

MR. CHAIRMAN: We will now take up the half-an-hour discussion.

SHRI JYOTIRMOY BOSU (Diamond Harbour): Sir, on a point of order. I want to submit something on the BAC Report presented just now.

MR. CHAIRMAN: Not now. We will take up the next item.

17.33 hrs.

HALF-AN-HOUR DISCUSSION

SCRAPPING OF AGREEMENT WITH FOREIGN OIL COMPANIES

SHRI JYOTIRMOY BOSU (Diamond Harbour): Sir, I will just now say why the agreement should be scrapped, why the business of the foreign private oil tycoons should be nationalised and what is the class character of the government and then I will try to substantiate my argument.

There has been fantastic increase in production even without the permission of the government. They do not think it even necessary to seek the permission of the government. I would like to know what comments Shri Gokhale has got to make on this point. Here is a report of the Estimates Committee for 1967 which says:

"The original and existing capacity of the above coastal refineries in the private sector is given below:

(million tonnes)

	Original capacity	Present capacity (1967)
Burmah Shell Refinery, Bombay.	1.50	3.75
ESSO Refinery, Bombay.	0.92	2.50
Caltex Refinery, Vishakhapatnam.	0.50	1.55
	<u>2.92</u>	<u>7.80</u>

It will be seen that the rated capacity of the above three Refineries has been increased by more than 2½ times over the years.

Then, it says:

"The Committee learn with concern that expansion of the refineries in the private sector was carried out without the approval of Government inasmuch as Government's permission was not sought for capital investment for this purpose. The Committee are doubtful that the capacity of the refineries can be increased to about two times with minor modifications and improvements only unless the additional capacity was contemplated and built into the original plant and equipment itself."

An agreement with private foreign oil companies is nothing but an agreement of slavery.

I would read out from the same Estimates Committee Report which says:

"There are three agreements with foreign oil companies, namely, agreement dated 30th November, 1951 with Standard Vacuum Oil Company (now Esso Standard Eastern Inc.), agreement dated 15th December, 1951 with Anglo-Saxon Petroleum Company Ltd., and Burmah Oil Company Ltd. (Burmah-Shell Refinery) and agreement dated 28th March, 1953 with Caltex (India) Ltd., "(Caltex Refinery). Under these agreements and the revisions subsequently agreed upon, the following capacities were licensed...."

The figures are given here. Further, it says:

"Besides the above the respective agreements contained the assurances that for a period of 25 years from the commencement of full-scale refinery operations, the same shall not be acquired nor its operation taken over by the Government and, if it is acquired thereafter a reasonable compensation shall be paid...."

[Shri Jyotirmoy Bosu]

Even after 25 years, they have not been touched.

"An assurance was also given that in the matter of taxation the Indian company will not be treated less favourably than if it would have been operating in India as a subsidiary of the parent foreign company"

Can you think of any such thing that they allow a foreign tycoon to come and dictate the terms?

Again, it says:

"Among the various assurances and concessions granted to the oil companies, the following two are very important —

(i) Rights of the oil companies regarding import of crude oil, and

(ii) Pricing of the petroleum products on the basis of import parity"

Then, it says:

"The Oil companies have been given the freedom to make arrangements for importing crude oil from sources of supply of their own selection subject to the obligation to use under certain conditions crude oil produced in India. Assurance has been given to the companies for release of foreign exchange as required for the purpose of importing crude oil"

What sort of an agreement is this, I cannot say. Unless this Government has completely surrendered itself at the feet of a foreign private sector oil tycoon, this sort of agreement could not have been agreed upon. What is the outcome is dangerous. It says:

"Another stipulation that was made was that they would be allowed to bring in crude from their own sources. This is a very important consideration with the refinery companies. They are more or less subsidiaries of other big oil companies in the world. There are eight big international oil companies—one of them is the British Petroleum Company and another is the

Royal Dutch Shell Company. This is partly owned by the Dutch and partly owned by the British...."

This is the position. They have completely surrendered to foreign monopoly interests.

The most serious thing is the volume of remittances and head-office expenses in respect of these Oil Companies. In reply to Unstarred Question No 3026 dated 5th December, 1972, they have given the figures. The figures are in thousand rupees. M/s Burmah-Shell Oil Storage and Distributing Co of India—remittances during 1969, 1970 and 1971 are Rs 561,00; Rs 860,00 and Rs 150,41 respectively and head-office expenses during 1969, 1970 and 1971 are Rs 25,33; Rs 23,52 and Rs. 25,33 respectively. It is increasing. So is the case with M/s Burmah-Shell Refineries Ltd., M/s Caltex India Ltd., M/s Caltex Oil Refining India Ltd., M/s Esso Eastern Inc and M/s Esso Standard Refining Co of India. All these figures show that they have been draining out an enormous amount of money out of this country.

Then, it says.

"The Working Group on Oil Prices in their Report (1965) have observed that the total "amounts paid in dollar/Sterling by the different companies during the five years from 1960 to 1964 towards the cost of their New York/London offices were as follows:—

"Year	Total (in million rupees)
1960	11 449
1961	11 858
1962	9 297
1963	9 232
1964	10 734"

That is the position. There has been a great plunder going on, and the Government has been a silent spectator to it.

The Estimates Committee have observed:

"The Committee regret to observe that in spite of the recommendations made by the Oil Prices Enquiry Committee in 1961 and the Working Group on Oil Prices in 1965, heavy payments, amounting to approximately Rs. 1.6 crores are being made annually to their overseas offices by the various oil companies on account of services rendered. The payments made by the Burmah Shell and ESSO on this account are very heavy. The Committee see no justification for the payment of such heavy expenses. They are not convinced that such heavy payments are covered by the agreements concluded with these refineries. The Committee recommend that Government should take effective measures to drastically reduce payments on this account which would result in saving of foreign exchange considerably."

As far as I know, nothing was done, and nothing will be done as long as this Government remains in power.

Regarding prices of crude, let us see how they have increased. The increase by the oil-producing and exporting countries....

MR. CHAIRMAN: Please do not go into details, and try to conclude.

SHRI JYOTIRMOY BOSU: These are the facts. I will take a little more time.

"The increases that have taken place as a direct result of the concerted action taken by the OPEC and otherwise are summarised below:

Date	Cents/bbl.
November 1970	7
February 1971	27
June 1971	6
July 1971	5
January 1972	11.7
TOTAL	56.7 cents/bbl"

Then it says:

"Between them the three foreign oil companies are currently importing 7.7 million tonnes of crude oil each year. This is equal to a little over 56 million barrels of crude oil per annum. An increase in the crude oil price by every cent, therefore, results in additional foreign exchange outgo of \$ 5,62,000."

Then it says:

"Our requirement of crude oil for 1970 was 18.46 million tonnes. Sources of supply were ONGC 3.63 million tonnes, Oil India 3.07 million tonnes, Assam Oil Company 0.11 million tonnes, making a total of 6.81 million tonnes. The estimated requirements of crude oil for the coming years are as follows:—

1971	20 million tonnes.
1972	20.9 million tonnes
1973	24.3 million tonnes
1974	26.5 million tonnes.

"We can go beyond these dates also for projection. But I think it would be advisable at this stage to restrict the projections upto the end of the Fourth Plan. Against these requirements, the indigenous production will be like this:—

1971	7.15 million tonnes
1972	7.80 million tonnes.
1973	7.80 million ton
1974	8.80 million tonnes.

"The degree of self-sufficiency that we shall attain would be:

1971	35.7 per cent.
1972	37.3 per cent.
1973	32.1 per cent.
1974	33.2 per cent"

That is the position, Sir. The Committee on Public Undertakings have very rightly pointed out:

"The Committee note that while the requirements of crude oil would increase from 18.46 million tonnes in

[Shri Jyotirmoy Bosu]

1970 to 26.50 million tonnes in 1974 the degree of self-sufficiency in terms of indigenous production as compared to import would decrease from 36.9 per cent in 1970 to 33.2 per cent in 1974. For filling up the gap, the Committee note, the country is dependent on major international oil companies, whose role in this regard has not always been in the best interests of the country. The Government is often faced with a tug of war for fixing price of the crude oil to be imported; in fact the prices of crude have been sought to be revised upwards no less than four times by these Oil Companies since December, 1970. The import bill in terms of foreign exchange is estimated to increase from Rs. 94 crores in 1969-70 to over Rs. 186 crores in 1974-75. The Committee also note that during the first three years of the Fourth Plan, there has hardly been any increase in the production of crude oil which has been at around 3.6 million tonnes from the oil-fields of Oil and Natural Gas Commission."

Sir, the Minister is bragging that nationalisation .

MR CHAIRMAN: Please do not use such language. You withdraw that word.

SHRI JYOTIRMOY BOSU: I withdraw it and substitute it by saying that the Minister is beating his own drums by saying high-sounding hollow things.

The Petroleum and Chemicals Minister said in the Rajya Sabha that the question of nationalising the three foreign oil companies was still open. This was on 14th November 1972. This is nothing but a hollow statement. That means nothing at all. The remittances *vis-a-vis* the capital of the oil companies in the year 1962 was:--

Birmah Shell . . .	Rs. 39.99 crores.
ESSO . . .	Rs. 3.97 "
Aram Oil Co. . .	Rs. 1.85 "
Ird-Birmah Petroleum Co. . .	Rs. 0.03
Cal'ax . . .	Rs. 17.76
TOTAL . . .	Rs. 90.60

MR. CHAIRMAN: Now, please conclude

SHRI JYOTIRMOY BOSU: So, the total foreign investment in the petroleum industry is of the order of Rs. 210 crores, and the game of joint sector is highly propagated. It is said that under the new oil policy, which is on the anvil, the emergence of a joint sector in the oil industry is regarded as a certainty. The State-owned Oil and Natural Gas Commission has not discovered any new oil field during the last five or six years. In spite of that you go on beating your drum.

There was a techno-economic study conducted by a Soviet team of experts. They made a techno-economic feasibility study of India's oil reserves and it has virtually ruled out the possibility of the country being self-sufficient in oil in the foreseeable future. The team which came to India in August 1970 and submitted its findings sometime ago, has held that the country can at best hope to establish crude reserves of the magnitude of 64 million tonnes by 1980. This means an annual production of about 13 million tonnes at a time when the country's consumption of crude petroleum would be of the order of 50 million tonnes annually. The production relates only to the Oil and Natural Gas Commission.

I do not want to take more time of the House. I only want to say that these foreign oil companies are even allowed to make profit out of our own Indian Oil Company's products. Such is the arrangement with the foreign oil companies.

I want to say that this Government is neither capable of looking after the interests of the country nor its economic interests and they have surrendered because of the hon. Minister's surrender at the feet of the foreign oil monopoly companies. If they do not scrap the agreement, they will completely mortgage this country to the foreign oil monopolists.

Let the Minister reply to the points I have raised.

श्री राजाबहादुर शास्त्री (पटना) : सभापति महोदय, समस्या बहुत ही गम्भीर है। मेरा भी खयाल है कि इस मामले में सरकार की नीति विदेशी तेल कम्पनियों के सामने घुटने टेकने की रही है। इस बात को ध्यान में रखते हुए मैं निम्न सवाल पूछना चाहता हूँ

गत तीन वर्षों में एस्सो, बर्मा शैल, कालटेक्स और स्टैंडर्ड वैक्यूम कम्पनियों ने अलग अलग कितना वार्षिक मनाफा कमाया है ? क्या इन कम्पनियों के दवाव में आकर सरकार पिछने दिनों पेट्रोल और केरोसीन घायल की कीमत बढ़ाती रही है; अगर नहीं, तो पेट्रोल और मिट्टी के तेल की कीमतों में वृद्धि का क्या औचित्य है क्या वर्तमान गड़बड़ियों को देखते हुए और विदेशी तेल कम्पनियों की राष्ट्र-विरोधी कार्यवाहियों को ध्यान में रख कर सरकार उनका राष्ट्रीयकरण करने का विचार रखती है या नहीं ? अगर नहीं तो क्यों ? सरकार के सामने इस रास्ते में कौन सी कठिनाई है ?

मालबीया कमेटी की सिफारिशें थीं, उन सिफारिशों की मुख्य मुख्य बातें क्या हैं और उनके बारे में सरकार का री-रेकशन क्या है ?

आखिर में मैं यह जानना चाहता हूँ उन्होंने प्रश्न के जवाब में कहा है कि तेल कम्पनियों के सुझावों पर विचार किया जा रहा है विस्तार के साथ। तो यह विचार आप कब तक कर लेंगे और इस सिलसिले में आप कब तक अन्तिम निर्णय ले लेंगे ?

*SHRI M. KATHAMUTHU (Nagapattinam): Mr. Chairman, Sir, in reply to a question on 5th December, 1972, the hon. Minister stated that certain offers of three foreign oil companies, which were received by Government, were under the consideration of Government. On 19th November, 1971 the then Minister for Petroleum

and Chemicals, Shri P. C. Sethi, said that the foreign oil company agreements would not stand in the way of nationalisation of the foreign oil companies. From the present indications, it appears that the joint sector idea is being thought of. I am afraid this is a very dangerous trend

MR. CHAIRMAN: Please do not make a speech; put a question.

SHRI M. KATHAMUTHU: I am coming to the question. In 14 years the foreign oil companies with a paid-up capital of just Rs. 22 crores have earned a profit of 1048 crores of rupees. I would like to know from the Government whether they would allow the foreign oil companies to go on making such huge profits. I would also like to ask whether the Government were not aware of the fact that these foreign oil companies are smuggling their reserves from out of our country in a clandestine manner.

Sir, the foreign oil companies raised the prices of oil in 1970 and 1971 and the Government agreed to the rise. But in 1972 when they wanted to raise the price of oil, Government objected to the rise. The foreign oil companies in a challenging mood started retaliating against the authority of Government. Sir, they stood in the way of our public sector refinery companies getting crude from Iraq. Not only that; these companies engaged themselves in sabotage activities when our country was facing a war in 1965 and 1971.

MR. CHAIRMAN: You have already put two questions; please put the third question if you like.

SHRI M. KATHAMUTHU: Finally, Sir, I would like to ask whether the Government are aware of the dangerous implications of the joint sector idea and why Government are not scrapping the agreements with the foreign oil companies and nationalising these companies.

SHRI S. M. BANERJEE (Kanpur): How long is the Government going to pursue this policy of appeasement with the foreign monopoly oil companies and oil cartels? Is it a fact that they are using double-barelled gun, one bullet aiming at the chest of the Government with a view to increase the prices, and the other at the consumers, and loot the people of the country, to repatriate the profits to their own countries abroad? When is the Government going to make a final decision regarding the nationalisation of the oil companies?

SHRI K. BALADHANDAYUTHAM (Coimbatore): My questions are these:

(1) Is the Government aware that these companies are now trying to slacken production and to block our imports from abroad of crude from Iraq and other countries?

(2) Is the Government aware of the sabotage in supplies indulged in by these companies during the two emergencies in 1965 and 1971?

(3) Is it not a fact that this offer is only a way of their perpetuating their own exploitation? When is the Government going to scrap the agreement and nationalise all these oil companies?

THE MINISTER OF LAW AND JUSTICE AND PETROLEUM AND CHEMICALS (SHRI H. R. GOKHALE): I am grateful to the hon. Member who has initiated this discussion and also to the other Members who have participated in the discussion for highlighting the attention of this House and, through this debate, of the whole country, on a question which undoubtedly is of vital importance.

I shall deal with the specific points which have been raised in the debate. But I had occasion to refer to these aspects several times on different occasions in both the Houses and as recently as when I replied to the question which the hon. Member had put, the answer to which the hon. Member thought was evasive, with which I do not agree, with great respect for him. It was not evasive, because the last answer

did make the position clear as to where the whole thing stands at the moment. The answer was:

"The offers received from ESSO and Burma Shell for majority-equity participation by Government in their refinery and marketing operations...."

Now comes the more important thing, namely:—

"...in replacement of the existing refinery agreements".

Then, the answer proceeded further to say:

"...*vis-avia-vis* other alternatives available to Government are under detailed scrutiny and consideration."

This arose because the Essos offer, to which all hon. Members have practically referred in this debate, came as recently some time in October. It was for the first time that in the offer itself, if any one of the two alternatives which they had made was accepted by Government, the inevitable consequence was that the refinery agreements would be scrapped. Therefore, there are ways and ways of scrapping the refinery agreements.

You can either scrap them by law unilaterally, at the same time keeping in mind the fact that these are agreements and as such they have validity in law or you can scrap them or have them removed by other methods. And the two other methods, none of which Government has accepted yet but which Government are investigating, are the methods which are proposed for discussion by the Esso company and by Burma Shells.

I am in a position to say that Government has not decided it as a matter of policy that we would enter into equity participation with Essos. Also, it is their offer that they would like to participate with us on the basis of 74:26 giving control of the management on the basis of the proportion in which the capital is held by Government and Essos, then also agreeing that in the event of a final arrangement being reached, the refinery agreement will

be scrapped, meaning thereby that the present rather objectionable—here, I must agree with the hon. Member that it is an objectionable and somewhat distasteful provision in the agreement whereby they are entitled to bring in their own crude through their own source—this provision will also go; they have agreed that in the event of an arrangement being arrived at, this will also go.

I do agree that it is very bad that at that time the agreement provided that there would be no nationalisation for 25 years. I do agree that it did provide for the clause which I said is an onerous and very distasteful clause. I have said so many times before in Parliament that they will be entitled under this clause to import their own crude through their own sources.

SHRI JYOTIRMOY BOSU: How did Government sign such an agreement?

SHRI H. R. GOKHALE: The circumstances in which the agreement had been signed also cannot be lost sight of. They were signed many years ago. As I said, the first of these agreements will come to an end in 1979. But I know that we are not in that position where we shall say that we shall wait till 1979. There is one point on which there is unanimity of opinion and that is this that we have to devise a method for seeing that the Government acquires adequate and effective control on the operations of these oil companies, both in the marketing and in the refinery fields.

Hon. Members will also be happy to know that in the course of what has been achieved in all these years, we are already controlling to the extent of 60 per cent of the total refinery capacity in the country....

SHRI JYOTIRMOY BOSU: They have doubled their donations to the party funds.

SHRI H. R. GOKHALE: It is no use referring to those things, because these are facts for which there is no answer and hence certain other observations are being made.

As I was saying, we are controlling nearly 60 per cent or so of refinery capacity of these companies.

18 hrs.

Therefore, all that I can say today is that Government have, in pursuance of the decision to which I have referred earlier, set up a machinery for eliciting information for purpose of ascertaining data and facts which if gathered would help us to come to a positive conclusion as to which of the three alternatives is the best. This is in spite of the fact that that sentence is not very much liked by Shri Jyotirmoy Bosu. I would again point out that the alternative of nationalisation is not ruled out. We want to find out what is the best method of doing this. This can be determined only after ascertaining the facts from the various companies.

The whole object is to discuss for the purpose of obtaining full details of the assets, reserves, liabilities and so on to arrive at a realistic evaluation.

SHRI S. M. BANERJEE: Are not these details available with Government?

SHRI H. R. GOKHALE: There is a lot of difference between ascertaining facts by discussion and relying merely on the published balance sheets and profit and loss accounts. The hon. Member has enough experience to know that there is much hidden behind these documents which have to be found out; we should not blindly accept what is stated in these documents of a company. If Government were to rely only on these documents, they would be charged with accepting these figures as gospel truth. That is precisely what Government do not want to do. Government have to verify whether these facts and figures available in their published statements are correct or not, or to what extent they are correct or incorrect, and what is the actual real position so that we can make up our mind.

I also agree that the various companies have been operating at higher than the licensed capacity levels.

SHRI JYOTIRMOY BOSU: 2½ times.

SHRI H R GOKHALE I do not want to go into the figures, but broadly I accept the suggestion that they have been operating at a level higher than the licensed capacities. I do not agree with the figure he mentioned, given time, I would have given all the figures.

SHRI JYOTIRMOY BOSU What action have you taken against them? Why did you not prosecute the oil companies for exceeding their licensed capacities?

SHRI H R GOKHALE We have to meet our demand for products in this country. That this demand has been increasing from year to year is a fact which our own refining capacity and to see that cannot be disputed. We have to build up all our product demands are met by refining in our own refineries. Till then, we have no alternatives, either to stop the extra refining they are doing which we can in law or import products which is more expensive and not in the interest of the country. Therefore all these factors have to be taken into account by Government in a pragmatic manner. Not that we like that they have exceeded licensed capacity, we certainly do not like it. But the fact remains that we have not amended their licences in spite of the fact that they have been operating at higher levels. We have objected to it on occasions. But when we deal with a situation where the need for meeting the demand for products in the country is urgent, we cannot go merely by the letter of the law but have to take account of facts.

SHRI JYOTIRMOY BOSU On a point of order. You have surrendered to the oil companies who gave a crore of rupees to our election fund.

SHRI H R GOKHALE There is no use saying these things, though I know

that his whole object was to say these things.

SHRI JYOTIRMOY BOSU We want to know the number of the notes given to

MR CHAIRMAN No, no. Let the hon. Minister continue. He need not take notice of these things.

SHRI H R GOKHALE I have explained the position.

With regard to repatriation of profits and home office expenses, in the last few years, steps have been taken to exercise greater and more rigorous control over the same and I am in a position to say that with regard to office expenses figures for the last three years show that the repatriations have been substantially curbed and controlled and latter repatriation has been allowed.

That is not only in the matter of these home office expenses and other things but also in matter of repatriation of profits.

A question has been asked—more or less the same question was raised by many hon. Members—as to how long it will take. It is very difficult to tell in precise terms how many months it will take but all that I can assure the house is that we have taken up this matter in right earnest and we want to finish that at the earliest possible opportunity without any avoidable loss of time.

18.06 hrs.

There are the answers which I wanted to give.

18.06 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, December 19, 1972/Agrahayana 28, 1894 (Saka)