

SHRI G.M. BANATWALLA (Ponani): There should be a discussion on this statement or we should be allowed to ask questions right now.

MR. SPEAKER: No question now. Next item. Mr. Shiv Shankar.

12.24 hrs.

STATEMENT *RE* TRANSACTION  
RELATING TO THE PUR-  
CHASE OF HSD FROM  
MESSRS KUO OIL  
IN FEBRUARY, 1980

THE MINISTER OF PETRO-  
LEUM, CHEMICALS AND FER-  
TILISERS (SHRI P. SHIV SHAN-  
KAR): In 1979 the country started to experience a shortage of high speed diesel oil and the position deteriorated rapidly in the later half of the year. When the new Government came to power in January, 1980, the restoration of normal supply and removal of shortages was one of the major problems which it decided it had to deal with on a priority basis. At that time the outlook for oil in 1980 looked extremely worrying. The production of crude oil in Assam and the operations of the refineries based on this crude oil declined rapidly in December, 1979. By early January the production of crude oil in that region had virtually stopped. The world oil situation particularly in the Gulf area remained highly uncertain. Thus, when the new Government took over, the problem of meeting the demand of HSD had assumed alarming proportions and it found that it had to arrange to import a further 1.45 million tonnes after taking into account the arrangement for the import of about 1.3 million tonnes that had been finalised. It was evident that special and immediate steps had to be taken by the Government to cover this enormous deficit to bring a degree of normalcy in the demand-supply situation. Immediate decisions had to be taken by the new Government to ar-

range large imports of HSD as well as of other petroleum products quickly.

12.26 hrs.

[MR. DEPUTY-SPEAKER *in the Chair*]

It was in this anxious background that on January 18, 1980, the Indian Oil Corporation floated a tender for the supply of 300,000 tonnes of SKO and 500,000 tonnes, of HSD to be delivered during March, 1980 to December, 1980. The tender notice issued by the IOC on January 18, 1980 specified the quantities required, quality and other payment terms. It did not specify whether quotations should be on a fixed price bases or on variable price bases, therefore it was open to tenderers to submit quotations on either of these two bases or a combination of these two. Fourteen offers were received for the supply of HSD. Four out of the fourteen tenders quoted for the supply of a part or all of the quantity on fixed price bases that varied from US \$ 350 per tonne to about US \$ 409 per tonne. The remaining offers were based on variable prices with base prices varying from about US \$ 323 to US \$ 374 per tonne but linked to different price formulae governing the calculation of the price that would have to be paid on the date of loading, port of loading and unloading. All these offers were evaluated. On February 15, 1980 all the tenderers were desired to extend the validity of their offers till February 22, 1980.

The Government considered the world market conditions and future trends at that point of time and apprehended that in variable price quotations based on escalation clauses on various types of formulae, the overwhelming factor was that our liability would be indeterminate. It was noted that in January, 1980, the price of HSD dropped by \$ 60 per MT with reigning F O B price at \$ 299.00 on 1st February, 1980 and had climbed up by \$ 14 since. When the prices had hit the bottom

[Shri P. Shiv Shanker]

and were on the climb, it was considered that it would be prudent to strike the bargain at the lowest possible firm price without any variation. It was on the cards that oil producing countries would do everything possible to reverse the then easy market conditions. Saudi Arabia had announced a cut back in crude production which in its turn was to affect by-products like diesel and kerosine. The prices of crude oil had increased by US \$ 2 per barrel on January 1, 1980. Further increases were forecast and in fact further increases which aggregated to US \$ 4/bbl did take place between January, 1, 1980 and November 1, 1980. There were conflicting forecasts of the behaviour of world crude oil prices and world petroleum product prices. The F. O. B. Mediterranean average HSD spot price quotations in the Platts Oilgram dropped between January 2 and February 1, by \$ 66.50 per tonne but thereafter between February 1 to February 7 registered an increase of \$ 14.50 per tonne. Interestingly at that time a leading group of international petroleum economists reported the continued upward movement of price indicators in view of the remaining uncertainties over future levels of supplies and also that by mid February there was some evidence that the fall in spot prices was ending. The commercial expediency and prudence demanded that firm price contract was called for by a buyer when prices were at their lowest ebb whereas variable price contract deserved to be concluded when the prices were at the highest level.

It was on the basis of these factors that Government issued written orders on February 22, 1980 that the lowest fixed price offers should be accepted. Based on this decision, orders were issued to the IOC to accept the following two lowest fixed price offers:

- (a) Offer of 30,000 tonnes of HSD from SITCO, London at US \$ 3.50 per MT C&F Bombay, and
- (b) Offer of 500,000 tonnes of HSD from Kuo Oil, Hongkong at US

\$ 353.50 per MT C&F  
Bombay.

It is possible to question commercial judgements of this kind on hind-sight. But the perceptions which underley the Government decision were not without basis. This judgement was based on certian reasonable premises. It must also be added that in the particular situation prevailing at that time some others also reached the same conclusion to prefer to purchase at fixed prices rather than at variable prices. On February 20, 1980, the *Financial Express* published a report from its Special Correspondent which assailed purchase on a variable price basis with escalation formulae linked to the movement of spot prices. A similar view was also expressed on February 21, 1980 in the *Economic Times*.

A lot is being said about the losses suffered. Losses or profits in such transactions could only be national and all computations are bound to be on certain hypothesis which may or which may not exist. It is only a speculative exercise. In the contracts of oil many suppliers fail to deliver against contracts. In 1980 itself there were 20 such failures. The actual price that is to be paid for deliveries on a variable price basis, depends on the date of loading of the cargoes and so on. While between March and December 1980 under the February contract Kuo Oil supplied 511,000 tonnes of HSD at a price of US \$ 353.50 per tonne, as much as about 520,000 tonnes had to be purchased at a price higher than \$ 353.50. Yet another comparison could be on the basis of the contract price paid to the Kuwait National Petroleum Corporation. Under the Agreement dated 6th February 1980, oil was purchased from this company on the basis of the escalation/de-escalation clause. The analysis of the price paid under this contract reveals that on the basis of Kuo Oil deal Government could have been benefited in about US \$ 3.25 million. . . . . (Interruptions)

Needless to say....This is important from your point of view....  
(*Interruptions*) Needless to say that in retrospect errors of judgement of this nature....(*Interruptions*)

PROF. MADHU DANDAVATE (Rajapur): That word was dropped from the record.

SHRI P. SHIV SHANKAR: Let me complete. Needless to say that in retrospect errors of judgement of this nature could not be ruled out even during the regime between 1977-79. I would leave it there and I do not want to go further....(*Interruptions*)

MR. DEPUTY SPEAKER: But in the statement you can go further.

SHRI CHANDRA SHEKHAR (Ballia): This is not fair. If corruption was there in that government, that should also be exposed. Why don't you do it? The Hon. Minister should not indulge in this gimmickry in the matter of corruption. He should be serious. If there was corruption in that Government and if any Minister was corrupt, he should be courageous enough to bring out those facts. I think the Minister when he is making a statement on matters of corruption, should be more serious and should not indulge in such gimmickry and in such ridiculous things.

(*Interruptions*)

MR. DEPUTY SPEAKER: Please, please. Let him complete the statement....It is all right....(*Interruptions*).

SHRI K. MAYATHEVAR (Dindigul): Permit me to say one sentence. The Hon. Minister was pleased to say that errors had been committed during Charan Singh regime....

AN HON. MEMBER: It is a global phenomenon. What can you do?  
(*Interruptions*)

SHRI K. MAYATHEVAR: I come to the point, Sir....

MR. DEPUTY SPEAKER: It is all right. He said something and he said that. There is a discussion at 4 O'clock.

SHRI K. MAYATHEVAR: I am coming to the final point, Sir. After the Janata government, there was another caretaker government that ruled this nation towards the end of 1979 and beginning of 1980 and there were errors. Therefore, the errors of both the Government that was there in 1979 and also of the caretaker government should be probed into by this government....(*Interruptions*)

MR. DEPUTY SPEAKER: I am not permitting anybody. There is no discussion....Mr. Jethmalani, I am sorry. Let him complete the statement. There is going to be a discussion. Please....Please I am not going to hear.....

SHRI RAM JETHMALANI (Bombay North West): What I am saying is....\*

MR. DEPUTY SPEAKER: I am not going to hear. Let him complete his statement. Nothing will go on record except that. You can continue your statement. There is discussion at 4.00 P.M. You can participate. Please....All right, Mr. Shiv Shankar, you can continue your statement. There is going to be a discussion at 4-00 P.M.

SHRI P. SHIV SHANKAR: Mr. Deputy Speaker, Sir, I would not like to say anything on the excited observations that are coming from the other side. I shall wait for my chance, the discussion is coming up at 4 O'clock. I am going to say what I have say at that stage.

[Shri P. Shiv Shankar]

I must submit that if I am making statement, I am making this statement in all seriousness. It is unfortunate that somebody feels that it is a gimmickry.

(Interruptions)

Yet another dimension that deserved to be adverted having regard to the public controversy raged, is the movement of file bearing No. P. 24013/5/80-SUP dealing *inter alia* with the import of HSD in question.

(Interruptions)

MR. DEPUTY SPEAKER: Let him complete his statement.

SHRI K. P. UNNIKRISHNAN (Badagara): Now we can refer to the file.

MR. DEPUTY SPEAKER: You will have a chance at 4-00 O'Clock ; you prepare yourself and be ready. Why do you come out every now and then and let out the secrets in the middle itself ?

(Interruptions)\*\*

Don't record any interruptions. Let the statement be completed.

SHRI P. SHIV SHANKAR: It is opposite to mention that Shri Veerendra Patil took over the portfolio of Petroleum, Chemicals and Fertilizers on his being sworn in as the Minister on 7th March 1980. Having regard to the exigencies since the import of petroleum products was a continuous process, the Ministry sought to review the fixed price contract concept and the matter thus came to be submitted to the Minister for his consideration. The Minister then on 22nd April, 1980 deemed it fit to mark the file to the Prime Minister for her guidance in the matter. It so transpires that the Private Secretary to the Minister seemed to have delivered the file to the Special Assistant to the Prime Minister. In the normal course, whenever a file in such circumstances is received, the Special Assistant to the Prime Minister sends the same to the con-

cerned officer in the Prime Minister's office so as to enable him to submit the file to the Prime Minister with requisite note. Unfortunately it appears, the Special Assistant mislaid this file and it got mixed up with some of the old files and papers in his office and the file could not be put up to the Prime Minister. There seems to be no reminder about the file from anybody for nearly a year or so until early 1981. Later, when the enquiries were received, the Special Assistant seems to have made efforts but in vain. There was no entry about the file in the registers. It is sometimes towards the end of March or the beginning of April 1982 when the Special Assistant was impressed about the urgency, he seems to have made a thorough search of all the old bundles of papers and files in his office and could locate the file after a good deal of effort.

As the position stands, the file was neither brought to the notice of the Prime Minister nor her orders or directions were sought thereon. Notwithstanding the fact, the Committee on Public Undertakings was informed about the availability of the file on 5th April 1982, they did not choose to summon the production thereof. In fact on 7th April 1982 the Committee was furnished the details of the transaction based on the file notings. Therefore in the circumstances nothing deserves or needs to be read in the conduct of anyone concerned in the process as really nothing comes out of the matter. It is obviously a genuine case of misplacement of the file for which one really feels sorry.

MR. DEPUTY SPEAKER: Mr. Venkatasubbaiah.

(Interruptions)\*\*

There is a discussion at 4 O'Clock. So, I am not allowing any discussion. I am not permitting anybody ; I am not going to permit anybody.

(Interruptions)\*\*

Nothing will go on record other than the Minister's statement.

SHRI NIREN GHOSH (Dum Dum): Copies of the statement may be made available to us.

MR. DEPUTY-SPEAKER: Copies are available in the Publications Counter. Now Shri Venkatasubbaih.

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STATEMENT *RE* EXTENSION OF TIME FOR SUBMISSION OF REPORT BY 'KUDAL COMMISSION ON GANDHI PEACE FOUNDATION ETC.'

THE MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS AND DEPARTMENT OF PARLIAMENTARY AFFAIRS (SHRI P. VENKATASUBBAIAH) : Consequent on the adoption of a Resolution by this House on 28th August 1981, a Commission of Inquiry consisting of Shri Justice P.D. Kudal was set up by Notification dated 17th February, 1982. Copies of the Notification were laid on the Table of the House on 3rd March, 1982. The Commission was required to complete its inquiry and submit a report to the Central Government on or before 31st July, 1982.

2. The Chairman of the Commission of Inquiry has requested the Government for extending the time for the submission of the report by one year. The Government have considered this request and the term of the Kudal Commission of Inquiry on Gandhi Peace Foundation and other organisations is accordingly being extended upto 31st July, 1983.

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BUSINESS ADVISORY COMMITTEE

THIRTY-THIRD REPORT

THE MINISTER OF PARLIAMENTARY AFFAIRS AND WORKS AND HOUSING (SHRI BHISHMA NARAIN SINGH): Sir, I beg to move:

"That the House do agree with the Thirty-third Report of the Business Advisory Committee presented to the House on the 27th July, 1982".

MR. DEPUTY-SPEAKER : The question is:

"That this House do agree with the Thirty-third Report of the Business Advisory Committee presented to the House on the 27th July, 1982".

*The motion was adopted.*

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ASSAM BUDGET, 1982-83

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE) : Sir, I beg to present a statement of estimated receipts and expenditure of the State of Assam for the year 1982-83.

*Statement*

Sir, I lay on the Table of the House the regular Budget of the State of Assam for the financial year 1982-83.

2. The interim Budget of the State of Assam for the current year was presented to Parliament on the 25th March, 1982 and on that basis the House had granted supplies for the first 6 months of the year (April to September, 1982). The regular Budget of the State of Assam for the current year is being presented in Parliament to keep the State Government in funds beyond Sept., 1982.

3. According to the present Budget estimates, the Revenue receipts are estimated at Rs. 441.25 crores compared with Rs. 431.58 crores in the interim Budget. The increase is in the non-tax revenue and grants-in-aid from Central Government. The expenditure on Revenue Account for the current year is estimated at Rs. 473.41 crores compared with Rs. 456.54