SECOND REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS

(1985-86)

(EIGHTH LOK SABHA)

BHARAT PETROLEUM CORPORATION LTD.

(Ministry of Petroleum)

[Action Taken by Government on the recommendations contained in the 91st Report of the Committee on Public Undertakings (Seventh Lok Sabha)]

सत्यमेव जयते

Presented to Lok Sabha on

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LOK SABHA SECRETARIAT
NEW DELHI

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... TO SECOND REPORT OF COMMITTEE
ON PUBLIC UNDERTAKINGS (Eighth Lok Sabha)

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2	15	decisio	decision
15	8 from bottom	above the line "The Committee ....LPG, add 'Recommendation Serial No. 13, (Paragraph 4.39)'	
19	8	recommend	recommended
19	23	lose	loss
19	27	values	valves
21	11	Serial No.	Serial No. 19
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35-36	last 8 lines on page 36 may be omitted and read at the end of page 35.		

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(1985-86)

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ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

(1985-86)

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8. Shri S. M. Bhattam
9. Shri B. V. Desai.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Second Report on Action Taken by Government on the recommendations contained in the 91st Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Bharat Petroleum Corporation Ltd.

2. The 91st Report of the Committee on Public Undertakings 1983-84 was presented to Lok Sabha on 30 April, 1984. Replies of Government to all the recommendations contained in the Report were received by 20 February, 1985. The Replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings 1985-86 on 6 August, 1985. The Committee considered and adopted this Report at their sitting held on 8 August, 1985.

3. An analysis of the action taken by Government on the recommendations contained in the 91st Report of the Committee (1983-84) is given in Appendix V.

NEW DELHI;
August 9, 1985.
Sravana 18, 1907 (*Saka*).

K. RAMAMURTHY,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in the Ninety-first Report (Seventh Lok Sabha) of the Committee on Public Undertakings on Bharat Petroleum Corporation Ltd. which was presented to Lok Sabha on 30th April, 1984.

2. Action Taken notes have been received from Government in respect of all the 27 recommendations contained in the Report. These have been categorised as follows:—

(i) Recommendations|observations that have been accepted by Government.

Sl. Nos. 1 to 3, 5 (para 2.33), 6, 7, 9, 11, 12 to 14 16 to 21 and 23 to 27.

(ii) Recommendations|observations which the Committee do not desire to pursue in view of Government's replies.

Sl. Nos. 8 [part (2) of reply] and 22.

(iii) Recommendation|observation in respect of which the Government's reply has not been accepted by Committee.

Sl. No. 10.

(iv) Recommendations|observations in respect of which final replies of Government are still awaited.

Sl. No. 4, 5 (para 2.34) [Part (I) of reply] and 15.

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

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

A. *Procedure for clearance of project proposals*

Recommendation Sl. Nos. 4, 5 (Para 2.34) and 8 [Part (I) of reply]— Paragraph Nos. 2.32, 2.34 and 2.37.

5. Taking note of the fact that the Ministry of Finance had suggested two-stage approval to projects, the Committee had trusted that

this proposal would be examined by Department of Petroleum quickly and a suitable procedure evolved for giving clearance to the project within the minimum time possible, as suggested by Finance Ministry. Further, the Committee desired that the action taken by Government on the report submitted by a Study Group which went into the question of preparation of Feasibility Reports and cost escalation in refining projects be intimated to them. They also desired that the time limit for presentation of DPR in the case of refinery projects should be prescribed by the Department of Petroleum in consultation with the Public Investment Board.

6. (1) Government have stated in their reply that the procedure suggested by the Ministry of Finance for getting clearance of the Public Investment Board in two stages is still under consideration of the Cabinet and no final decision has been taken and the Committee are assured that notwithstandig a decisio on that proposal, all efforts are being made to clear project proposals within the minimum time possible.

(2) As regards the action taken by Government, on the report submitted by the Study Group, Government have stated that it is still under consideration of the Government. In fact, action on this report is stated to have been linked up with the decision that may be taken by the Cabinet with regard to the proposal for seeking appproval of the Public Investment Board in two stages.

(3) In regard to the question of laying down the time-limit for presentation of DPR, Government have stated that the Study Group, *inter alia*, suggested that the period of submission of the Detailed Project Report should be raised from 12 months to 18 months in the case of refinery projects. This suggestion was considered by the Public Investment Board on 16.6.1983. It was felt by the Public Investment Board that this suggestion, along with others, might be further examined in the context of the proposed two-stage procedure for investment decisions.

7. The two matters relating to recommendations of the Study Team made in 1982 regarding preparation of Feasibility Reports & Cost Escalation in Refinery Projects and period to be prescribed for preparation of Detailed Project Reports have been linked with the third matter relating to suggestion of the Ministry of Finance for getting clearance of projects from the Public Investment Board in two stages which is pending decision of the Cabinet. All these matters have a direct bearing on the timely completion of projects and affect the efficient performance of BPCL. The Committee need hardly re-emphasise the urgency for decision by

Government on the suggestion of the Ministry of Finance regarding clearance of projects by Public Investment Board in two stages so that the procedure is implemented expeditiously for the benefit of the Undertaking.

B. *Revision of cost norms*

Recommendation (Serial No. 10 Paragraph 3.42)

8. The Committee observed that the Refining costs of BPCL had been about 100 per cent higher than the provisional OPC stanadrds during 1979—81 and about 25 per cent higher during 1982-83. They recommended that the feasibility of laying down standards in this respect in the beginning of every year should be examined with a view to enable realistic assessment of costs. The Committee were also surprised to note that although the company's actual refining costs were higher (Rs.|MT 30 in 1981-82 and Rs.|MT 34.76 in 1982-83) than the OPC norms (Rs. MT 28.69), BPCL was not provided with the details of calculation of OPC norms with the result the company reportedly was not able to identify the increase in cost elements. They had hoped that there might not be any difficulty on the part of Government to furnish these details to Oil Companies to enable them to take timely corrective action when the actuals exceed the norms.

9. Government have stated in their reply that refining cost for each refinery is usually being fixed on the recommendations of Expert Groups|Committees appointed by Government from time to time. These costs are generally applicable for a period of three to four years. They have also stated in their reply that every revision is made after critical evaluation of the historical cost, cost trends during the next three to four years, facilities available in the refineries and the production pattern to be obtained during that period. Appropriate efficiency parameters are also built wherever considered necessary and feasible. They have stated further that as this is a time-consuming process it will neither be feasible nor necessary to set up yearly standards by oil coordination Committee or Government. However, wherever there are major factors affecting costs like increases in throughput or changes in the production pattern, new standards are devised. In regard to furnishing of details of calculation of cost norms by Government they have stated that the overall refining costs are known to the oil companies. With this, the companies can and do exercise adequate cost control to ensure that costs under each of the individual heads (i.e. chemicals, realistic utilities, maintenance etc.) are kept at minimal levels, so that the total refining cost does not exceed the standard| norm level.

10. The Committee are at a loss to understand why there should be such wide variation as 25 per cent and 100 per cent between the provisional standard and actual cost when the standard is said to be laid down for each refinery taking into account all the factors affecting costs and the costs are being fixed on the recommendations of Expert Groups/Committees appointed by the Government from time to time. It is also not clear why then the standard should be treated as provisional. The Committee would await clarification in this regard.

11. The Committee feel that furnishing of detailed break up of refining cost norms to the oil companies will only go to assist them in identifying the areas of inefficiency and taking immediate remedial action. They, therefore, wish to reiterate that the detailed breakup of cost on the basis of which the Expert Group/Committee fixes the norms each time should be made available to the oil companies as soon as possible after the norms are fixed.

C. *Water Pollution*

Recommendation (Sl. No. 12—Para 3.44)

12. Dealing with the question of water pollution, the Committee, *inter alia*, observed as follows:—

> "The minimal national standards in quantum limits proposed by the Central Board for the Prevention and Control of Water Pollution on effluents from oil refineries are not met by the BPCL refinery as it uses sea water on once—through basis for refinery processing. Although it would be possible to minimise discharging waste water by recirculation of cooling water, BPCL's problem is stated to be one of getting fresh water to the order of 10,000 tonnes per day. It is not known whether the question of fresh water supply was taken up with the Municipal Authorities."

13. Government have stated in their reply that BPCL had asked Municipal Authorities for an increase in allocation of fresh water quota. Even for the Refinery Expansion Project, the Municipal Authorities had only reluctantly increased the allocation by 2000 tonnes per day to a total of 6,000 tonnes per day.

14. As the water supply still falls short of the BPCL's requirement by 4000 tonnes, the Committee hope that appropriate alternate measures would be taken urgently to meet shortage of fresh water and it would be ensured that the minimum national standards in quantum limits on effluents are adhered to by BPCL refinery.

D. *Availability of LPG Steel*

Recommendation (Sl. No. 14 — Para 4.40)

15. Commenting on the shortfall of LPG steel for the manufacture of LPG cylinders, the Committee had made the following observations:—

> "One of the reasons for shortfall in Cylinder Manufacture was stated to be shortage of LPG steel. According to Department of Petroleum, the local LPG Steel availability was always inadequate and year after year imports were being made. The Committee note that the value of orders placed by SAIL for import of LPG steel was Rs. 4.8 crores in 1980-81 and Rs. 2.8 crores in 1981-82 and NOC issued for import during 1983-84 valued at Rs. 28.3 crores. Department of Steel has, however, reported that there is not constraint so far as making of LPG Steel is concerned and that SAIL can meet the entire demand. The shortfall in Steel production during 1981-83 according to Department of Steel was due to inspection and quality problems. These factors are entirely within the control of the Government. The Committee are, however, not clear as to what necessitated issue of NOC for import of LPG steel to the extent of 89,400 tonnes during 1983-84. This clearly contradicts the steel Department's claim that SAIL can meet the entire demand."

16. In their reply, Government have, *inter-alia,* stated that there was a shortage of LPG steel during 1982 and 1983 largely on account of SAIL's inability to increase indigenous production conforming to the stringent specifications and failure on the part of a foreign supplier on whom SAIL had placed order to honour the supply commitments owing to plant break-down.

17. The Committee would like to emphasise that the constraints resulting in shortage of LPG steel during 1982 and 1983, particularly indigenous production not conforming to the specifications, should be removed in future. The Government may take necessary steps so that the Steel Plants produce LPG steel as per specifications laid down in this regard and there are no qualitative deficiencies which may affect supply of steel suitable for manufacture of LPG cylinders. Facilities and infrastructure as may be necessary for this purpose should be provided to the Steel Plants and R&D strengthened. The Committee are sure that is sufficient care is taken, indigenous production will meet the total requirement of LPG steel in future and dependence on foreign suppliers will be eliminated altogether.

E. *Normalisation of Industrial Relations*

Recommendation (Sl. No. 19 — Para 5.22)

18. The Committee had urged that Government should expedite its examination of the issue of pay scales and conditions of service of workers keeping in view the urgent need to bring about an early long-term settlement between employees and management and in order to secure the full co-operation and participation particularly of refinery employees who are reported to be still boycotting the joint forums.

19. Government have stated in their reply that the basic demands of the workmen in BPCL Refinery has been examined in great depth and it will be difficult to concede these demands in view of their wide remifications. However, the various proposals put forth by the BPCL Management for improvements in the Refinery package along the lines generally prevalent in the other Oil Companies and within the framework of the Public Sector pattern have been under consideration.

20. The Committee desire that the proposals put forth by BPCL should be considered and decisions thereon taken at the earliest and communicated to the Company so as to help them to accelerate their efforts for normalisation of industrial relations in BPCL.

F. *Setting up of Grievance Committees*

Recommendation (Sl. No. 20 — Para 5.23)

21. The Committee expressed a hope that BPCL would take action to set up grievance committees in the refinery and marketing divisions with a view to speedily resolve workers' grievances in a climate of confidence.

22. Government have stated in their reply that the long established grievance procedure is a part of the long term settlements signed by the Corporation with its workmen and it is, therefore, the intention of the Corporation to examine, in detail, and in consultation with the workers representatives the possibility of incorporating a proivision for setting up Grievance Committee as part of its grievance procedure at the time of signing of fresh settlements in the various regions and the Refinery.

23. The Committee are not satisfied with the Government's reply. Action should have been initiated immediately for setting up Grievance Committees in view of the existing strained industrial relations in BPCL. If it was considered necessary to give the Grievance Committee a formal binding status by incorporating its functioning in the long-term settlement, it could have been done later at the appropriate time. Setting up of Grievance Committees by the Com-

pany on its own would have been a good gesture on the part of the Company towards goodwill for the workers. The Committee, therefore, hope that steps would be taken to constitute Grievance Committees without any further delay.

G. Delegation of Powers and Authority

Recommendation Serial No. 21 (Paragraph No. 5.24)

24. The Committee recommended that the Company should also examine the question of delegation of powers and authority at appropriate level in the organisation to secure involvement of employees for development and growth of the Company.

25. The Committee hope that the question of delegation of powers and authority at appropriate level in the organisation has been examined and action taken as deemed proper. If this has not been done, the Committee would stress that this should be done now in order to secure full co-operation and involvement of employees in their work. The Committee would like to be apprised of the correct position in the matter.

H. *Re-assessment of Inventory Holdings*

Recommendation Serial No. 24 (Paragraph No. 6.31)

26. The Committee had noted that according to BPE, the level of spares inventory in BPCL which represents 607.8 days' consumption was higher than the prescribed norms. Items worth Rs. 2.5 crores had not moved for more than two years. The Committee had urged that directives issued by BPE in this regard should be expeditiously implemented by the Company to achieve the desired results.

27. Government have in their reply, stated *inter alia* that the BPCL proposed to re-assess their inventory holding in terms of number of days consumption.

28. The Committee would suggest that the re-assessment of inventory holdings should be done in consultation with the BPE at the earliest.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Serial Nos. 1&3 (Paragraphs 1.14, 1.15 and 1.17)

Bharat Petroleum Corporation Ltd. is a wholly owned Central Government Undertaking and the successor to Burma-Shell Group of Companies which were taken over in January, 1976. The long term objectives and obligations of the company have been formulated and approved by Government only recently in terms of the Committee on Public Undertakings recommendation contained in their 72nd Report (1982-83).

The Committee's examination of BPCL has revealed that oil companies have no uniform approach to Corporate Plans. BPCL is reportedly having a rolling Plan and Hindustan Petroleum Corporation has a system of integrated Corporate Plan for five years, while Indian Oil Corporation has no corporate Plan at all. BPCL and HPCL have been following the practice they had adopted prior to nationalisation. The Committee regret to note that the Government did not consider it necessary after nationalisation to review this situation and allowed old practices to continue in these oil companies all these years. The Committee would urge that as assured by the Petroleum Secretary, the Ministry should look into this question early with a view to evolve a common approach to Corporate Plans for all the Oil Companies.

It may be pointed out that as far back as 1974, BPE had issued some guidelines in regard to preparation and approval of Corporate Plan for each Public Enterprise. Under these guidelines each enterprise was required to draft its Corporate Plan, get it formally approved by a Resolution of the Board of Directors and send it to the Administrative Ministry for formal ratification. The Articles of Association of BPCL also stipulate that any proposals or decisions of the company in respect of Five Year Plan and Annual Plan should have the approval of the President. The Petroleum Secretary, however, expressed the view that approval of Corporate Plan by Government may not be either necessary or even possible The Committee feel that specific approval of Corporate Plan by Government is necessary having regard to the need to correlate it with the national Five Year Plans and to indicate the direction that the company should take.

Reply of the Government

All the Public Sector Undertakings under the Administrative control of Department of Petroleum have been requested to prepare Corporate Plans of their organisations and submit the same to this Department for formal ratification/approval at the earliest. They have also been requested to send a monthly Report in respect of progress made in this regard to this Department. A copy of the letter issued in this regard to the Chief Executives of the Public Sector Undertakings under the administrative control of this Department is enclosed. (Appendix II).

[Ministry of Energy (Department of Petroleum) O.M. No. 9|4|83-Fin I. Dated 23-8-1984

Recommendation Sl. No. 2 (Paragraph No. 1.16)

The Committee are surprised to note that the IOC which has been a Government company for nearly two decades now has no Corporate plan as such. The Ministry also appears to have overlooked IOC's failure in this respect thus far and has advised the company to prepare a Corporate Plan only recently. The Committee trust that the Ministry would ensure that the Corporate Plan of IOC is finalised soon.

Reply of the Government

The Indian Oil Corporation has been having a Planning Department both at the Corporate level and at the Divisional levels and has well defined objectives approved by its Board of Directors.

Careful planning for the future needs of the Corporation and implementation of these plans have resulted in phenomenal growth of the Corporation in terms of both infrastructure and turnover in the last two decades. The gross assets of the Corporation in 1965 were of the order of Rs. 97 crores and the gross turnover at that time was Rs. 109 crores whereas in 1983-84 the gross value of the assets was Rs. 1,524 crores and the turnover exceeded Rs. 10,000 crores. The Corporation has an effective system of long/short-term plans (*e. g.* Five Year Plan. Sales Plan, Annual Plan. Supply and

Distribution Plan. Production Targets. Capital and Revenue Estimates etc.,) covering all areas of the Corporation's activities to ensure that the objectives laid down are achieved. The implementation|review of the various plans is carried out on a periodic|continuous basis and corrective measures are taken wherever needed. There is also a system of conducting review meetings at various levels *i.e.* Units, Divisions, Corporate levels. IOC had formulated a five year plan covering development of infrastructural facilities/resource mobilisation, manpower needs etc. for the period 1980-85 (VI Plan) which was approved by the Government and is currently under implementation. On behalf of the Oil Industry as a whole, IOC was assigned the task of spearheading the development of a Plan for the Seventh Five Year Plan period (1985—90) in respect of Distribution and Marketing. The report, spelling out the strategies to be adopted and the facilities needed during the plan period, is under finalisation.

It would be seen from the above that IOC has been preparing various plans covering all the activities of the Corporation even though it has not brought out a formal document titled "Corporate Plan".

The IOC is being advised to finalise its Corporate plan early.

[Ministry of Energy (Department of Petroleum) O.M. No. R-38018/17|84|IOC, dated 23-8-1984]

Recommendation Serial No. 5 (Paragraph No. 2.33)

The Committee are also unhappy with the equally unsatisfactory performance of BPCL in regard to execution of this expansion project. The completion schedule of the project has undergone revision twice. According to the original schedule the project should have been completed in December, 1983. However, as there was delay in entering into licence agreement which took about 10 months after sanctioning of the project, the completion schedule had to be revised to October, 1984. In the meantime 8 months construction activity was reportedly lost due to five months refinery strike followed by 3 months heavy monsoon period. As a result, the project is now expected to be completed in January 1985. The Committee would like to be assured that there shall not be any further delay in the completion of project.

Reply of the Government

The following four major milestones have been identified with regard to the completion schedule of the Additional Secondary Processing Facilities Project:

	Scheduled detes for mechanical completion
CDU Pump Replacement	14-5-1983
Kero Merox Unit .	31-12-1983
CDU Debottlenecking . . .	31-10-1984
HUV/FCC/Meromes & Offsites. . .	31-10-1984

(a) *CDU Pump Replacement and Kero Merox Unit*

The first 2 milestones, *i.e.* CDU Pump Replacement and Kero Merox Unit were completed 7 days and 10 days respectively ahead of schedule.

(b) *CDU Debottlenecking*:

Despite the 8 months lost in construction activities as referred to by the Committee, it is expected to mechanically complete the work six weeks ahead of schedule, thus not only making up the lost time but also improving on the completion schedule.

(c) *HVC|FCC|Meroxes and Offsites*:

As of June, 1984, this work is expected to be mechanically completed by January, 1985 as referred to above by the Committee.

[Ministry of Energy (Department of Petroleum O.M. No. R-38018|2|84-OR-II dated 28-8-1984]

Recommendation Serial No. 6 (Paragraph No. 2.35)

The Committee are concerned to note that no indigenous technology is available for secondary processing facilities and sulphur recovery plants. BPCL has entered into agreements for acquisition of technical know-how for refinery expansion from M|s. Universal Oil Products Inc. USA and for sulphur recovery plant from M|s. Comprime B. V. Holland. The agreements, however, do not provide for transfer of technology.Thus so far there seems to have been no attempt at indigenisation. On the question being taken up by this Committee, the Ministry promised to evolve a strategy in order to identify the areas in the refining field for transfer of technology, its adaptation and indigenisation. The Committee desire that a comprehensive review to identify the areas needing indigenisation of technology in the oil refining field should be undertaken on urgent basis and a time bound programme evolved for swift action.

Reply of the Government .. . .

Under the auspices of NRDC, a Petroleum Process Development and Coordination 'Group' had been working to identify areas in the refining field for indigenisation. This Group includes NRDC, EIL, IOC including its Research Centre and the Indian Institute of Petroleum. They finance the development schemes for indigenisation.

As part of the Seventh Plan programme, it is envisaged to constitute a "Centre for Advanced Refining Technoloby" to progress this programme further.

[Ministry of Energy (Department of Petroleum) O.M. No. R-38018|2|84-O.R. II, dated 28-8-1984]

Recommendation Serial No. 7 (Paragraph 2.36)

While dealing with the question of indigenous technology the Committee cannot help commenting on the way the Government and BPCL have overlooked exploration of indigenous technology for the Company's Aromatics Project at the initial stage. Foreign technology was envisaged presumably without ascertaining the availability of indigenous technology for the aromatics project approved by Government in April 1980. While the foreign collaboration proposal was under consideration in 1981, EIL, on their own approached the Government offering their services for utilising indigenous technology which was later accepted. Another feasibility report was prepared thereafter in May 1982 and the 'Zero' date of the project was revised from April, 1980 to August, 1982. The Committee could not resist a feeling that had the Company exercised caution to look for indigenous technology in the first instance, delay in completion of the project would have been avoided.

Reply of the Government .. . .

At the time of the preparation of the bid documents for the Aromatics Plant in May 1980, EIL were not in a position to offer indigenous technology. Although sufficient information was available with EIL on the technology, they still needed some more checks with commercially operating plants to be fully confident of offering the process on a commercial basis. Subsequently, further work was done by EIL and it was only in early 1981: that EIL confirmed that they would be in a position to provide the technology. This matter was considered by the Scientific Advisory Committee of the Department of Petroleum which after careful examination concluded that IIP|EIL's technology was feasible, and it was jointly agreed among the Government, EIL and BPCL in July 1981 that the aromatics extraction process developed by IIP|EIL should be accepted in preference to the UOP offer. While accepting this offer it was felt that as this technology was being offered indigenously for the first time, it would be prudent for EIL to engage the services of a reputed process designer for back-up assistance in terms of vetting the process design work done by EIL. Consequently, EIL engaged the services of Atlantic Richfield Corpn. Ltd., U. S. A. for this purpose.

[Ministry of Energy (Department of Petroleum) O.M. No. R-38018|2/84-OR. II, dated 28-8-1984]

Recommendation Serial No. 9 (Paragraph No. 3.41)

The Committee are glad to note that the capacity utilisation in Bombay refinery has been steadily improving from 71 per cent in 1976 to reach 95 per cent in 1981-82. It, however, fell down to 85 per cent in 1982-83 due to strike in the refinery which reportedly resulted in through-put loss of about 3500 tonnes per day during the five months strike period. Capacity utilisation in the refinery would have been even more but slowing down of production of LSHS and aromatic naphtha, the disposal of which has posed a serious problem. The Company expects to overcome this by undertaking exports to the extent possible. The Committee feel there is need for exploiting the export potentials in these commodities more effectively.

The capacity utilisation in LOB Plant at Bombay has been poor all along varying between 61 per cent and 77 per cent during 1976-83. In Calcutta LOB Plant capacity utilisation has been gradually improving from 35 per cent in 1976 to reach the level of 113 per cent in 1982-83. The Committee regret to hear from the Petroleum Secretary that under utilisation of capacity in LOB plants was deliberate due to depressed demand. The Committee trust that the demand constraint has since been fully overcome and that there will not be any further under utilisation of capacity.

Reply of the Government

The Corporation has made adequate arrangements for export of High Aromatic Naphtha and have laid dedicated pipeline for export of surpluses of LSHS, thus ensuring that crude processing capabilities of the Refinery would not suffer. It would also be pertinent to mention that with the completion of refinery expansion and Secondary Processing Facilities project and later Aromatics Project, it would not only yield high value products but would also substantially reduce the production of LSHS and High Aromatic Naphtha.

As regards LOB plant at Bombay, it would endeavour to maximise utilisation of the facilities consistent with the growth in demand in the market.

[Ministry of Energy (Department of Petroleum) O.M. No. R-38018|2/84-OR. II, dated 28-8-1984]

Recommendation Serial No. 11 (Paragraph No. 3.43)

Value added per man-month (at constant prices) in BPCL refinery has been sharply declining year after year from Rs. 6.83 lakhs in 1978-79 to Rs. 4.98 lakhs in 1981-82. The declining trend in value added is attributed to large scale recruitment and progressive increase in processing of B. H. crude which results in production of low value added item. The Company expects that the value added per man-month in BPCL refinery will start increasing with the commissioning of the expansion project and aromatics project. These projects will reportedly enable production of high value added products. The Committee were informed by the BPCL that value added in terms of man-month has not been computed for inclusion in DPR of expansion project. They fail to understand how this important productivity index has been ignored by the company while preparing the DPR. The Committee desire that value added in terms of man-month may now be calculated to enable a comparison with the actuals in future. Incidentaly, the Committee are not sure whether the value added is being computed by the Company correctly in accordance with the formula adopted by the CPE. In any case, the Committee desire that these should be got checked by the BPE and the 'Value added' in regard to the Refining activities as well as in regard to the entire activities of the Company should be correctly depicted in the Annual Reports in future.

Reply of the Government

The basis of computation of 'Value added' is in line with the BPE guidelines and the figures tally with those appearing in BPE Survey Reports. A set of sample computations for the year 1981-82 and 1982-83, both for the corporation as a whole and Refining Activities, is enclosed for perusal. (Appendix III). It is confirmed that 'Value added' in regard to the Refining Activities as well as the entire activities of the Corporation would be depicted in the Annual Reports from 1983-84 onwards. Considering that expansion of an existing activity could involve substantial capital investments but only a marginal increase in number of staff, the value added in terms of man-month may not be meaningful in such cases. However, it is confirmed that wherever a major investment is made on a new activity the value added in terms of man-month shall be reflected in the Detailed Project Report (DPR).

This reply has the concurrence of BPE

[Ministry of Petroleum O. M. No. R-38018|2|84-OR. II, dated 11-2-1985]

Recommendation Serial No. 12 (Paragraph No. 3.44)

The minimal national standards in quantum limits proposed by the Central Board for the Prevention and Control of Water Pollution on effluents from oil refineries are not met by the BPCL refinery as it uses sea water on once-through basis for refinery processing. Although it would be possible to minimise discharging waste water by recirculation of cooling water, BPCL's problem is stated to be one of getting fresh water to the order of 10,000 tonnes per day. It is not known whether the question of fresh water supply was taken up with the Municipal Authorities. Although BPCL has claimed that its effluent water does not cause any harm to the sea life, the Committee desire that the proposal made to EIL to undertake study of effluent treatment should be vigorously followed and necessary steps taken as a result thereof to strictly observe the quantum limits proposed by the Central Board.

Reply of the Government

BPCL had asked Municipal Authorities for an increase in allocation of fresh water quota. Even for the Refinery Expansion Project, the Municipal Authorities have only reluctantly increased the allocation by 2000 tonnes per day to a total of 6000 tonnes per day.

As regards study by EIL for effluent treatment, this is being vigorously pursued by BPCL and is expected to be completed before the end of the year after which suitable action will be taken.

[Ministry of Energy (Department of Petroleum) O.M. No. R-38018/2/84-OR. II, dated 28-8-1984]

Comments of the Committee

(Please see paragraph 14 of Chapter I of the Report).

The Committee regret to note that in regard to marketing of LPG although the oil industry was hopeful of covering the majority of towns in the category of population between 20,000 and 50,000 by 1983-84, it was possible to cover only 162 towns out of the total 739 by June 1983. Even in these towns all applicants have not got the supply. Another 280 towns are now expected to be covered by 1984. This will leave nearly 300 towns uncovered against industry's earlier anticipations. The Committee find that although there has been rapid expansion in the availability of LPG during the past three years, the indigenous manufacture of cylinders has not kept pace and there is acute shortage of cylinders. This constitutes the main constraint in expanding LPG supply to smaller towns. The shortfall in cylinder manufacture against the oil industry requirements was 6.5 lakhs in 1981-82, 5.1 lakhs in 1982-83 and 7.0 lakhs in 1983-84. To meet the present shortage, it has been decided to import 8 lakhs cylinders during 1983-84. Besides import of cylinders, it may be reportedly necessary to import certain quantities of valves and pressure regulators also. Petroleum Secretary admitted before the Committee that there had been failures in planning and taking advance action which was responsible for these shortages and necessitated imports of these items. It is clear from Petroleum Secretary's statement before the Committee that not only the import of cylinders but even the import of steel for cylinders could have been avoided. The Committee cannot help expressing their unhappiness at the lack of planning and foresight.

Reply of the Government

The momentum in LPG Marketing started picking up after 1980-81. Till then entrepreneurs were unwilling to invest the huge amounts necessary in setting up cylinder manufacturing plants. In view of the projected expansion of LPG Marketing, Oil companies were encouraging new parties to set up cylinder manufacturing units and it was only from 1983-84 that the new units started regular production. The following table shows the yearwise number of parties for manufacture of cylinders and the supply of cylinders to the Oil Industry:

Year	No. of parties registered for manufacture of cylinders	Requirements (in lakhs)	No. of cylinder supplied (in lakhs)
1977-78	5	No definite requirement	—
1978-79	5	Do.	3.67
1979-80	7	11.00	8.01
1980-81	8	14.00	10.65
1981-82	8	16.00	13.44
1982-83	21	24.00	19.00
1983-84	50	50.00	31.94

As on 1-7-84, the number of parties registered for manufacture of LPG cyliders is 54 The supply was adequate to meet the demand upto 1979-80. However, it became inadequate from 1980-81 onwards as a result of increase in the enrolment rate consequent to large availability of LPG in the country. Similarly, the demand for valves and pressure regulators was also not steady and parties were not interested in setting up plants for its manufacture. As in the case of cylinders, new parties were encouraged to go into production. The following table gives yearwise the number of parties developed and the total valves and pressure regulators supplied in each year:

(Figures in lakhs)

	No. of partias for :		Requirement :		Quantity procured:	
	Valves	PRs.	Valves	PRs.	Valves	PRs.
1981-82 .	3	3	32.6	33.6	17.30	9.7
1982-83 .	5	3	60.9	48.9	29.51	20.2
1983-84 . . .	9	5	58.6	36.5	57.30	22.92

Adequate action has been taken to develop indigenous capabilities for production of cylinders, valves and pressure regulators.

[Ministry of Energy (Deptt. of Petroleum) O.M. No. P-38011|17|84-MKT dated 27th September, 1984]

Recommendation Serial No. 14 (Paragraph No. 4.40)

One of the reasons for shoftfall in Cylinder manufacture was stated to be shortage of LPG Steel. According to Department of Petroleum, the local LPG Steel availability was always inadequate and year after year imports were being made. The Committee note that the value of orders placed by SAIL for import of LPG steel was Rs. 4.8 crores in 1980-81 and Rs. 2.8 crores in 1981-82 and NOC issued for imports during 1983-84 valued at Rs. 28.3 crores. Department of Steel has, however, reported that there is no constraint so far as making of LPG Steel is concerned and that SAIL can meet the entire demand. The shortfall in Steel production during 1981—83, according to Department of Steel was due to inspection and quality problems. These factors are entirely within the control of the Governmet. The Committee are, however, not clear as to what necessitated issue of NOC for import of LPG steel to the extent of 89,400 tonnes during 1983-84. This clearly contradicts the steel Department's claim that SAIL can meet the entire demand.

Reply of the Government

There was a shortage of LPG steel during 1982 and 1983 largely on account of SAIL's inability to increase indigenous production conforming to the stringent specifications and failure on the part of a foreign supplier on whom SAIL had placed orders to honour the supply commitments owing to plant breakdown. Based on the actual experience of availability of indigenous steel in 1982 and 1983, it was estimated that the shortfall between the requirements and availability in 1983-84 was of the order of 40,000 tonnes. Further, to ensure that no cylinder manufacturing capacity was lost in the future on account of non-availability of LPG Steel, it was decided that the Oil Industry should build up some inventory. Consequently, SAIL was requested to give an NOC to the Oil Industry to import 79,000 tonnes of LPG steel in 1983-84.

Simultaneously, the Ministry of Steel, after discussions with the Department of Petroleum, directed to Steel Plants to maximise production and ensure quality. This has resulted in improvement in the availability of indigenous steel and hence, the Oil Industry have so far placed orders for import of only 58,000 tonnes of LPG Steel. The imports commenced arriving in the country from the third quarter of 1983-84. This, combined with the improved indigenous availability, has now removed the contstraint on shortage of LPG steel for cylinder manufacture.

[Ministry of Energy (Deptt. of Petroleum) O.M. No. 38011|17|84-MKT., dated 25-9-1984.]

Comments of the Committee

(Please see Paragraph 17 of Chapter I of the Report).

Recommendation Serial No. 16 (Paragraph No. 4.42)

The observations of the Committee in the foregoing paragraphs of this section would unmistakably show that the failure in planning and coordination on the part of the Department of Petroleum have resulted in avoidable foreign exchange outgo on account of import of LPG steel and cylinders. The Committee hope that in future the Department would show more alertness and foresightedness in discharging responsibility of planning and coordination in this regard.

Reply of the Government

The observations of the Committee in the foregoing paragraphs refer to adequate advace arrangements as not having been made for the steel requirements in connection with manufacture of requisite LPG cylinders. Regular coordination meetings are now being held between the Oil Industry (the companies and OCC) and the Steel Industry (SAIL & TISCO) to monitor the supply-demand position of LPG cylinder steel in order to ensure that availability of cylinder steel does not act as a costraint in the manufacture of cylinders. As a result of these endavours the indigenous availability of LPG cylinder steel has improved significantly. During 1983-84 the availability was about 77,000 MT as compared to 28,000 MT during 1982-83.

[Ministry of Energy (Deptt. of Petroleum) O.M. No. P-38011|17|84-MKT., dated 25-9-1984.]

Recommendation Serial No. 17 (Paragraph No. 4.43)

The Committee regret that although Chief Controller of Explosives (CCE) directed the oil companies as far back as 1978 to discontinue use of 'F' type valves on the ground of safety and replace them by a self-closing pin type valve, the oil companies still continue to use the traditional types thus exposing consumers to safety hazards all these years. A Committee set up thereafter known as Bhatnagar Committee recommend adoption of Kosan compact regulator and self-closing valves as the standard and also recommended that the quickest way of doing this was to import its technology. Notwithstanding these recommendations, it was decided to accept the indigenously designed compact type which was found acceptable on evaluation tests.

Owing to lack of strict discipline in the matter of quality control the local manufacturers adopted minor deviations from . the original design which to some extent had an adverse impact on safety aspects. Sadly, in some cases these have reportedly caused accidents. The Committee would like the Government to have a reassessment of the effectiveness of their quality control machinery and the extent of its responsibility for failure of quality in valves and regulators. They would urge that the use of traditional types of valves should be discontinued at the earliest as recommended by CCE and the question of import of technology, if found inevitable should be finalised without further lose of time.

Reply of the Government

The recommendation of the Chief Controller of Explosives for discontinuing use of 'F' type of valve was made in 1978. About 47 lakh cylinders fitted with 'F' type values were in circulation at that time. It was not possible to replace all these cylinders at once or to get them fitted with the new (SC) type of valve. It may be mentioned that the development of the new valve took some time and it was only after June 1981 that actual production started and the conversion exercise was taken up by the Oil Industry in a phased manner. At present there are 9 valve manufacturers and 5 pressure regulator manufacturers. It is planned to completely switch over from 'F' type to 'SC' type of equipment during the next 4-5 years.

While it is true that during the time that indigenously manufactured self-closing type of equipment was in use, some accidents did take place, these were due not to lack of adequate quality control but were on account of a slight defect in the design of the valve. The position in regard to design of the indigenously manufactured valve was reviewed and it was felt that it would be desirable to standardise on a proven design from abroad with a view to ensuring maximum safety, particularly in the context of the rugged handling of equipments in India. The Kosan valve and Kosan pressure regulators and the Sierra Pressure Regulator have now been selected for the purpose and import of their technology is now taking place. Once this technology is imported, adoption of the new design and adherence to quality control methods in indigenous maufacture will be ensured by the Oil industry.

[Ministry of Energy (Deptt. of Petroleum) O.M. No. 38011|17|84-MKT., dated 25-9-1984.]

Recommendation Serial No. 18 (Paragraph 4.44)

Targets for establishment of retail outlets are fixed every year in order to set up the distributive infrastructure to meet the anticipated growth in the consumption of petroleum products. BPCL's performance in regard to achievement of these targets has, however, been very unsatisfactory. The Company was able to set up only 89 outlets against the target of 375 during the five years period 1978-83. The reasons advanced for this failure are hardly convincing. The Company's target for 1983-84 is 123 outlets which appears to be ambitious considering its past record. The Committee have been informed that the Corporation has taken effective steps to clear the backlogs on new commissionings by the end of 1983-84. The Committee would await the results of efforts of the Corporation in this regard and would watch with interest the actual number of outlets established during 1983-84.

Reply of the Government

The Bharat Petroleum Corporation has taken action to accelerate the commissioning of new retail outlets. The more important steps taken in this direction are:

1. Procurement of equipment like dispensing pumps, tanks etc. has been stepped up to create sufficient inventory in order that commissionings are not delayed for want of equipment.

2. Adequate Engineering Staff has been positioned in the field to expeditiously complete the installation of facilities and also to assist the selected candidates for early completion of the construction work.

3. Sales Staff in the field has been instructed to undertake vigorous follow-up.

During 1983-84, 60 outlets were commissioned against the target of 123. This shortfall in the year's achievement does, nevertheless, represent an improved perfomance in the light of the fact that, as observed by the Committee, too 89 outlets have been commissioned in the five years between 1978 and 1983. A still better result is expected in this and coming years. It may, however. be clarified that the performance in respect of commissioning has had little effect on the over-all sales of the Company. In 1983-84 the actual sales were 62.096 million MT against the target of 63.352 million MT (98 per cent).

[Ministry of Energy (Department of Petroleum) O.M. No. R-37012|1|85-MC Dated 14-8-1984]

Recommendation Serial No. (Paragraph No. 5.22)

Industrial relations climate particularly in BPCL's refinery left much to be desired. The BPCL refinery faced a 5-month long strike of the entire work force from mid January to mid June 1982 resulting in 2,19,611 mandays loss and 7,23,700 M.T. throughput loss. The workmen were demanding extension of pay scales and service conditions applicable to the employees of the erstwhile Burmah-Shell Refinery to the new workmen recruited after takeover by Government. According to the Department of Petroleum this could not be conceded as this would have resulted not only in creating high wage islands in the public sector system but would also have had serious repercussions in the rest of the public undertakings. Although an interim settlement covering a period of four years was reached at the end of the strike, a long term settlement still remains to be reached. The Committee would urge that Government should expedite its examination of this issue keeping in view the urgent need to bring an early long term settlement between employees and management and in order to secure the full co-operation and participation particularly of refinery employees who are reported to be still boycotting the joint forums. It is heartening in this connection to note the workmen in the Marketing Division have already signed a long term settlement on the issue of wages and service conditions.

Reply of the Government

The basic demands of the workmen in BPCL, Refinery has been examined in great depth and it will be difficult to concede these demands in view of their wide remifications. However, the various proposals put forth by the BPCL Management for improvements in the Refinery package along the lines generally prevalent in the other Oil Companies and within the framework of the Public Sector Pattern have been under consideration. The Management of BPCL continue to make every effort to persuade the workmen to accept the Public Sector

Pattern of wage scales and conditions of service recognising the need to bring about an early long term settlement in the Refinery.

[Ministry of Energy (Department of Petroleum) O.M. No. 38018|2|84-OR. II Dated 28-8-84]

Comments of the Committee

(Please see paragraph 20 of Chapter I of the Report)

Recommendation Serial No. 20 (Paragraph No. 5.23)

Apart from the major strike in 1982 there had been 37 occasions during 1978—83 when BPCL employees both in refinery and marketing divisions resorted to strikes. Out of these, 16 incidents were stated to be on account of extraneous factors and the rest due to internal factors such as introduction of public sector wages, delay in payment of bonus, disciplinary action by management, fulfilment of production targets, want of speedy settlements etc. The Committee feel that at least some of these could have been obviated had there been Grievance Committees entrusted with the responsibility of resolving workers' grievances and disputes. It is surprising that no thought appears to have been given by the management to evolve forums for this purpose depite strikes time and again. The Committee hope that at least now the undertaking will take action to set up grievance committees in the refinery and marketing divisions with a view to speedily resolve workers' grievances in a climate of confidence.

Reply of the Government

While the Company does have an established grievance procedure, it is true that it does not have a Grievance Committee formed solely with the responsibility of resolving workers grievances. The long established grievance procedure is a part of the long term settlements signed by the Corporation with its workmen and it is, therefore, the intention of the corporation to examine, in detail, and in consultation with the workers representatives the possibility of incoporating a provision for setting up Grievance Committee as part of its grievance procedure at the time of signing of fresh settlements in the various regions and the Refinery.

[Ministry of Energy (Department of Petroleum) O.M. No. R-38018|2|84-OR. II Dated 28-8-84]

Comments of the Committee

(Please see paragraph 2.3 of Chapter I of the Report)

Recommendation Serial No. 21 (Paragraph No. 5.24)

BPCL introduced workers' participation scheme in 1976 by forming 4 shop councils and a joint council, in the refinery. Since September, 1978 the workers are, however, not participating in any of the forums for joint participating in the absence of resolution of problems relating to their pay structure. The Company has pleaded that despite its renewed efforts to persuade the union to reactivate the joint forums, their response continues to be negative. Frankly, the Committee did not expect an expression of helplessness in this regard from the Company. It should be possible to carry conviction with the workers, incusing in their mind the perspective of their larger interest. With a view to create favourable climate for securing workers' participation in these joint forums, the Committee feel that it is necessary that the issue of pay scales and conditions of service of workers should be expeditiously resolved. The Company should also examine the question of delegation of powers and authority at appropriate level in the organisation to secure involvement of employees for development and growth of the Company.

Reply of the Government

As regards the workers' participation scheme the Management of BPCL has made and continues to make every effort to convince the workers of the benefits of participation in this scheme. In fact, every effort has also been made by BPCL to persuade the Refinery workmen not to link the implementation of this scheme with the final acceptance of a long term settlement. However, a favourable response has not been forthcoming.

In the meanwhile, the Management of BPCL is making every effort to persuade workmen in the Refinery to accept the Public Sector Pattern of wage scales and terms and conditions of service. The response from the workmen to accept a package in line with what has been implemented in the Marketing Division has so far been negative but all efforts continue to be made to arrive at a lasting settlement.

[Ministry of Energy (Department of Petroleum) O.M. No. R-38018/2/84-O.R. II dated 28-8-84]

Comments of the Committee

(Please see paragraph 25 of Chapter I of the Report).

Recommendation Serial No. 23 (Paragraph No. 6.30)

The Committee note that sharp fall in profits during 1982-83 was attributed to the marketing division where there was higher depreciation

(Rs. 2.9 crores), increase in cost of staff (Rs. 1.1 crores), under recoveries on transportation costs (Rs. 1.7 crores) and increased cost of losses (Rs. 1.4 crores). The Committee also observe that the profits of the Company as a percentage to capital employed had been sharply declining year after year since 1978-79 except in 1981-82. During 1982-83 the percentage of gross profit to capital employed was only 36.9 against the target of 44.3 indicated by the Ministry. The decline was reported to be due to increase in requirement of working capital coupled with the need to maintain stock levels and heavy expenditure on new projects such as refinery expansion. The Committee would urge that in order to generate sufficient internal resources for future needs, the Company should expeditiously complete the projects so that they yield appropriate returns in time.

Reply of the Government

For expeditious implementation of Projects, Departments headed by a G.M. (Projects) for Refinery Projects and G.M. (Engineering & Projects) on the Marketing side, have been created with adequate delegation of powers and appropriate monitoring system|staff to ensure that projects are completed on schedule. In this connection it would be pertinent to mention that, despite the loss of 8 months in construction activities due to five months of strike immediately followed by 3 months of heavy monsoon in 1982, the refinery expansion projects is expected to be completed on schedule.

[Ministry of Energy (Department of Petroleum) O.M. No. R-27012|1|84 MC Dated 14-8-1984]

Recommendation, Serial No. 24 (Paragraph No. 6.31)

According to BPE, the level of spares inventory in BPCL which represents 607.8 days' consumption is higher than the prescribed norms. Items worth Rs. 2.5 crores have not moved for more than two years. The Committee would urge that directives issued by BPE in this regard should be expeditiously implemented by the Company to achieve the desired results.

Reply of the Government

Majority of the items of Spares were imported for the maintenance of the equipment of the Refinery which is more than 25 years old. Most of the items, which have not moved, comprise items required for urgent repairs and maintenance and cannot be disposed off so long as old equipment/machinery continues to be usefully employed in the Refinery. Disposal of these items particularly those which had been imported, is not advisable as non-availability at critical juncture could jeopardise smooth operation of Refinery resulting in loss of production. Having regard to the age of the Refinery and number of projects such as Expansion of the Refinery Capacity and Installation of Secondary Processing Facilities, Aromatics and Sulphur Recovery Projects, the level of inventories will necessarily go up as the Corporation will have to not only keep spares for the old plant and equipment but also stock for new plants based on latest design and technology. BPCL propose to re-assess their inventory holding in terms of number of days consumption.

[Ministry of Energy (Department of Petroleum) O.M. No. R. 38018|2|84-OR-II Dated 28-8-84]

Comments of the Committee

(Please see paragraph 28 of Chapter I of the Report)

Recommendation (Serial No. 25) (Paragraph 6.32)

The Committee do not appriciate the practice of adopting short term methods to meet huge short falls in manpower every year. The shortfalls in the management staff against the assessed requirement went up from 65 to 184 during 1979—82 and in the case of workmen from 289 to 475. Further, the rate of absenteeism in the company has been as high as 12 per cent. To meet these shortfalls, the company was reported to have adopted the practice of putting workers on overtime or engaging workers temporarily or contracting out jobs. One of the reasons for shortfall in actual strength has been delay in recruitment. The present prescribed procedure is, of course, cumbersome and dilatory. The Committee recommend that the Government should examine the possibility of devising a speedier procedure for making recruitment in Oil Companies in view of nature of their operations and importance of the industry.

Reply of the Government

All Governmental organisations, including public sector oil companies are required to follow the procedure prescribed in the recruitment rules which are based on model rules, experience and established practices.

To overcome delay in recruitment the oil companies have been advised to take the following steps:

(1) An Year's advance action be taken to fill posts likely to fall vacant due to retirement|superannuation, etc.

(2) Introduce effective manpower planning.

(3) Special recruitment exclusively for SC|ST to fill their quota.

(4) In specialised areas like Accountants, and some technical posts 10 per cent supernumerary posts be filled to tide over the difficulty arising out of people leaving for better job opportunities.

(5) Induction of Management trainees to replenish depletion from time to time.

[Ministry of Energy (Department of Petroleum) O.M. No. J-13012|2|84-Gen. dated 23-8-84]

Recommendation Serial No. 26 (Paragraph No. 6.33)

It is evident that the company's manpower policy did not attract the attention of the Government so long. The Committee feel that the shortfalls in man-power could have been largely avoided by taking advance action for recruitment. The possibility of having coordination with Industrial Training Institutes to ensure adequate number of skilled workers should have also been examined.

Reply of the Government

In order to ensure the availability of adequate number of skilled workers, full advantage of the Apprentices Act has been taken and the Corporation is recruiting apprentices on a substantial scale at the Refinery through several Industrial Training Institutes. The number of Apprentices engaged by the Corporation are much in excess of the Statutory requirement and this is with the objecive of overcoming the problem of adequate availability of skilled workmen.

[Ministry of Energy (Department of Petroleum) O.M. No. R-37012|1|84-MC dated the 5th September, 1984]

Recommendation Serial No. 27 (Paragraph No. 6.34)

The Committee are of the view that the performance of BPCL would have been better had it been kept under close review by the Board as well as administrative Department. In this connection, the Committee note that although according to the guidelines issued by BPF, the administrative Ministry should hold performance review at least four times in a year, the review meetings were not held systematically and as frequently as was required. The Committee hope that in future these meetings will be held regularly by undertaking critical review of the working of the company and necessary directives issued from time to time to improve the Company's performance.

Reply of the Government

The recommendation has been noted and circulated to all concerned in the Department of Petroleum for compliance. A copy of this Department's O.M. No. J 13012|2|84-Gen. dated 7-8-1984 is enclosed for reference. (Appendix IV)

[Ministry of Energy (Department of Petroleum) O.M. No. J-13012|2|84-Gen. Dated 23-8-1984]

CHAPTER III

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

Recommendation S. No. 8 (Paragraph No. 2.37)

At the instance of the Committee, Ministry of Finance has prescribed a time limit of 6 months for clearance of projects by Government. The Committee note that the Government had taken between 7—21 months in 11 cases. Six of BPCL's new projects are reported to be awaiting clearance from the Government for more than one year. The feasibility Report of C3|C4 separation facilities project was submitted to Government in February, 1982 *i.e.* over 2 years back. Though Department of Petroleum have explained in a note the stages involved in the matter of clearance of a project, the Committee fail to understand why it is taking more than 2 years to take a decision on the issue. The Committee note that the Ministry of Finance have suggested two stage approval to projects. They trust this proposal will be examined by the Department of Petroleum quickly and a suitable procedure evolved for giving clearance to the project within minimum time possible, as suggested by Finance Ministry.

Part II of Reply of the Government

(2) In regard to the Feasibility Report on C3|C4 separation facilities, it may be mentioned that BPCL has not yet submitted any such Report. The Committee may be having in mind the revised Feasibility Report on Aromatics Recovery at BPCL. The cost estimate of this project was sanctioned on 1-10-83.

[Ministry of Energy (Department of Petroleum) O.M. No. 20-6-84-Gen. II Dated 23-8-1984].

Recommendation S. No. 22 (Paragraph No. 6.29)

The Committee are distressed to find that the marginal increase in the profits (before tax) of the Company from Rs. 29.60 crores in 1981-82 to Rs. 29.86 crores in 1982-83 is only illusory in as much as if one excludes the prior year's income which stood at Rs. 5.5 crores in 1981-82 and Rs. 14.0 crores in 1982-83, the operating profits of the Company would actually show a sharp decline during 1982-83 by about 33 per cent. The Committee find that the annual accounts presented by the Company do not bring out the working results in a manner that could make for comparison from year to year on a reliable basis in view of the prior period adjustments. They, therefore, require that the prior period adjustments should be made in annual accounts in such a way that the accounts depict the true picture of profitability and enable correct comparison of the operation of the Company over the year. This may be done in consultation with the C & AG of India.

Reply of the Government

The reasons for the fall in current profits for 1982-83 *vis-a-vis* 1981-82 were explained and are incorporated under paragraph 6.30. This was mainly because of higher depreciation (Rs. 2.9 crores), increase in cost of staff (Rs. 1.1 crores), under recoveries on transportation costs (Rs. 1.7 crores) and increased cost of losses (Rs. 1.4 crores). It should be noted that under the pricing discipline, it is inevitable that there would be time-lag between representations made by the corporation and consideration thereof and approval by Government for appropriate compensation through Industry Pool Account.

As regards prior period adjustments, these are reflected in the published accounts as a separate item both in the Profit & Loss Account and the Directors' Report and the impact of these adjustments on the year's profit is clearly identifiable. The method of presentation has the approval of the Statutory Auditors as well as C&AG of India and is in accordance with the provisions of the Companies Act and generally accepted accounting principles.

C&AG of India has concurred in this reply.

[Ministry of Energy (Department of Petroleum) O.M. No. R-38018|2|84-OR. II Dated 29-11-1984]

CHAPTER IV

RECOMMENDATION IN RESPECT OF WHICH REPLY OF GOVERNMENT HAD NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation Serial No. 10 (Paragraph No. 3.42)

The Refining costs of BPCL had been about 100 per cent higher than the provisional OPC standards during 1979—81 and about 25 per cent higher during 1982-83. The provisional standards have been revised in April, 1981. It needs to be pointed out that *in the absence of proper norms* the comparison of provisional standards with actuals is meaningless and leaves no scope for immediate remedial action being taken for effective cost control by oil companies. They, therefore, recommend that the feasibility of laying down standards in this respect in the beginning of every year should be examined with a view to enable realistic assessment of costs. In this connection the committee are surprised to note that although the company's actual refining costs were higher (Rs.|MT 30 in 1981-82 and Rs.|MT 34.76 in 1982-83) than the OPC norm (Rs.|MT 28.69), BPCL was not provided with the details of calculation of OPC norm with the result the company reportedly was not able to identify the increase in cost elements. They hope that there may not be any difficulty on the part of Government to furnish these details to Oil Companies to enable them to take timely corrective action when the actuals exceed the norms.

Reply of the Government

In this recommendation two suggestions have been made *viz*. (a) the feasibility of laying down standards at the beginning of each year; and (b) furnishing of detailed break up of the refining cost norms to the oil companies so that they can make a realistic comparison of the actuals with the standards and take timely corrective action.

The refining cost for each refinery is usually being fixed on the recommendations of Expert Groups|Committees appointed by Govt. from time to time. These costs are generally applicable for a period of three to four years. The refining cost standards fixed on the basis of the recommendations of Oil Prices Committee (OPC) in 1975, were revised in 1981 on a study made by the Oil Coordination Committee (OCC). The refining costs have again been reviewed by the Oil Cost Review Committee (OCRC) whose report is under the consideration of

Government. Every revision is made after critical evaluation of the historical cost, cost trends during the next three to four years, facilities available in the refineries and the production pattern to be obtained during that period. Appropriate efficiency parameters are also built wherever considered necessary and feasible. As this is a time consuming process it will neither be feasible nor necessary to set up yearly standards by OCC or Government. However, wherever there are major factors affecting costs like increases in thruput or changes in the production pattern, new standards are devised.

The overall refining costs are known to the oil companies. With this, the companies can and do exercise adequate cost control to ensure that costs under each of the individual heads (i.e. chemicals, realistic utilities, maintenance etc.) are kept at minimal levels, so that the total refining cost does not exceed the standard|norm level. The oil companies exercise cost controls in their own interest for the reason that if the total cost exceeds the norm level, there would be a penalty for the refinery; while if costs are lower the refinery would benefit financially.

[Ministry of Energy (Department of Petroleum) O.M. No. P-38012/2/84-PP. Dated 29-11-84]

Comments of the Committee

(Please see paragraph 10 and 11 of Chapter I of the Report).

CHAPTER V

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

Recommendation Serial No. 4 (Paragraph Nos. 2.31 and 2.32)

One of the major projects undertaken by BPCL was an expansion project which provided for debottlenecking of crude distiller and installation of additional secondary processing facilities. This project which was estimated to cost Rs. 36 crores was approved by Government in December, 1979 on the basis of a Feasibility Report (FR) prepared in November, 1978. As there were admittedly several deficiencies in the Feasibility Report a revision became necessary in November, 1981. The revised cost of the expansion project was Rs. 133 crores, which worked out to an increase of 270 per cent. Of this increase, price escalation, underestimation, omissions, additonal provision for contingencies etc. accouted for Rs. 40 crores which is even higher than the original cost of the project. Changes in scope, changes during detailed engineering. provision for design changes and replacements amounted to Rs. 57 crores. The Committee have gathered an impression that the project had been launched by the company without developing necessary capabilities. The Company formed a project planning and coordination cell only in mid-1981, nearly 3 years after preparation of the original F.R. in this case.

Obviously enough care was not exercised by Government to check the correctness of cost estimates made in the original F.R., nor was any attempt made to assess the effectiveness of project planning and implementation machinery in BPCL before sanctioning this major project. Admittedly, there were several weaknesses in the project plan approved by Government. The Committee trust that Government will take care in future to see that Feasibility Reports are reliable and the cost estimates realistic. The Committee have been informed in the connection that a Study Group which went into the question of preparation of Feasibility Reports and cost escalation in refinery projects has submitted its report. The Committee desire that the action taken thereon be intimated to them.

Reply of the Government

The Report submitted by the Study Group, which went into the question of preparation of Feasibility Reports and escalation in the cost of Refinery Projects is still under consideration of the Government. In fact, action on this report is linked up with the decision that may be taken by the Cabinet with regard to the proposal for seeking approval of the Public Investment Board in two stages. As indicated in Government reply to Committee's Recommendation at Serial No. 8 (Para 2.37) of this Report, the proposal of the Ministry of Finance is still under consideration of the Cabinet.

[Ministry of Energy (Department of Petroleum) O.M. No. 20|6|84-Fin. II, Dated 23-8-1984]

Comments of the Committee

(Please see paragraph 7 of Chapter I of the Report)

Recommendation Serial So. 5 (Paragraph 2.34)

The Committee find that Detailed Project Report (DPR) was not ready even four years after the approval of the expansion project by Government. In BPCL's view, the time required for submission of DPR is between 18 to 24 months. According to the Ministry it would require 2-3 years to prepare DPR in the case of refinery projects. The Committee desire that the time limit for preparation of DPR in the case of refinery projects should be prescribed by the Department of Petroleum in consultation with Public Investment Board.

Reply of the Government

As per existing guidelines, the Detailed Project Report is required to be prepared within 12 months of the approval of a project. The Government had set up a Study Group, in December 1981 to go into the question of revision of the cost estimates of refinery expansion projects. This Study Group, *inter alia,* suggested that the period of submission of the Detailed Project Report should be raised from 12 months to 18 months in the case of refinery projects. This suggestion was considered by the Public Investment Board on 16-6-1983. It was felt by the Public Investment Board that this suggestion, along with others, might be further examined in the context of the proposed two-stage procedure for investment decisions. The latter proposal is still under consideration of the Cabinet.

[Ministry of Energy (Department of Petroleum) O.M. No. R-38018|2|84-OR. II, Dated 9-10-1984]

Comments of the Committee

(Please see paragraph 7 of Chapter I of the Report).

Recommendation S. No. 8 (Paragraph No. 2.37)

At the instance of the Committee, Ministry of Finance has prescribed a time limit of 6 months for clearance of projects by Government. The Committee note that the Government had taken between 7—21 months in 11 cases. Six of BPCL's new projects are reported to be awaiting clearance from the Government for more than one year. The feasibility Report of C3|C4 separation facilities project was submitted to Government in February, 1982 *i.e.* over 2 years back. Though Department of Petroleum have explained in a note the stages involved in the matter of clearance of a project, the Committee fail to understand why it is taking more than 2 years to take a decision on the issue. The Committee note that the Ministry of Finance have suggested two stage approval to projects. They trust this proposal will be examined by the Department of Petroleum quickly and a suitable procedure evolved for giving clearance to the project within the minimum time possible, as suggested by Finance Ministry.

Part I of reply of the Government

(1) The procedure suggested by the Ministry of Finance for getting clearance of the Public Investment Board in two stages is still under consideration of the Cabinet and no final decision has been taken. The Committee are assured that notwithstanding a decision on that proposal, all efforts are being made and will be made to clear project proposals within the minimum time possible.

[Ministry of Energy (Department of Petroleum) O.M. No. 20|6|84-Fin. II. Dated 23-8-84]

Comments of the Committee

(Please see paragraph 7 of Chapter I of the Report)

Recommendation Serial No. 15 (Paragraph 4.41)

As far the shortage of cylinders are concerned, the constraint till end of 1981-82 was stated to be inadequate capacity for manufacture of cylinders. During the succeeding years although the installed capacity for manufacture of cylinders was much higher than demand, there was no system of control or monitoring to ensure adequate indigenous manufacture of new cylinders conforming to the required standard. Surprisingly the Department of Petroleum does not have even a list of cylinder manufactures in the country particularly in small scale sector. Admittedly the Department's coordination with the Ministry of Industry in this respect was anything but satisfactory. The Committee trust that the question of evolving a suitable system of coordination and streamlining the purchase procedures for cylinders will be considered early and the Committee be informed."

Reply of the Government

The procedure for registration of suppliers and procurement to be adopted by the three Oil Companies concerned is currently under review by the Department of Petroleum and a revised scheme will be introduced soon.

[Ministry of Energy (Department of Petroleum) O.M. No. P-38011|17|84-MKT, Dated 25th September, 1984]

NEW DELHI;
9 *August*, 1985
17 *Sravana*, 1907 (*Saka*)

K. RAMAMURTHY,
Chairman,
Committee on Public Undertakings.

APPENDIX I

Minutes of the 5th sitting of the Committee on Public Undertakings held on 8 August, 1985.

The Committee sat from 15.30 hrs. to 16.10 hrs.

PRESENT

Shri K. Ramamurthy—Chairman

MEMBERS

2. Shri S. M. Bhattam
3. Shri Brajamohan Mohanty
4. Shri Satyagopal Misra
5. Shri D. K. Naikar
6. Shrimati Geeta Mukherjee
7. Shri Ram Bhagat Paswan
8. Shri V. S. Vijayaraghavan
9. Shri Ashwani Kumar
10. Shri Nand Kishore Bhatt
11. Dr. Shanti G. Patel

SECRETARIAT

1. Shri M. K. Mathur—Chief Financial Committee Officer.
2. Shri G. S. Bhasin—Senior Financial Committee Officer.
3. Shri Rup Chand—Senior Financial Committee Officer.

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

1. Shri K. N. Row—Chairman, Audit Board and Ex-Officio Additional Deputy Comptroller and Auditor General (Commercial).
2. Shri K. Lakshmana Rao—Secretary, Audit Borad.

APPENDIX II

(*Vide* reply to recommendation at Sl. No. 1 & 3 of Chapter II)

D.O. No. 9|4|83-Fin.-I

GOVERNMENT OF INDIA

MINISTRY OF ENERGY

(Department of Petroleum)

J. MANDAL

Director (Finance)

New Delhi, the 29th June, 1984

Dear Shri

As you are aware BPE issued instructions in 1974 to all the Public Sector Enterprises for preparation of Corporate Plans and submission of the same to the Administrative Ministry for formal ratification. It has been observed that barring one or two Oil Companies, no undertaking has so far prepared any Corporate Plan. The Committee on Public Undertakings has taken a serious view in this respect and has desired that all the Oil Public Sector Undertakings must prepare their Corporate Plans and submit the same to the Administrative Ministries for formal ratification. I shall, therefore, be grateful if the Corporate Plan of your organisation is submitted to the Administrative Wing in this Department for formal ratification at the earliest. However, a monthly report in respect of progress made in this regard may please be sent to this Department.

2. It may also be mentioned that in case you do not have the infrastructural facilities for this, you may consult BPE.

Yours sincerely,

Sd./-

(J. MANDAL)

Copy to: All Officers|Sections in the Department for information and necessary action.

The Committee considered the following Action Taken Reports, as approved by the Action Taken Sub-Committee and adopted the same:—

(i) * * * * *

(ii) Action Taken Report on 91st Report of CPU (1983-84) on Bharat Petroleum Corporation Ltd.

The Committee authorised the Chairman to finalise the Reports on the basis of factual verification by the Ministries/Undertakings concerned and Audit and present the same to Parliament.

* * * * *

APPENDIX III

(*Vide* reply to recommendation at Sl. No. 11 of Chapter II)

Statement showing 'Value added' for the years 1981-82 *and* 1982-83

(Rs. Lakhs)

		1981-82		1982-83
Gross Sales		151542.23		172408.57
Add/(Deduct) Increase/(Decrease) in Inventory of Finished Products . . .		2142.02		(8679.39)
		153684.25		163729.18
Less : Purchase of products for Resale .	20949.45		27959.08	
Packages consumed	1124.59		1270.98	
Drum duty for Bitumen packages	434.72		391.59	
Exise duty on Drum Steel for Bitumen packages	75.89		72.11	
Duties, Sales Tax etc.	33386.24	55970.89	37228.15	66921.82
I. Value of production .	97713.36			96807.36
Less : Raw material consumed .	86199.22		83530.92	
Power & Fuel	284.46	86483.68	302.07	83832.99
II. Value Added . .		11229.68		12974.37

APPENDIX IV

(*Vide* reply to recommendation Sl. No. 27 of Chapter II)

No. J-13012|2|84-Gen.

GOVERNMENT OF INDIA

MINISTRY OF ENERGY

(Department of Petroleum)

New Delhi, the 7th August, 1984

SUBJECT: *Performance Review Meetings of Public Undertakings—Meetings to be held every quarter—Recommendation of Committee on Public Undertakings.*

The Committee on Public Undertakings (1983-84) (7th Lok Sabha) in its 91st Report on BPCL presented to Parliament on the 13th April, 1984 has reiterated that the Performance Review Committee Meetings should be held regularly as per guidelines issued by BPE.

2. In this connection Recommendation (S. No. 27) (Paragraph 6.34) of the said Report is reproduced below:

'The Committee are of the view that the performance of BPCL would have been better had it been kept under close review by the Board as well as administrative Department. In this connection, the Committee note that although according to the guidelines issued by BPE, the administrative Ministry should hold performance review at least four times in a year, the review meetings were not held systematically and as frequently as was required. The Committee hope that in future these meetings will be held regularly by undertaking critical review of the working of the company and necessary directives issued from time to time to improve the company's performance.'

3. All officers and Sections are requested to note this Recommendation for strict compliance an to ensure that the Performance Review Meetings of the Undertakings under their charge are held regu-

larly every quarter and suitable instructions|directives issued whenever necessary to improve performance.

Yours faithfully

Sd|-

(T. N. Parameswaran)

Under Secretary to the Govt. of India

All Officers|Sections in the Department of Petroleum.

Copy to: All the Chief Executives of Public Undertakings under the Department of Petroleum.

APPENDIX V

(*Vide* Para 3 of the Introduction)

Analysis of the Action Taken by Government on the Recommendations contained in the 91st Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Bharat Petroleum Corporation Ltd.

I	Total number of recommendations	27
II	Recommendations that have been accepted by the Government [*Vide* recommendations at S. Nos. 1 to 3, 5 (Para 2.33) 6, 7, 9, 11, 12 to 14, 16 to 21 and 23 to 27]	21.5
	Percentage to total	79.70%
III	Recommendations which the Committee do not desire to pursue in view of Government's replies [*Vide* recommendations at S. Nos. 8 Part (2) of reply and 22.]	1.5
	Percentage to total	5.50%
IV	Recommendation in respect of which final reply of Government has not been accepted by the Committee (*Vide* recommendation at Sl. No. 10)	
	Percentage to total	3.70%
V	Recommendations in respect of which final replies of Government are still awaited. [*Vide* recommendations at Sl. Nos. 4, 5, (Para 2.34), 8 Part (1) of reply and 15]	3
	Percentage to total	11.10%