

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:184

ANSWERED ON:24.11.2014

POLICY OF OIL CONTRACTS

Patil Shri Shivaji Adhalrao;Shrirang Shri Chandu Barne

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) the details of policy formulated by the Government for price preference to domestic oil companies in Public Sector Undertakings contract;
- (b) whether some domestic oil companies took advantage of the price preference to bag contracts and if so, the details thereof;
- (c) whether the Government intends to change the decades old system in which domestic suppliers would win contracts even if their bid price was higher than a competing foreign offer;
- (d) if so, the details of the present policy and the salient features thereof;
- (e) the efforts made by the Government to protect domestic oil companies against the foreign giants in the light of present policy; and
- (f) the other steps taken by the Government to make Indian industry able to compete with their foreign counterparts?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (I/C) (SHRI DHARMENDRA PRADHAN)

(a) to (f) The price preference policy was formulated by the Government in May 1984 to encourage the domestic bidders to secure business against International Competitive Bidding (ICB) Tenders being floated by ONGC and OIL for supply of goods and services to them.

However, ONGC and OIL had been requesting Government for discontinuing the price preference policy mainly on the ground that such a policy was leading to restricted competition resulting in higher costs to these companies. The matter was again examined and views of Ministry of Finance was also sought. Ministry of Finance opined that this policy of price preference was not found to be conducive to a competitive and efficient bidding environment. Hence, this Ministry has withdrawn the policy of price preference w.e.f. 1.10.2014.