

13.23 hrs.

STATEMENT RE. INCREASE IN
THE PRICE OF CERTAIN PETRO-
LEUM PRODUCTSMR. SPEAKER: Shri Dev Kant
Borooah.SHRI S. M. BANERJEE (Kanpur):
On a point of order, Sir.MR. SPEAKER: On what? There
is nothing before the House now. I
have just called the minister. Who
knows what he is going to say?

SHRI S. M. BANERJEE: It is clearly written here that he is to make a statement on the increase in the prices of certain petroleum products. Let me make a submission. I quite agree that he wanted to make a statement before but he could not do so as he was away in Iraq. When we read this news in the papers the other day that there is going to be a 10 paise increase in petrol price per litre, the entire House took exception to this increase being made without reference to the House. Perhaps it may even be a matter of privilege under rule 222. When I raised it, many members supported me. At that time the minister was now there. Now after everything has been done, after prices have been increased, after the scooter and taxi fares have gone up because of the increase in petrol price, now the minister comes to make a statement as if this House is only meant for *post mortem*. The minister should explain why the House was not taken into confidence. It is a question of indirect taxation. In such matters, when the House is in session, will you direct the Government that the announcement should be first made in the House and then outside?

श्री मधु लिमये (वांका) : मेरा सिर्फ एक मुद्दा है। जब किसी विषय के बारे में कालिग अटेंशन मोशन दिया जाता है या 377 की तहत दिया जाता है तो पहले भी आपने इसके बारे में एक व्यवस्था दी है कि मंत्री महोदय का बयान कालिग अटेंशन नोटि के जबाब में आये। इसमें एक तो कैबिनेट का डिविजन पहले बाहर आया और अब नयी खबर आई है, आज अखबारों में मैंने पढ़ा है कि दामों में और बढ़ोतरी होने जा रही है। तो आप मन्त्री महोदय को अपनी मर्जी से बयान देंगे सें मना कर दीजिए और कालिग अटेंशन नोटिस लगा दीजिए। आप अपनी व्यवस्था के खिलाफ नहीं जा सकते हैं। मंत्री नोटिस के जबाब में बयान दें, अपने से नहीं।

SHRI SHYAMNANDAN MISHRA (Begusarai): The important point we have to consider is that whenever price hikes are being made by the Government, we generally come to know of them through the newspapers. Should it not be made obligatory on the Government to come here and make the announcement about the price hikes? There is no doubt that there is an element of taxation in them. Wherever an element of taxation is involved. It cannot be kept away from Parliament.

श्री शंकर दयाल सिंह (चतरा) : अध्यक्ष महोदय, पिछले बजट के समय में पेट्रोलियम के दाम बढ़ाये गये तो स्कूटर और टैंकी वालों ने भाड़ा बढ़ाया, अभी फिर दाम बढ़ाये गए तो फिर उन्होंने बढ़ाया है इसलिए मेरा निवेदन है जो कुछ भी बढ़ाना हो वह एक बार ही बढ़ा दिया जाये क्योंकि रोज रोज बढ़ाने से होता यह है भाड़ा जितना चाहिए उससे ज्यादा बढ़ता जाता है। इसलिए आज जब मन्त्री जी स्टेटमेंट दे रहे हैं तो यह भी उन्हें बताना चाहिए कि आज जो अखबारों में आया है कि दाम और बढ़ेंगे वह नहीं बढ़ाये जायेंगे या बढ़ाये जायेंगे यह क्लियर होना चाहिए।
(व्यवधान)

MR. SPEAKER: Shri Banerjee raised a point of order, which was later on supported by Shri Madhu Limaye. What Shri Shankar Dayal Singh said was just off the point.

SHRI P. VENKATASUBBAIAH: (Nandyal): His point of order was more relevant.

SHRI SHYAMNANDAN MISHRA: What about my point that it should be made obligatory on the Government to come before the House whenever they have to make any such announcement?

MR. SPEAKER: You are suggesting the same thing which was suggested by your colleagues also.

SHRI PILOO MODY (Gadhra): May I take this one step further?

MR. SPEAKER: Let the first step be over.

In my opinion, when the House is sitting and the Minister is coming with a statement, it is much better that he takes the House into confidence at a much earlier stage. I must lay down that in future also when the prices are enhanced when the House is sitting, it is much better that the Minister comes and makes the statement in advance rather than enhancing it and then coming here after so many days. Now there has been so much of controversy in the press on this subject.

SHRI PILOO MODY: What about the penalty for failure to do so?

MR. SPEAKER: That is on us who have to pay. Now, Shri Borooah.

SHRI SHYAMNANDAN MISHRA: Now his statement can be taken as read.

MR. SPEAKER: Yes, it may be laid on the Table.

THE MINISTER OF PETROLEUM AND CHEMICALS (SHRI D. K. BOROOAH): Sir, I am grateful to you for the kind guidance that you have given. We will certainly abide by your decision.

I beg to lay on the Table a statement regarding the recent increase in the prices of petroleum products.

Statement

The trend of abundance of crude oil availability and declining prices of crude oil which prevailed right through the 1960s, came to an end towards the close of 1970. Since then the prices of crude the world over have been steadily increasing as a result of concerned action by the Organisation of Petroleum Exporting Countries (OPEC) which has resulted in increased taxes, participation in or take over of crude oil production, currency fluctuations and market hardening. As a result, in the last three years or so, the crude oil prices have already increased by a little over hundred per cent. This trend of increasing crude oil prices is expected to continue and in the next five years there may be further steep increases in crude oil prices.

By all accounts, the days of oil as a cheap source of energy are over. Therefore, like the rest of the world, we have to take determined measures to:

(i) intensify our own exploration effort and reduce dependence on imported crude oil;

(ii) encourage the use of substitute sources of energy; and

(iii) reduce the impact of increase cost of crude oil imports by curbing oil consumption wherever feasible, without slowing down the pace of developmental efforts.

As the Hon'ble Members are aware, since 1st June, 1970, the formula

evolved by the Shantilal Shah Committee on Oil Prices has been accepted by Government, with the reservation that the situation as it arises would be dealt with depending on the conditions obtaining at each point of time. The formula is that every 10 cents per barrel variation in the price of Light Iranian crude oil should be reflected by a corresponding 4 per cent variation in the FOB (Free on Board) component in the price build up of bulk refined products. In 1970, when the price of Light Iranian crude oil came down by 10 cents per barrel, the FOB component of bulk refined products was reduced by 4 per cent. Since then crude oil prices have increased 11 times, but product prices have been increased by Government only thrice, i.e., 8 per cent from May, 1971; 16 per cent from June 1973; and 20 per cent from 22nd August, 1973. While the first price increase was across the board and all the bulk refined products had to bear the brunt, in the second increase Government took care to avoid increase in price of kerosene. In the third price increase, care has been taken to keep the prices of certain essential inputs like diesel oils and furnace oil and certain consumer products like kerosene oil and cooking gas, undisturbed.

The increases in prices authorised from 22nd August, 1973 are for petrol by 10 paise per litre; lubricants by 40 paise per litre; packed bitumen by Rs. 50 per tonne; and naphtha by Rs. 60 per tonne. These exclude the incidence of increased sales tax and *ad valorem* excise duties, wherever applicable. Increase in petrol price is intended to curb its consumption so as to make available correspondingly larger quantities of naphtha for fertilizer, and petrochemicals, in an international situation where there is an acute shortage of naphtha. The increase in the price of lubricants is also intended to curb its consumption. India has presently the world's largest

consumption of lubricants in relation to the total consumption of fuel products, which it is necessary to reduce drastically. The increase in the price of naphtha is necessary to reduce the wide gap between its indigenously fixed price and its import price. Consumers of packed bitumen have the option of buying it in bulk in which case they will be able to avoid the incidence of price increase; incidentally, this will reduce the need to import steel sheets for the fabrication of bitumen drums.

In future also, it will be necessary to have a fairly close relationship between the price of crude oil and the product prices, so as to ensure that refinery operations based on imported crude oil, both in the public sector and in the private sector, do not lead to losses. The price of indigenously produced crude oil is also related to that of imported crude oil. In the past the gap between these two prices has resulted in substantial under-realizations on the sale of crude oil by the O.N.G.C. and by Government in respect of Oil India Limited crude oil. This gap has been substantially reduced in the last two price increases and the realisations to ONGC and Government will be considerably compensated.

Government have also decided to appoint an Expert Committee to make a detailed study of the pricing policies in the developing situation. This Committee will be required, *inter alia*, to go into the question of inter-product price differentials and other connected problems. In the meanwhile, such increases in product prices as become inescapable will have to be allowed, but in doing so efforts will be made to the extent possible to minimise the impact on the economy.