78
1999-2000	24.96*	243.50	268.46

*As on Dec.1999

31. With a view to enhancing competitiveness of SC/ST people, IOC has been operating a Scholarship Scheme for SC/ST students pursuing their studies in Engineering, Medicine and Business Management since the academic year 1984-85. Scholarship @ Rs. 1000/- per month is awarded to 50 students (Engineering -25, Medicine-15 and Business Management-10) every year.

32. When asked how the capacity utilisation of the Plants compared with the capacity utilisation of manpower both in terms of quality and quantity, the Committee have been informed that while capacity utilization has been more than 100%, there has been a consistent improvement in utilization of manpower both in terms of quantity and quality.

33. When asked what steps have been taken for prevention of adulteration of Petroleum Products, the Committee have been informed that

remedial measures taken by the Oil Industry/Government for prevention of adulteration of petroleum products are as under:

- (a) **Doping of Kerosene with Furfural** – Furfural doping is done at major locations in the country.
- (b) **Blue Dyeing of PDS Kerosene** – PDS SKO is dyed blue in colour to prevent diversion and black marketing
- (c) **Action at Supply points** – Sealing of tank lorries by numbered seals and recording its number on the Invoice.
- (d) **Inspection** –Regular Inspections are carried out by Oil Companies/Joint Industry Teams. Quality checks are carried out during inspection. Surprise inspections are conducted at ROs by Oil Companies through Mobile Laboratories.
- (e) **Sealing** – Sealing of totalisers of Dispensing Pumps to prevent manipulation of total sales figures.
- (f) **Introduction of Ex-MI supplies of MS/HSD** to prevent en-route adulteration on experimental basis within FDZ at Meerut, Jodhpur, Aurangabad.
- (g) **Octane Testing Equipment** (CFR Engines) for MS.
- (h) **Introduction of Delivered Supplies of SKO** by Oil Companies to wholesalers to prevent en-route diversion
- (i) **Customer Rights Display Boards** provided at ROs giving the quality checks that can be carried out by the customers.
- (j) **Suggestion/Complaint Book/Box** available at ROs.
- (k) **Citizen's Charter**, available at ROs. The Charter gives detailed procedure for checking adulteration as well as the customers' rights.

- (l) **Sampling** – New sampling procedure has been introduced to identify the point of adulteration.
- (m) **Vigilance Drive** – For effective action, special vigilance drives are organised from time to time by Ministry/Oil Industry.
- (n) **Marketing Discipline Guidelines**

34. When asked whether lead has been completely eliminated from petrol, the Chairman, IOC stated that production of entire petrol as Unleaded has been started at all IOC Refineries since Oct. 1999. In no refineries, lead (TEL) is added in petrol. With effect from 1.2.2000, only unleaded petrol is being supplied through IOC dealers all over India.

OBSERVATIONS OF THE COMMITTEE ON INDIAN OIL CORPORATION

NEED TO ENHANCE NAVRATNA POWERS OF THE BOARD OF IOC

The Committee find that under the Navratna dispensation the Indian Oil Corporation has been empowered to take investment decisions and as such it has helped in speedy decision making. The Committee feel that this power would really make some meaning if the limits fixed for establishing financial joint ventures are enhanced reasonably to a high order keeping in view the large magnitude of the investments that are required to be made in the oil sector both downstream and upstream. Therefore, the Committee recommend that the Government should immediately increase the limit of 15% of the net worth of the Public Undertaking to 60% of the net worth in all joint ventures/subsidiaries put together. The power already vested in this regard is grossly inadequate and there is an urgent need for producing more in the oil sector and, therefore, the Committee recommend that the enhancement of power *may* be decided within three months of date of receipt of this recommendation.

[Action : Ministry of Petroleum, Ministry of Heavy Industries and Public Enterprises]

PIPELINE PROJECTS

The Committee find that a large number of projects including pipeline projects are held up due to delay in grant of environmental clearance to the projects and the Corporation has to approach a number of Ministries in this regard . The Committee, therefore, recommend that the Government should

immediately consider the question of grant of environmental clearance to projects by the administrative Ministry by itself by establishing Special Environmental Clearance Cells within each administrative Ministry so that the time and cost over run in project execution is completely eliminated on this count.

[Action : Ministry of Petroleum, Ministry of Environment and Forests]

LAYING OF NEW PRODUCT PIPELINES BY OIL COMPANIES

The Committee note that Petronet India Ltd. (PIL) undertakes the implementation of new product pipeline projects in the country and Oil Companies themselves are not now permitted to undertake the job of laying new product pipelines. The Committee feel that a more liberal approach should be adopted in this matter and any Oil Company with a strong financial and technical backup should be permitted to take up the work of laying new product pipelines themselves instead of relying on any other agency. The Committee feel that Indian Oil Corporation should be permitted to undertake the job of laying new product pipelines as the Navratna status conferred on the Corporation will enable it to prepare and process the projects for approval by themselves and there would be early action initiated for laying the product pipelines. The Committee desire that the Government should decide this matter within three months from the date of laying of this Report.

[Action : Ministry of Petroleum]

STABLE LONG TERM POLICY ON EXCISE DUTY ON CRUDE AND REFINED PETROLEUM PRODUCTS

The Committee are of the opinion that there should be a long term policy of tariff protection so that it helps to build up the indigenous refining capacity. The Committee, therefore, recommend that the duty structure, as proposed in the recommendations of the Expert Technical Group Report, may be considered for implementation to have a stable long term tariff policy on crude and refined petroleum products.

{Action : Ministry of Finance and Ministry of Petroleum}

CUSTOMS DUTY ON PROJECT IMPORTS

The Committee note that at present no concessional rate of customs duty is available on import made for the purpose of expansion and modernisation of refineries and also for the pipeline projects. However, the Committee find that there is concessional rate of 5% duty on project imports in respect of grassroots refinery projects. The Committee recommend that the concessional rate of import duty should be extended to imports in connection with refinery expansion/modernisation and for pipeline projects. The Committee also recommend that there should be complete exemption from customs duty for equipments when they are imported for use in the oil sector plants situated in the
-North East

{Action : Ministry of Finance and Ministry of Petroleum}

EXCISE CONCESSION TO REFINERIES IN NORTH EAST SECTOR

The Committee note that at present excise relief has been granted on petroleum products of Numaligarh Refinery through a specific Notification by the Government. The Committee find that no such duty relief has been given to the refineries situated at Digboi, Guwahati and Bongaigaon. The Committee feel that the same benefit of excise relief, as has been granted to the Numaligarh Refinery, should be extended to the above-mentioned refineries in the North East without which it is felt that they would not be in a position to compete in the deregulated scenario due to lower demand, large scale investment required for quality upgradation and yield improvement, uneconomically big size etc. The Committee feel that this step would make these refineries economically viable and would help them earn a reasonable return on the investment.

[Action : Ministry of Finance and Ministry of Petroleum]

SPECIAL TAX CONCESSION

The Committee note that all projects in the hydro-carbon sector are capital intensive in nature and involve a long gestation period. In view of these factors, there is need for extending Special Tax Concessions and Tax Holidays in favour of the new projects as well as for the expansion/modernisation projects. The Committee, therefore, recommend that the Government should consider extending Tax Concessions which are available under Section 80 IA of the Income Tax Act, 1961 to major refinery expansion projects and also for new and expansion projects in respect of pipelines. The Committee strongly recommend that the Government should grant 'infrastructure status' to refineries and pipelines in order to develop the national economy.

[Action : Ministry of Finance and Ministry of Petroleum]

TRANSFER OF GOVERNMENT OF INDIA EQUITY IN IBP TO INDIAN OIL CORPORATION

The Committee note that the Indian Oil Corporation has requested for the transfer of Government of India equity in IBP to Indian Oil Corporation. The Committee further note that the proposal has been made due to synergies existing in such a proposal. It was explained to the Committee that Indian Oil Corporation's retail network and also retail market share would be strengthened by acquisition of controlling interest in IBP and the IBP also would stand to benefit with assured availability of fuel from Indian Oil Corporation owned infrastructure. Therefore, the Committee feel that the Government of India equity in IBP should be transferred to the Indian Oil Corporation and necessary steps should be taken immediately in this regard.

[Action : Ministry of Petroleum]

PROCEDURE FOR ALLOTMENT OF PETROL/GAS AGENCY

The Committee note that already a certain procedure has been laid down for allotment of petrol and gas agencies. The Committee feel that the entire process should be reviewed with a view to endow it with transparency so that there is an apparent display of fairness and objectivity in the allotments. The Committee also feel that the Government should consider making petroleum products available in the open market through any retailer who is willing to sell these products. The Committee feel that the Government should consider allotting the retail outlets of general quota on the basis of some competitive bidding for a certain fixed term instead of making selection through some Selection Board so that more revenue is earned by the Oil Companies.

[Action : Ministry of Petroleum]

ADULTERATION IN PETROLEUM PRODUCTS

The Committee feel that adulteration in petroleum products continues unabated in various parts of the country despite various measures taken by the various Oil Companies. There are also sporadic instances of short delivery and short measurement in supplies. The Committee feel that the existing arrangements are quite inadequate to take care of these problems and they suggest that more stringent measures should be taken in this regard and Flying Squades headed by various senior functionaries of various Oil Companies assisted by necessary security personnel should be deployed to ensure strict compliance with law in this matter.

[Action : Ministry of Petroleum]

ANNEXURE-I

COMMITTEE ON PUBLIC UNDERTAKINGS

**Tour programme of Committee on Public Undertakings to Guwahati,
Shillong, Calcutta and Darjeeling from
5th June, 2000 to 12th June, 2000**

(Members assembled at Guwahati)

<u>Date & Day</u>	<u>Time</u>	<u>Visit & Discussion</u>
5.6.2000 (Monday)	1730 hrs.	Discussion with the officers of Indian Oil Corporation
	1900 hrs.	Discussion with the officers of Industrial Development Bank of India
<u>(Night halt at Guwahati)</u>		
6.6.2000 (Tuesday)	0900 hrs.	Discussion with the officers of Power Grid Corporation
	1430 hrs.	Departure for Shillong by road
	1800 hrs.	Arrival Shillong
<u>(Night halt at Shillong)</u>		
7.6.2000 (Wednesday)	0900 hrs.	Discussion with the officers of NEEPCO
	<u>(Night halt at Shillong)</u>	
8.6.2000 (Thursday)	0730 hrs.	Departure for Guwahati by road
	1030 hrs.	Arrival Guwahati
		Departure for Calcutta by IC-230
	1400 hrs.	Arrival Calcutta
	1600 hrs.	Discussion with the officers of Garden Reach Shipbuilders and Engineers Ltd.
<u>(Night halt at Calcutta)</u>		

9.6.2000 (Friday)	0900 hrs.	Departure for Bagdogra by IC-721.
	1400 hrs.	Arrival Bagdogra.
	1430 hrs.	Departure for Darjeeling by road (Approx. 75 km.)
	1800 hrs.	Arrival Darjeeling
<u>(Night halt at Darjeeling)</u>		
10.6.2000 (Saturday)	1600 hrs.	Discussion with the officers of Andrew Yule & Company Ltd.
	<u>(Night halt at Darjeeling)</u>	
11.6.2000 (Sunday)	0900 hrs.	Discussion with the officers of National Hydroelectric Power Corporation
	<u>(Night halt at Darjeeling)</u>	
12.6.2000 (Monday)	0800 hrs.	Departure for Bagdogra by road
	1130 hrs.	Arrival Bagdogra
		Departure for Calcutta by IC-722
	1410 hrs.	Arrival Calcutta
	1600 hrs.	Discussion with the officers of IBP Co. Ltd.

DISPERSAL

ANNEXURE II

**COMPOSITION OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS WHICH VISITED GUWAHATI, SHILLONG,
CALCUTTA AND DARJEELING
FROM 5TH JUNE, 2000 to 12TH JUNE, 2000**

S.NO.	NAME	Date of Joining	Date of leaving
1.	Prof. Vijay Kumar Malhotra, Chairman	5.6.2000 Guwahati	13.6.2000 Calcutta
2.	Shri Prasanna Acharya	5.6.2000 Guwahati	12.6.2000 Calcutta
3.	Shri Sudip Bandyopadhyay	08.6.2000 Guwahati 12.06.2000 Calcutta	08.6.2000 Calcutta 12.06.2000 Calcutta
4.	Shri Suninder Shigh Barwala	5.6.2000 Guwahati	13.6.2000 Calcutta
5.	Shri R L Bhatia	5.6.2000 Guwahati	8.6.2000 Calcutta
6.	Shri Shivraj Singh Chauhan	5.6.2000 Guwahati	13.6.2000 Calcutta
7.	MaJ.Gen.(Retd)BC Khanduri	5.6.2000 Guwahati	9.6.2000 Calcutta
8.	Shri K E Krishnamurthy	8.6.2000 Calcutta	12.6.2000 Calcutta
9.	Shri Dharam Raj Singh Patel	5.6.2000 Guwahati	12.6.2000 Calcutta
10.	Shri R P Rudy	5.6.2000 Guwahati 9.6.2000 Darjeeling	7.6.2000 Shillong 11.6.2000 Darjeeling
11.	Shri Tarit Baran Topdar	5.6.2000 Guwahati 12.6.2000 Calcutta	8.6.2000 Calcutta 13.6.2000 Calcutta
12.	Shri Devendra Prasad Yadav	8.6.2000 Calcutta	13.6.2000 Calcutta
13.	Shri Jibon Roy	5.6.2000 Guwahati 9.6.2000 Darjeeling	7.6.2000 Guwahati 11.6.2000 Darjeeling

14.	Smt. Ambika Soni	8.6.2000 Guwahati	8.6.2000 Calcutta
15.	Shri Ranjan Prasad Yadav	5.6.2000 Guwahati	12.6.2000 Calcutta
16.	Shri K Kalavenkata Rao	8.6.2000 Calcutta	12.6.2000 Calcutta
17.	Shri B P Singhal	8.6.2000 Calcutta	13.6.2000 Calcutta
18.	Shri Satish Chandra Sitaram Pradhan	8.6.2000 Calcutta	11.6.2000 Darjeeling

SECRETARIAT

1. Shri S Bal Shekar, Director
2. Shri Raj Kumar, Under Secy

ANNEXURE- III

**LIST OF OFFICIALS OF INDIAN OIL CORPORATION LTD. WHO WERE PRESENT
DURING DISCUSSION WITH THE COMMITTEE ON PUBLIC UNDERTAKINGS AT
GUWAHATI ON 5.6.2000**

1.	SH. M. A. PATHAN	CHAIRMAN
2.	SH. A. K. ARORA	DIRECTOR (REFINERIES)
3.	SH. O. N. MARWAH	DIRECTOR (MKTG)
4.	SH. ARUN MITRA	EXECUTIVE DIRECTOR (HR)
5.	SH. A. N. DAS	EXECUTIVE DIRECTOR (AOD)
6.	SH. V. K. CHAUDHARY	EXECUTIVE DIRECTOR (LPG) HD
7.	SH. B. D. GHOSH	OFFCTG EXECUTIVE DIR (EASTERN REGION)
8.	SH. M. N. KHAN	GM (COORDINATION)
9.	SH. J. K. PURI	GM (IT) CO
10.	SH. M. S. KUMAR	GM (GUWAHATI REFINERY)
11.	SH. S. CHAKRABORTHY	GM (EASTERN REGION PIPELINE)
12.	SH. S. V. NARASIMHAN	GM (FINANCE)
13.	SH. B. R. CHOUDHARY	GM (PJ)
14.	SH. N. G. KANNAN	GM (MKTG/OPERATIONS)
15.	SH. J. K. NOBIS	GM (A&W) REF HQ.