LOK SABHA

Tuesday, June 9, 1998 / Jyaistha 19, 1920 (Saka)

The Lok Sabha met at Eleven of the Clock

[MR. SPEAKER *in the Chair*]

[English]

...(Interruptions)

SHRI BASU DEB ACHARIA (Bankura) : Mr. Speaker, Sir, hundreds of workers of IDPL are sitting in *dharna* in front of the Parliament House. *...(Interruptions)*

They have not been getting their salaries for months together.

SHRIMATI GEETA MUKHERJEE (Panskura) : Sir, hundreds of IDPL workers have not been getting their salaries. *...(Interruptions)*

MR. SPEAKER : Shri Basu Deb Acharia, please take your seat.

...(Interruptions)

MR. SPEAKER: You can raise it in the 'zero hour'.

...(Interruptions)

MR. SPEAKER: This is Question Hour. It is an important hour.

...(Interruptions)

[Translation]

SHRI BENI PRASAD VERMA (Kaisarganj): Mr. Speaker, Sir, people are coming from Ghaziabad for staging 'dharna' at Jantar-Mantar. They are not being allowed to reach Jantar-Mantar in Delhi. It is an assault on the democratic rights of the people. The Government of Uttar Pradesh is not listening to them. Therefore, they have to come to Delhi. Uttar Pradesh borders have been sealed. Hon'ble Home Minister is present here. Government may be directed to allow the Ghaziabad people to enter Delhi to express their grievances.

[English]

MR. SPEAKER: This will not go on record.

*(Interruptions)**

*Not recorded.

ORAL ANSWERS TO QUESTIONS

[English]

Administered Price Mechanism

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*182. SHRI R. SAMBASIVA RAO :
SHRI VILAS MUTTEMWAR :

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

(a) whether the Government have processed the recommendations of Nirmal Singh Panel for suggesting phasing out of administered price mechanism of petroleum products;

(b) if so, the main recommendations made by the panel thereof;

(c) the action taken/proposed to be taken thereon; and

(d) the tentative time schedule for final implementation of the recommendations of the Nirmal Panel?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI VAZHAPADY K. RAMAMURTHY) : (a) to (d) A Statement is laid on the Table of the House.

Statement

1 The Government had appointed an Expert Technical Group under the Chairmanship of Shri Nirmal Singh, Joint Secretary (Refineries), Ministry of Petroleum & Natural Gas to examine the impact on various sectors at different levels of duty structure in case of dismantling of APM. The major recommendations of the Expert Technical Group are given at Annexure-I. Based on the recommendations of Expert Technical Group, the Government in November, 1997 had decided to dismantle Administered Pricing Mechanism (APM) in phases over a period of four years starting from 1998-99 as per details given in Annexure-II. The terminal year for dismantling will be 2001-02 and duty structure for the terminal year is given in Annexure-III.

2. The process of dismantling of APM in the Petroleum Sector in phases has already been initiated w.e.f. 1.4.98. Cost plus formula for indigenous crude oil producers has been withdrawn, however, as a temporary measure a minimum floor price has been fixed. The system of retention pricing for all the refineries has been abolished. However, Refinery gate prices of controlled products viz. MS HSD, SKO, LPG and ATF are being fixed on principles of "adjusted import parity" price for existing refineries. The consumer prices of MS, HSD, SKO (Public Distribution System), LPG (for domestic use) and ATF continues to be administered and consumer price of one of the five products, namely HSD is being fixed on principles of import parity pricing up to

ex-storage point level. The prices of other petroleum products like Naphtha, FO, LSHS, Bitumen, Paraffin-wax etc. have been decontrolled w.e.f. 1.4.98 and the oil companies have been allowed to fix their prices based on the market consideration. Cost plus formula for shipping of crude oil has been withdrawn.

3. Imports and exports of all petroleum products, except crude (slop crude and crude condensate), NGL, ATF, MS and HSD will be decanalised during the transition period. The customs duty on crude oil has been reduced from 27% to 22% w.e.f. 2.6.98.

Annexure-I

Major Recommendations of the Expert Technical Group

The salient recommendations of the Expert Technical Group are as under :

(a) The Group recommended a phase in period of 4-5 years for dismantling of APM.

(b) Cost-plus formula should be withdrawn for indigenous crude oil producers, the price receivable by oil producers should be increased to international levels in a phased manner by paying a pre-announced increasing percentage of weighted average FOB price of actual imports of crude oil during the transition period.

(c) The system of retention pricing should be abolished for all (existing and new) refineries, and pricing of petroleum products at the refinery gate level should move towards import parity, however, Refinery Gate prices of controlled products viz. MS, HSD, SKO, LPG and ATF should be fixed at "adjusted import parity" prices for the existing refineries during the transition period, all other products should be sold by the refineries at market driven prices.

(d) Consumer prices of major petroleum products should be moved to market prices, price of HSD should be fixed on the principle of import parity pricing upto ex-storage point level with immediate effect, and prices of other major products, viz. LPG, ATF, SKO and MS, should be moved towards principle of import parity in a phased manner and pricing of Paraffin-Wax, Bitumen, Naphtha, FO and LSHS should be decontrolled with immediate effect.

(e) The transition period should be utilised for servicing and amortising the Oil Bonds proposed to be issued by the Government to the Oil companies, the price of crude and petroleum products as mentioned above should be fixed by OCC with enhanced autonomous powers.

(f) Imports and exports of all petroleum products, except crude (slop crude and crude condensate), NGL, ATF, MS and HSD should be decanalised during the transition period, however, sourcing and import of crude should be allowed to joint and private sector refineries under actual user licensing policy with immediate effect.

(g) Duties on crude and petroleum products should be rationalised in a phased manner as recommended in the Model given in Appendix-I.

(h) Investments in the refining sector should be encouraged by providing reasonable tariff protection and making marketing rights for transportation fuels viz MS, HSD and ATF conditional on owning and operating refineries with an investment of at least Rs. 2000 crores or oil exploration and production companies producing at least three million tonnes of crude oil annually.

(i) Cost-plus formula for shipping of crude oil should be withdrawn and the rates should move towards market related rates with immediate effect.

(j) Freight subsidy on supplies to far-flung areas should be met through the fiscal budget and

(k) To establish a regulatory framework to oversee the functioning of and enforcing & competitive framework in the Hydrocarbon Sector.

Appendix-I

Phased Duty Structure
As per Technical Committee Report

(per cent)

Customs duty	Existing 96-97	Proposed 97-98	98-99	99-00	00-01	01-02
Crude	27	20	15	10	0	0
HSD/LDO	32	25	25	25	15	15
MS	32	30	25	25	15	15
ATF	32	30	25	25	15	15
LPG	12	10	10	10	10	10
LNG	12	0	0	0	0	0
FO/LSHS	32	25	20	15	10	10
Naphtha/NGL	0	5	5	5	5	5
Kerosene	0	0	0	0	0	0
Bitumen	32	30	25	20	15	15
Others	32	30	25	20	15	15

Excise duty	Existing 96-97	Proposed 97-98	98-99	99-00	00-01	01-02
1	2	3	4	5	6	7
MS	20	20	25	25	165[1]	165[2]
LPG	10	10	10	10	10	10
LNG	10	10	10	10	10	10
FO, Naphtha & LSHS-Gen. use	15	15	15	15	15	15

1	2	3	4	5	6	7
FO, Naphtha and LSHS-Fertilisers	0	0	0	0	0	0
Kerosene	10	10	10	10	10	10
HSD/LDO	15	15	15	15	15	15
ATF	15	15	15	15	40	40
Bitumen	15	15	15	15	15	15
Others	15	15	15	15	15	15

[1] Inclusive of surcharge
[2] Inclusive of surcharge

Annexure-II

Phased Programme of Reforms

Particulars	Model
Transition Phase	4 years
1	2
Year 1 (1998-1999)	
(i) Removal of cost plus formula and payment to crude producers as percentage of weighted average FOB price of actual imports	75 per cent
(ii) Products to be controlled during transition period.	MS, HSD, Kerosene, ATF and LPG
(iii) Withdrawal of retention margin concept for the refineries and refinery gate prices for controlled products	Adjusted import parity prices to existing refineries and tariff adjusted import parity prices to new refineries
(iv) Products to be decontrolled	Nephtha, FO, LSHS, Bitumen, Paraffin wax
(v) Exim Policy	Decanalisation of imports/exports of all petroleum products except crude (slop crude and crude condensate), NGL, ATF, MS and HSD
(vi) Sourcing of crude	Sourcing of crude to be liberalised and import to be allowed for joint and private sector refineries under actual user licence
(vii) Customs duties	Rationalisation done in a phased manner
(viii) Increase in prices of :	
Kerosene (PDS)	30 per cent of existing ex-storage point price
LPG (Domestic)	33 per cent of subsidy passed on.
(ix) Freight and other under-recoveries	33 per cent to be passed on, in an equated manner
(x) Shipping of crude oil	Withdrawal of cost plus formula for shipping of crude oil and move towards market related rates.
Year 2 (1999-2000)	
(i) Payment to crude producers as percentage of weighted average of FOB	77.5 per cent
(ii) Increase in prices of :	
Kerosene (PDS)	30 per cent of revised ex-storage point price at the end of year 1
LPG (Domestic)	A further 33 per cent of subsidy to be passed on
(iii) Freight and other under-recoveries	A further 33 percent to be passed on, in an equated manner
(iv) Rationalisation of duties	To continue
Year 3 (2000-01)	
(i) Payment to crude producers as percentage of weighted average FOB price	80 per cent
(ii) ATF	Deregulation of imports and pricing
(iii) Increase in prices of :	
Kerosene (PDS)	20 per cent of the revised ex-storage point price at the beginning of the year.
LPG (Domestic)	Suitable adjustment in prices to reach subsidy level at 15% of import parity.

1	2
(iv) Freight and other under-recoveries	Balance subsidy to be passed on, in an equated manner
Year 4 (2001-2002)	
(i) Payment to crude producers as percentage of weighted average FOB price	82.5%
(ii) Increase in prices of :	
Kerosene (PDS)	Suitable adjustment in prices to reach subsidy level at 33.33% of the import parity.
2002 onwards	Full Deregulation
	Transfer of Subsidy on SKO (PDS), LPG (Domestic) and freight subsidy on supplies to far flung areas to the fiscal budget of the Government.

Annexure-III

Duty Structure for 2001-02

(per cent)

Customs duty	2001-02
Crude	0 to 5
HSD/LDO	15
MS	15
ATF	15
LPG	10
LNG	0 to 5
FO/LSHS	10
Naphtha/NGL	5
Kerosene	0
Bitumen	15
Others	15

Excise duty	2001-02
1	2
MS	165[1]
LPG	10
LNG	10
FO, Naphtha and LSHS-General use	15
FO, Naphtha and LSHS-Fertilisers	0
Kerosene	10
HSD/LDO	15
ATF	40
Bitumen	15
Others	15

[1]Inclusive of surcharge.

SHRI R. SAMBASIVA RAO : Sir, the Expert Technical Group has recommended abolition of Administered Price Mechanism (APM). In this event the price mechanism will help achieve self-sufficiency in petroleum products which is now about 40 per cent only and likely to decline further. I would like to know from the hon. Minister whether any concrete steps in this regard have been worked out in this regard.

SHRI VAZHAPADY K. RAMAMURTHY: Mr. Speaker, Sir, the Committee appointed has recommended dismantling of the APM and we have started it in right earnest from 1st April, 1998. From that date, the APM is being abolished in phases. The hon. Member has asked the question as to whether this price mechanism will give us self-sufficiency in oil production. The answer is, 'definitely not'. It is not going to help us in that direction. Now our figure of self-sufficiency is between 37 per cent and 40 per cent. The demand is increasing manifold. So, I cannot assure the House of complete self-sufficiency in oil production in future also.

SHRI R. SAMBASIVA RAO : Sir, I would like to know whether it is a fact that the Finance Minister has agreed in principle to the recommendations of the Expert Technical Group report which has suggested phased abolition of duty on crude.

SHRI VAZHAPADY K. RAMAMURTHY: Sir, it is true that the Ministry of Petroleum, the Ministry of Finance and other connected Ministries have analysed the recommendations of Nirmal Singh Committee and suggested phased out reduction of duties. The terminal year fixed for complete liberalisation in-the-oil Industry is 2002. In this year's Budget, the Finance Minister has reduced duty on crude by 5 per cent. By 2002 we have to bring down the crude import duty to 0 from 5 per cent.

SHRI SUDHIR GIRI : Mr. Speaker, Sir, I wish to know, through you, from the hon. Minister what sort of economic advantages in terms of money and material will be gained by resorting to the implementation of the recommendations of the Nirmal Singh Panel?

SHRI VAZHAPADY K. RAMAMURTHY: As on date, in our country, as far as petroleum products are concerned, in the past we have adopted the dual pricing policy and also the administrative price mechanism, through which we have created artificial price hike also. This Committee has suggested, firstly, that this burden should no more be borne by the customers.

Secondly, oil products should completely be liberalised by the terminal year 2002 and market determined price will be prevailing. At that time, we are hopeful that the petroleum products prices may come down in the terminal year.

Thirdly, in the phased manner, we are taking out the APM. So also reduction in the excise duties and customs duties. This will enable our national oil companies to get themselves equipped to face the international market players within our country. They will also be able to sustain the competition from them. I hope in the terminal year 2002, the market determined price will definitely give us some kind of reduction in the oil prices.

SHRI MANORANJAN BHAKTA : Mr. Speaker, Sir, I draw the attention of the hon. Minister to the Annexure-I where it is mentioned that the freight subsidy on supplies to far-flung areas should be made through the fiscal budget. I would like to inform him that in the Union Territory of Andaman & Nicobar Islands which is one of the most far-flung and remote island territories of the country, is facing a very erratic system of pricing of petroleum products. In the islands like Campbell, Car Nicobar, Diglipur, Mayabandar and Rangat, the price of petroleum is Rs. 40 a litre or Rs. 50 a litre, Similarly, the prices of all the petroleum products are very high.

So, I would like to know categorically from the hon, Minister what sort of mechanism he is going to provide for these far-flung areas so that the customers do not suffer and that they are not to pay exorbitant prices for petroleum products.

SHRI VAZHAPADY K. RAMAMURTHY : Sir, in the terminal year, 2002, we will be retaining 15 per cent of the LPG subsidy and also 33.3 per cent of kerosene subsidy which are being distributed through the public distribution system. This subsidy will be passed on to the fiscal budget. We will not be retaining it. And also one more subsidy and other kinds of concessions will be continued for the far-flung areas where we are supplying the petroleum products, including LPG and kerosene.

The hon. Member has pointed out about the miseries in the Andaman & Nicobar Islands. Sir, he can come to me and discuss with me. We will take whatever possible steps. We will definitely redress the grievances of Andaman & Nicobar Islands to his satisfaction. ...*(Interruptions)*

SHRI MANORANJAN BHAKTA : Will you send a group of experts to study the problem?

SHRI VAZHAPADY K. RAMAMURTHY: We will consider.

SHRI V. SATHIAMOORTHY: Mr. Speaker, Sir, the hon. Minister has mentioned that we are getting only 30 per cent of the petroleum products out of the total requirement of petroleum products. Is it the fate of our nation to depend upon other nations for ever?

Or has our country got any master plan to attain self-sufficiency in the near future? I would like to know from the hon. Minister whether there is any plan to attain self-sufficiency.

SHRI VAZHAPADY K. RAMAMURTHY : Sir, if God willing, all our exploration efforts are going to yield fruits and definitely the hon. Member's wishes will be fulfilled. As far as our experience is concerned, as on date, India is having only a scarce deposit. So this will not be going to meet our requirement and demands for petroleum products in the country. I cannot say that in a shorter period or in a long time, we will be attaining self-sufficiency. We have to depend on the rich and resourceful countries of the world for crude and other petroleum products.

[Translation]

Unemployment

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*183. DR. CHINTA MOHAN :
PROF. PREM SINGH CHANDUMAJRA :

Will the Minister of LABOUR be pleased to state:

(a) whether the number of unemployed persons had gone to 58 million by 1997;

(b) if so, the reasons therefor;

(c) whether the Government have set a target for elemination of unemployment by 2002 A.D. in the country; and

(d) if so, the steps taken to achieve this target and the percentage of additional avenues of employment required to be generated annually for this purpose?

[English]

THE MINISTER OF POWER (SHRI P.R. KUMARAMANGALAM) : (a) No, Sir.

(b) Does not arise.

(c) and (d) The approach to the Ninth Plan envisages priority to agriculture and rural development with a view to generating adequate productive employment and eradication of poverty. Greater productive employment will be generated in the growth process itself by concentrating on sectors, sub-sectors and technologies which are labour intensive, in regions characterized by higher rates of unemployment and underemployment. The details will be known only after the Ninth Plan document is finalised by the government.