

[Shri D. C. Sharma]

the Minister has been sending just token parties for exploration; token drilling parties have been sent there. He has not taken the Punjab very seriously. That may be the case of other States also. So, I want to know what the total picture, so far as the availability of oil or the prospect of availability of oil in the country is concerned. I think our country needs to be informed about this point in as up-to-date a manner as possible. It is not that we should get information only from replies to questions that are put on the floor of the House. I would request the hon. Minister to see that he places this information at the disposal of Members of the House at least once in three months, giving us the total picture of what is happening.

Another point which I want to make is this. The report which I am going to discuss today is one of the most meagre, inadequate, badly produced and badly written reports that I have seen. Only the other day, I was discussing the report of the Hindustan Antibiotics, Ltd. I found that that report gave a very full picture of what was happening in that sector of our public enterprise. It was a delight to read that report. When I looked at and went through the second annual report of the Indian Refineries, Ltd., I came to feel that "officialese"—if I can use that expression, could not have been practised at greater length than it has been done here. This report will fill any person who reads it with feelings of dismay, with feelings of inadequacy. He will not be able to know what the situation is. I compare this report with the first annual report, and I think that that report makes much better reading and gives more detailed information than this one. I do not know how and why this change has come about.

I find that we have been having changes too frequently so far as the managing director is concerned in the Indian Refineries, Ltd. I am very

sorry, of course, that the Chairman of this company, my esteemed friend, the late Feroze Gandhi, who signed the first report was not there to sign the second report. I am glad that they have paid some tribute to him and it is a thing which he deserves richly. I wish he had lived longer to give the Indian Refineries the right kind of drive and initiative. But the cruel hand of death snatched him away.

I find that the managing directors of this company are changed very frequently. Why should they be changed? These secrets are known only to the Ministers and the Ministries. There used to be Shri Shrinagesh who was the managing director of the company. He was shifted to Hindustan Steel. I think he was doing very good work, very valuable and admirable work. He had come to understand all the problems of oil refining, but as soon as he got a grip over the whole thing, he was shunted out somewhere else. Then there came another gentleman to take charge of this enterprise. He was also sent away after three months and now somebody else has come. If you look at the personnel of the managing directors of this company, you will find that the Ministry has been dabbling with it by changing it too often. I wish this was not done, because it does not ensure continuity of interest and continuity in the way of promotion of those objectives which we have in view. I think the hon. Minister will tell us why so many changes have been made so far as this Indian Refineries Limited is concerned.

15 hrs.

I welcomed the first report as a dear relation will welcome a newly born child. I wished it well, because we all wish a new baby well. When the second report was presented, we expected that the child would have grown in height and weight and would be alive and kicking. But on reading

the second report, I find that the child is very pale and anaemic; the child is going to be a case of arrested development and stunted growth. The child does not show much promise of growing one way or the other.

The Minister of Mines and Oil (Shri K. D. Malaviya): Some people are suffering from jaundice.

Shri D. C. Sharma: I do not suffer from jaundice. But I do suffer from one thing, viz., I must call a spade a spade. I must look at reality, and not at promises.

Mr. Deputy-Speaker: But care should be taken that the spade is not applied to the child itself.

Shri D. C. Sharma: I did not follow.

Mr. Deputy-Speaker: It was only intended for the Minister.

Shri D. C. Sharma: You and I are fond of children. You and I will never harm any child.

What is the progress made in regard to the Gauhati refinery and the Barauni refinery? I find, so many cubic feet of earth work have been done, etc. But even the agreement for land has not been finalised. For the Gauhati project, 270 acres of land are already there. 403 acres of land have been asked for, 292 acres for the township and the balance for water-supply and effluent discharge. (*Interruption*). What has happened to the preparation of site? They have mentioned here all kinds of works—civil engineering works, mechanical engineering works and so on. But I want to ask, what is the progress so far as these works are concerned and why the progress is not as well-defined and as well-regulated as it should be. Of course, I would be told that the progress is according to the schedule, because we do not know the schedule. The schedule is known only to the Minister. I want to know what has happened so far as these things are concerned.

The same thing is there so far as the other refinery is concerned. Of course, the promise is given that the time-schedule will be kept and it will be completed by the end of 1961. But on reading this report, I do not think this is going to happen. Take the question of experts. Of course, some persons have been sent abroad for training. I do not know if all the experts have arrived. The report says that only 28 out of the 48 Rumanian experts have arrived. Therefore, this report highlights more of the shortages and what has not been done and less of what has been done. While reading it, one does not feel very confident that what is aimed at will be achieved.

The same is true of the Barauni refinery project. I think the Gauhati refinery project is a class by itself. The Barauni refinery project also is not something which can fill anybody with much self-confidence. Of course, all these things are mentioned here—land acquisition, preparation of site, etc. But I want to ask what has happened to the detailed project report. Have we got it back from the Soviet Union or not? Has it been prepared once and for all or not?

We read a lot about roads—approach roads, peripheral roads, etc. and hostels. Of course, hostels should be there to accommodate the foreign experts; I do not deny. But I want to know what has happened to this project so far as equipment is concerned and so far as recruitment of staff is concerned.

Para IV (vi) says:

“Orders were placed for all the equipment required for unloading and haulage and other tools and tackles required for the erection jobs and a major portion of these equipment has already arrived at Gauhati and is in use.”

What is the major portion? When we go into the details of these things, we find that they do not make very satisfying reading.

[Shri D. C. Sharma]

When I look at the balance sheet, I want to know how these charges have gone up so steeply. If you compare the figures given in the first report and in the second report in regard to electric charges, the rent paid, the charges for advertisement and publicity, etc., they are almost three times as much as before. If you compare the charges of printing and stationery, postage, telephone and telegram charges and the depreciation written off in the first report and in the second report, you find that they are much more now. In the first report, the depreciation written off was only to the extent of Rs. 3,314.88. But this time it is Rs. 47,734.49. I would like to know how all this is happening and how the expenses are going up.

As I said in the beginning, the report does not fill me with any satisfaction. This is not an account of things done. It is an account of things which might be done. Perhaps the Minister would say that all these things are going to be done at the proper time and we are discussing only the report which deals with 1959-60. He would say that so many months have passed and perhaps many things have happened about which I have some knowledge but not a very adequate knowledge. Of course, I must admit that the Minister for Mines and Fuel has been almost a missionary in the cause of oil exploration and refining and distribution. Sometimes he has taken decisions which have not found favour with vested interests, sometimes he has done things about which the commercial interests have not been very happy; but I must say that so far as negotiations go, negotiations for the reduction of price, negotiations for bringing more countries in collaboration with oil business, he has been eminently successful and I have reasons to congratulate him on that. For instance, we are having agreements with Rumania, with the Soviet Union, with the United Kingdom, with France, with Italy and all these

countries for the purpose of our oil exploration.

Moreover, I think he has done one good thing and that is, he has dissociated exploration from refining and distribution. I think that is in conformity with the national will of this country, that is in accordance with the sovereign status of our country, that is also in line with our military strategy. I do not deny him credit for that. I do not deny credit where it is due. He fought a good fight, I must say, with some of these companies who are refining oil for us in our country over prices, and though the profit that he has made by negotiating those prices has not gone to ease the price schedule of these products for the consumers I think the Government has been able to get some money.

But no one can deny that the rate at which we are expanding is not the rate dictated by the needs of our country and the urgent problems of our country. What did we need in 1946? What were our needs so far as these things are concerned and what are our needs going to be in 1966? What are our needs today in the year 1961? Our needs are great and they are growing very fast. I want to ask the Minister what he is doing in order to catch up with the needs that we are having in this country. Of course, these two refineries are there and there will be a third refinery also in Gujerat. The Mysore people are asking for a refinery, the people in the south are asking for a refinery and all those refineries also will come into being in the near future. But I ask him if he has got a blue-print of the needs of our country and the methods of satisfying those needs.

Mr. Deputy-Speaker, Sir, oil is not only a matter of daily consumption, oil is not only a means of transport, oil is also an instrument of military strategy, oil is also an instrument of industrial power. And, I believe that in the matter of oil nobody can be complacent. Our worthy Minister

went abroad and when he came back he said that he went to U.K., France and Italy, he has seen a lot, he has learnt a lot and he has brought a lot. I think that is what he said at Bombay. Of course, he has seen a lot; there is no doubt about it. He has learnt a lot and he also has brought a lot, no doubt. But I want to ask him whether he has learnt as much as he should have. What should he have learnt? He should have learnt that the pace of oil exploration and the pace of oil refining should be accelerated. Has he learnt how to accelerate this pace? He says that he has brought a lot. Of course, he has brought a lot. He has had negotiations with all these firms and in the matter of these things I know he has done a lot of good.

Mr. Deputy-Speaker: I want to accelerate the speed, and therefore I am ringing the bell.

Shri D. C. Sharma: I want to ask the Minister only one question. While our needs for oil are proceeding at a galloping rate—this is a phrase which I have taken from the newspapers—has he got anything, any project in view which can keep pace with the galloping rate of our needs of these things?

In the end, Sir, I want to say only one thing to the hon. Minister. He should give a complete picture of prospecting, refining and distribution to the House as it exists at present. He should also ask the department which runs the Indian Refineries to produce a more readable, a more well-informed report. Of course, the refinery is yet in the making. We do not get here anything about the workers' welfare; perhaps, when the two townships are built we will have some idea of what is being done for workers' housing, for giving them medical facilities, education and all that. But I think even now they should be employing some workers. We do not get any idea about them. I think the gentlemen who are responsible for bringing this report should

study the report of Hindustan Antibiotics and see how a report can be produced which is more or less satisfying to a person who does not have to deal from day to day with these problems.

On the whole, Sir, our country is doing very well, and for that I think the credit goes to the House whose Members are so vigilant about anything connected with oil and whose Members keep the Minister always well informed about the needs of the country. Of course, the Minister also is doing quite well in this matter. But I wish that we should have a different picture and a more satisfying picture, a more adequate picture. I want self-sufficiency in this matter. I do not want to depend upon any other country for the supply of our oil. I also do not want a mixed economy in this sector. I am a believer in mixed economy, but I do not want mixed economy in this sector because this sector has very many implications for us. I would therefore say that we should work for the day when the whole project of oil from A to Z can be in the hands of the public sector. I am looking forward to that day, and I hope I will live to see that day when the oil map of India shows only the colour of my government and not the colour of any other company whether it is foreign or Indian. It should be nationalised.

With these words I commend the Report.

Mr. Deputy-Speaker: Motion moved:

"That this House takes note of the Annual Report of the Indian Refineries Limited for the year 1959-60 and the Review by the Government of the working of the Company, laid on the Table of the House on the 10th March, 1961."

Shri T. B. Vittal Rao: (Khammam):
Mr. Deputy-Speaker, Sir, I entirely

[Shri T. B. Vittal Rao]

agree with my predecessor who has said that this Report does not contain much information. To that extent I agree with him. Even the Review that has been prepared has been done in a most callous way. For this oil organisation we have been voting large sums of money time and again and we expected at least in the Review, if not in the Balance Sheet, for the year 1959-60 a comprehensive review. Unfortunately that has not been done.

When we consider this Annual Report of the Indian Refineries Limited for 1959-60, we will have to keep in mind the attitude of the management of the foreign owned refineries in our country who refused to refine the crude oil which we were to get from the Soviet Union and the indigenous crude oil produced at Cambay and Ankleshwar. While considering this Report we should also bear in mind the recommendations of the Oil Prices Enquiry Committee under the chairmanship of Shri K. R. Damle.

About the two refineries, one at Nunmati and the other at Barauni, some facts have been given in this Report. They give land acquisition, houses being constructed, some technicians being sent to Rumania and so forth. But what I am told about the laying of the pipeline itself is this. We were to get the pipes from the Rourkela steel plant. I understand that the pipes that have been supplied by the Rourkela steel plant were found to be below the specifications and are, therefore, to be returned, with the result that the laying of the pipeline has been delayed thereby delaying the commissioning of this refinery at Nunmati. However, we are assured as in the Report that the whole refinery will go into production by the end of this year. We were also told in the Oil Pavilion in the Indian Indus-

tries Fair that the Nunmati refinery will go into full stream by the end of this year. I am not aware at what stage it is because I have not visited it.

Coming to the Barauni refinery, the first million ton unit will be commissioned some time towards the end of 1962. The second million ton unit will be commissioned somewhere in 1963 and the whole thing will go into full stream in 1964. In this connection I would like to know whether it is a fact that this refinery at Gauhati is going to incur a loss till the whole refinery is commissioned on account of the disadvantageous agreement that we had with Assam Oil, that is, with Oil India. It is estimated that during the years 1962 and 1963 there will be an annual loss of Rs. 3 crores on account of that agreement under which they were supposed to supply crude to this refinery in Assam. I do not know how far the pipelines have been laid to Barauni and whether the time schedule will be adhered to. Last time when we asked whether the late submission of the project report by the Soviet experts would result in our schedule for commissioning this refinery in Bihar being upset, we were assured by the hon. Minister that the time schedule would be strictly adhered to though there has been delay in getting the project report from the Soviet experts.

The Board of Directors of the Indian Refineries Limited is not working with the speed with which it should. If I may give certain figures about the crude that we are importing from foreign countries, it is to the extent of Rs. 73 crores or Rs. 75 crores per year. If we go forward with these development plans early, we will be able to save this. At the same time our consumption has also been increasing. It is estimated that we have spent on foreign ex-

Limited

change for the import of petroleum and its products to the extent of Rs. 79.9 crores in 1959. Of these imports kerosene accounted for Rs. 21.7 crores in 1958 and for Rs. 24.1 crores in 1959; crude accounted for Rs. 36.2 crores in 1958 and Rs. 34 crores in 1959. Our requirements are bound to increase. By the end of the Third Five Year Plan we are to have 13 million tons or so. When we compare the figures of consumption of petroleum products with those of the industrially advanced countries, we find that there is a very big gap between them. For instance, the per capita consumption of petroleum products in India in 1959 was 4 imperial gallons as against 663 gallons in the United States of America, 162 gallons in the United Kingdom, 83 gallons in Japan, 16 gallons in Ceylon and 6 gallons in Pakistan. Pakistan is consuming more petroleum products than we are doing. What I am attempting to show is that the commissioning of these two refineries is very, very important. Their commissioning should be done with great speed. We should accelerate the pace.

I am not unaware of the difficulties that we are facing. We are new to this. But we cannot be new to this for all time. We have had some experience of oil exploration, prospecting and refining during the last ten years. So we cannot plead that our people are completely ignorant. During this period what has happened? While our consumption was increasing the three foreign-owned refineries had been increasing their own production. They have increased their production to more than their licensed capacity. For instance, the Burmah Shell refinery's licensed capacity was only 2 million tons per year. They have increased it. Stanvac have also increased it. What do they tell us? They have increased their production because they have done some technical changes in the method by a new technical device. I remember, when we asked

the foreign-owned companies to just modify their pattern of production so that we could have more of diesel oil and less of petrol, they said, it could not be done without changing the whole refinery as such. Now, they say they have been able to increase the production by adopting certain technical devices. I admit that I am an absolutely lay man with regard to the technique of oil refining. But, we would like to have an answer; how is it that they have been able to increase their capacity more than licensed.

Then, we come to the Gujarat refinery. A few days ago, I happened to have a talk with the Chairman of the Board of directors of Indian Refineries Ltd. I asked him, when are you taking the Gujarat refinery, why is it that the proposed Gujarat refinery has not yet been taken by the Indian Refineries Ltd. He could not reply. Probably he was afraid that I will place whatever he says before the House. He said, it has not been taken up. Why should not the third project which we are going to have, come into this? Why is it a separate entity? What are the difficulties in merging that with this? We are told, there also Soviet experts have been invited, some amount out of the credit they are giving us during the Third Plan period will be utilised for the putting up of this refinery in Gujarat. We would like to know under what grounds this has been kept away from Indian Refineries Ltd.

Shri K. D. Malaviya: It has been kept away from?

Shri T. B. Vittal Rao: It has not been included in the Indian Refineries Ltd.

Shri K. D. Malaviya: In this report?

Shri T. B. Vittal Rao: This Gujarat refinery has not been included.

Shri K. D. Malaviya: May I just remind the hon. Member that the Gujarat refinery has nothing to do with Indian Refineries Ltd.? The organisation known as Indian Refineries Ltd. controls two refineries, the Nunmati and Barauni refineries. The Gujarat refinery is being worked under the Oil and Natural Gas Commission. It is incidental to our working that the Managing director of Indian Refineries Ltd. is also a Member of the Oil and Natural Gas Commission. The Gujarat refinery will be the property of the Oil and Natural Gas Commission. Naturally, therefore, its activities cannot be governed by the Indian Refineries Ltd.

Shri T. B. Vittal Rao: That is true. What I want to know is, what are the special reasons?

Shri K. D. Malaviya: You want to know that.

Shri T. B. Vittal Rao: I want that it should be included in this. It should be brought under the purview of this.

Shri K. D. Malaviya: I think it was also discussed some time back in the House. I will say something about it.

Shri T. B. Vittal Rao: With regard to the laying of the pipe line from Cambay to Bombay, from whatever knowledge I have gained or information I have got from some technical people other than those who are connected with the Oil and Natural Gas Commission, they think that this project will not be economical, and it is going to be a very costly affair because of various reasons. There are several rivers over which the pipe line will have to be laid.

An Hon. Member: How many miles?

Shri T. B. Vittal Rao: One hundred fifty or 200 miles. Sufficient electricity has to be consumed in order to pump this Cambay crude which has got more paraffin content. Otherwise, there is every danger of the crude

getting solid and it cannot have a smooth run through the pipe. Later on, when we are self-sufficient, when the production of crude in our country will meet all our demands, then we can think of this laying of pipe line from Gujarat. Not at this stage. Because, placed as we are, with the production as laid down in the Third Plan, I am doubtful whether we can fully meet the requirements of all these refineries with regard to indigenous crude. Therefore, something has to be imported. It may be from the Middle East or Soviet Union or Rumania. But some quantity of our requirements even during the Third Plan has to be imported and that should be utilised. Therefore, this question of laying of pipe line for refining oil at Burmah Shell should wait till after the Third Plan.

Shri K. D. Malaviya: Where is the programme?

Shri T. B. Vittal Rao: You have said it so many times.

Shri K. D. Malaviya: I do not think.

Shri T. B. Vittal Rao: You said, we are going to lay a pipe line because we are envisaging a time when we are going to stop all imports, when you replied.

Then, I want a categorical answer. Because certain newspapers have taken advantage of a question that I put some time ago in this House. The Chairman of the Burmah Shell Refineries, while addressing the Annual General meeting of the Burmah Shell Refineries said—a para is devoted to this—that when they gave up these concessions, the Government had agreed for an increase in the refining capacity. What has made the Government give such an undertaking? The Minister's reply at that stage was that he was not aware of it. A paper, which wrote an article on this, said that the Minister should quit office, that a Minister who said, I am not aware of that statement, a Minister who should always keep him-

self informed about the address of the Chairman of the Burmah Shell Refineries, has not made a very responsible statement. If he had read it, he should have denied it. This is what the paper wrote. Why should the Government give a guarantee, for giving up some duty concession, that the Government have agreed to increase their capacity, to examine on its own merit increasing the capacity of the Burmah Shell Refineries?

I am not going into the financial aspects of this whole question. Because, I know, by various facts and figures, the hon. Minister will say that prospecting for oil exploration and exploitation and refining is rather a time-consuming process and thereby also require a lot of money. Actually, at this period, we should have been discussing the Annual report for 1960-61. We would have had a better picture. But, what I am told is—I make a very general statement—that we are spending much more than what is required. Further, with regard to technical people, I am told that there is a Selection committee, that the General manager of Oil India and other people are on the Selection Committee, that there are some people who want to leave Burmah Shell and Stanvac and join this Refinery, and that the Government do not seem to be very enthusiastic about taking them, because of the fact that they demand high salaries. Anyway, these technical people would be of great help for running these Indian refineries. Therefore, I would like the hon. Minister to look into one or two test-cases of those who came before the Selection Committee and those who were appointed.

As has been pointed out by my hon. friend Shri D. C. Sharma already, there has been a demand from the south that a refinery should be set up in South India; it may be in Madras or anywhere else in South India, because if our experiments on the exploration of oil in the Cauveri Basin or the Godavari Basin are successful, then this refinery can be of great

help. I hope the hon. Minister will very sympathetically consider the request for the setting up of a refinery in South India.

We are told that some training is being given to our experts in Rumania and in the Soviet Union, and also that some people are getting trained in the Institute of Petroleum in France. I would like to know how many have been sent recently to France. For, I find from the report that even after getting trained in the Petroleum Institute in France, they are again being sent to Rumania. I do not know what special reason is there for this. I would like to know whether we shall continue to be sending our engineers and diploma-holders for training abroad, or whether they will be trained very soon at the institute at Dehra Dun.

The development of these Indian refineries is of vital importance to us. The earlier these things are commissioned, the better it will be for our country and for the economy of our country. We have seen the attitude of the foreign-owned refineries in our country, who refuse to reduce their prices. The Damle Committee is not the first committee that has been appointed: Previous to that, a cost accounts officer also had gone into the question. Further, we find that according to the Damle Committee report, some companies which are operating in India have refused to disclose the sources of their supply even to a committee that has been appointed by the Government of India. Until we develop our public sector refineries, we cannot control these people. I have always been demanding from Government that they should be bold enough to take courage in their hands and nationalise these foreign-owned refineries. If Cuba can do it, can we not do it?

Further, we are also getting technical help as well as financial help from countries like the Soviet Union and Rumania, which are also advanced in the petroleum industry. How

[Shri T. B. Vittal Rao]

long are we going to allow these foreign-owned refineries to continue in the way in which they are doing now. Is it good to the economy of our country at all? Therefore, I repeat that these foreign-owned refineries in India should be nationalised. If Government are not courageous enough to take such a bold step, I would at least ask them to accelerate the pace of work in these three public-sector refineries and see that they are commissioned earlier than on the scheduled date, for, only then, our country will prosper.

Shri Hem Barua (Gauhati): It is a happy augury that two refineries in the public sector are already in the offing; the one is at Nunmati and the other is at Barauni. I always feel, and I agree with the hon. Members who have spoken before me, that the public sector in oil has to be developed, and the monopolist tendencies that are to be found in this country, on account of which there are so many difficulties in the matter of negotiations with these companies, must cease, and Government must take—of course, Government are already taking some interest, and I must congratulate them on that—more than ordinary interest in the oil industry in this country.

My hon. friend Shri D. C. Sharma, while he was trying to evaluate the virtues of oil said certain beautiful things to point out how it is essential for military strategy and military purposes, and how it is essential for running machines in peace-time. I was thinking that I should put it in a different way in one single sentence. Oil moves the wheels of civilisation as much as it moves the wheels of war. It is a rather important industry or important undertaking so far as this country is concerned, and the more the interest that grows in this undertaking, the better it is for our country, because we have seen very recently how even on the Damle Committee recommendations—these recommendations are progressive re-

commendations though I do not say that these recommendations meet entirely our expectations, because they do not go as far as we expect them to go—Government were hard put to come to an agreement with the foreign interests that operate here in this country and who have been trying to put so many hurdles in the way of implementing these recommendations. Now, this is an eye-opener for us as to how the monopoly interests in this country will cease to function, as our public sector develops more and more.

In this connection, I want to know from the hon. Minister whether he is contemplating or is in a position to invoke the provisions of the Essential Commodities Act, if these companies prove to be adamant, in order to bring them round. We must be very stiff about it, because they are earning profits in this country, and it is a painful thing to say that their profits are a closed book to us. I do not know if Government have the audit report of their profits, and their assets and liabilities, but as far as my information goes, their profits and assets and liabilities are a closed book to our Government. That is why I say that if these foreign concerns are adamant in the matter of implementing the recommendations of the Damle Committee, Government must try to invoke the provisions of the Essential Commodities Act.

At the same time, I would also request the hon. Minister whom I described on a previous occasion as the man of destiny, because he presides over the department of oil, and oil, as I have already said, moves the wheels of civilisation as it moves the wheels of war, to see that we develop an adequate distributive machinery in this country. Unless and until we develop an adequate distributive machinery in this country, these hurdles that we are encountering today would continue to exist, and it would be an unhappy thing if these things continue to exist as they are.

Coming to the refineries, so far as the Barauni refinery is concerned, it has not come into existence yet, and only the plan has been drawn up, and except for one or two sentences in the report about the Barauni refinery, this report is silent on that, and it has to be silent, because it is just in the embryo and in the initial stages of development.

As regards the Nunmati refinery, it has transpired that it is going to be inaugurated by the Prime Minister on the 1st January. I would say that that is a golden day for us when the whole nation must be jubilant because on that day we shall see the birth of the only public sector refinery in this country.

There are certain difficulties also. The commissioning of the refinery depends entirely on the completion of the pipeline that would connect the Naharkotiya oil fields with the Nunmati refinery. But somehow or other, the original schedule for completion could not be adhered to. 20th February was the earliest date by which it was said that the pipeline would be completed. But somehow or other that deadline could not be adhered to and it had to be postponed to 15th March. Recently, it has transpired that the pipeline would not be completed by the 15th March either, and it would take a longer time, and the earliest that it could be expected to be completed is the 15th May. That shows that we have to depend entirely on the railways for transport of crude oil from Naharkotiya oil fields to the Nunmati refinery.

There is a trouble. It is said that the railways have agreed to supply wagons to transport crude oil from the Naharkotiya oil fields. They have given verbal assurances that they will provide wagons to carry 500 tons of crude daily from Naharkotiya. It is also said that a stock of 36,000 tons would be built up.

My problem is this. The pipeline that is to carry crude from Naharkotiya

oil fields to the Nunmati refinery to be processed in that refinery is not yet completed and the latest deadline now is only 15th May. The refinery has to depend entirely on railway transport. The railway authorities have given verbal assurances. But if we look at the performance of the railways so far as coal transport in the country is concerned, it is a poor performance, and there is a crisis in coal today. That is why I am apprehensive. It is true that the Nunmati refinery is going to be commissioned on 1st January, but because we have to depend entirely on railways for transport of crude oil, I am afraid that this refinery might suffer a deadlock and there might be some difficulties before the pipeline is completed.

There is another thing. The pipeline would carry not only crude oil from Naharkotiya. It would carry refined products out of the refinery also. The reliance has to be entirely on railways for transport of crude oil to the refinery and refined products from out of it. This might injure the interests of the refinery that is going to be commissioned on 1st January. That is the difficulty.

There is another thing that strikes me. The Indian Oil Company is going to market refined products of the Nunmati refinery. But up till now it has not been decided at what destination the refined products will have to be delivered to the Indian Oil Company. On the other hand, the refinery is going to start work from the 1st January. This means that stock has to be built up during these days by transport of crude oil from Naharkotiya in railway wagons. This is another thing that strikes me, and I hope the Minister would give me a reply to this point.

There is another factor. The fact that the Government have entered into an agreement with the Burmah Oil Company over the price of Naharkotiya crude oil poses a problem. I am told the formula that is evolved between Government and the Burmah Oil Company would put the Government

[Shri Hem Barua]

in a disadvantageous position. My information is that these two refineries, Nunmati and Barauni, would run at a loss until full production is achieved, and full production can be expected to be achieved only by the latter part of 1963. It is also my information that in the initial year of operation, the Nunmati refinery would incur a loss to the tune of Rs. 3 crores. I will be very happy if the Minister enlightens me on these problems that face the oil refinery at Nunmati.

As regards the pipeline that is proposed to be laid from Nunmati to the Barauni refinery, at places in the Bengal sector it comes at points within 5 miles of the Pakistan border, that is, within striking range of Pakistan. Knowing as we do the relations that we have with Pakistan, it creates a serious problem. Only this morning, I consulted the incidents during the last four months.

Shri K. D. Malaviya: What else could be done? If he insists on having a refinery in Assam, naturally the pipeline has to pass through places near Pakistan.

Shri Hem Barua: I will come to that.

In the last four months, more than 100 incidents have taken place—I mean firing incidents by Pakistan against India.

If the pipeline that is to carry crude oil—as well as refined products—from Nunmati to Barauni while crossing the Bengal sector touches at points places not far away from the Pakistan border, places only four or five miles from that border, that comes within striking distance of Pakistan, which in view of our political relations with Pakistan today, is a dangerous thing. I wrote a letter to the hon. Minister from Gauhati about it and he was very kind in replying to it as quickly as possible. I do not have a complaint against any Ministers on that score. He admitted that it would come as near

as that distance. At the same time, he said that we are having security measures to protect the line. That is a good thing. But there are some engineers who told me that the line could have been shifted and that the Bengal Government would be helpful in that. Actually they are engineers from West Bengal who told me that. They showed me certain drawings also. Whatever that may be, when drawing a map for this line, this was not taken into account and now that the map has been drawn and the pipeline is being laid, there is some difficulty. But I hope and trust that the Minister would be true to the assurance that he has given and will see that the pipeline is adequately protected.

15.59 hrs.

[SHRI MULCHAND DUBE in the Chair]

So far as the employment programme of the refinery is concerned, it pains me to say that this refinery started and still exists without an employment programme or an employment policy of its own. It is a painful thing to say that this refinery was the springboard of the disturbances that brought such a shame and rather sorrow to the people of Assam during July last. But it is a fact that in the matter of employment, even the Industrial Policy Resolution adopted by Government was not given effect to so far as this refinery is concerned.

Naturally enough the people there looked at it with hope and aspiration. They had their own dreams and aspirations. But when they found that they were being constantly elbowed out of that crowded table of the opportunities of life, naturally enough they got agitated, and I would say that the reason for the agitation, which was an unfortunate agitation, lay in the absence of an employment policy in this Nunmati Refinery. I always remember Shri Feroze Gandhi's name with great respect. When these matters started, he ran to Gauhati, held

discussions with different people and discovered where the root lay. As long as he lived, he tried to put the record straight, and he gave me an assurance also like that. Because he took an active interest, the employment policy was slightly revised, and the people belonging to the soil got an opportunity in certain avenues of life.

16 hrs.

When the refineries started, even the peons, chaprasis, carpenters and mistries did not belong to the soil; they were all brought from outside. Naturally enough, the man who lives there, who feels that it is his own refinery, and that he has fought for it and gone to jail for it and that he should get a due share in the refinery, gets frustrated and agitated when he finds that he is dispossessed of the right to play a part in the growth and development of this public sector undertaking, and that is what happened. Because Shri Gandhi revised the policy, the people belonging to the soil got an opportunity to a certain extent.

What happens with the refinery going into production? It is said that some 400 employees of the refinery will be laid off their work. This is creating a serious apprehension and a serious problem at least in Gauhati, if not in the entire State of Assam. I want to draw the attention of the hon. Minister to this fact. I do not say that all these 400 people to be laid off belong to the State of Assam. They belong to other parts of India also, but then, because the Assamese, people belonging to the State, were the last to come, because they were denied opportunity to get into the refinery when it started working, the axe naturally falls on them, and it is a painful thing to say that out of these 400 workers losing their jobs, 75 per cent. belong to Assam. There are some ancillary industries to be started in the State round about Naharkatiya, like gas plants, etc. I would request the hon. Minister to see that these people are not thrown out of employment, or, if that is not possible, to see that they are absorbed in

these new ancillary industries. It seems even some motor drivers and some technical personnel will lose their jobs. That is why I am concerned about it and I request the Minister and the Chairman of the refinery and other directors to put their heads together and save these people the ordeal of suffering.

I do not like the proliferation of activities in the oil industry. We are going to have two refineries in the public sector. There may be one in Gujarat also. They have not as yet decided whether they will allow a refinery in the South or not. As against this, there are already four refineries operating in the country in the private sector which are managed, organised and administered by foreign interests, and we know how the shoe pinches.

For instance, what about the crude? Out of these four, three have their own sources of supply. Only Digbidi depends on indigenous supply. The price of crude that they purchase from abroad does not reflect the Persian Gulf price, but when we wanted them to cut down the price, they refused. That shows that they have got their tentacles fixed into our body. Only when Russia entered into competition, they agreed to lower the prices. Burmah-Shell lowered it by 7 per cent., and Stanvac and Caltex by 5 per cent. or something like that. There is always unhealthy competition by these foreign interests.

What about the Russian diesel? When the Indian Oil Co., wanted to sell it to the Bombay Electric Supply Undertaking, Stanvac came on the scene and tendered a lower price. Everywhere, at every stage, these foreign companies are proving a hurdle for us, and we do not find a way out.

There has been a lot of proliferation of activities in the field of oil. The Oil and Natural Gas Commission is engaged in exploration in certain areas, Stanvac in some other areas, and Caltex in some other areas. These foreign companies, by investing about Rs. 100 crores, control 80 per cent. of

[Shri Hem Barua]

the oil trade in this country. That is why I say that when we enter into agreements with these foreign companies, they must be made to bear in mind that they must attune their policy and programme to the national needs of this country, because we are engaged in an adventure through our ambitious Five-Year Plans and we want this country to develop industrially and we want to go ahead, and oil is bound to play a dominant part in this march or voyage of progress in this country. But if the key to the oil industries lies, as it lies today, in foreign hands, surely that is going to damage our interests, as it has already done so far as crude is concerned, so far as the recommendations of the Damle Committee are concerned. That is why we request the Minister to have a sound oil policy so that these people might be fitted into the pattern of national needs of this country, as long as they are not nationalised, Government do not take them up. I agree entirely with Shri T. B. Vittal Rao when he says that this important industry should be nationalised. If Cuba can do it, why not we? We do not want the history of the Middle East to be repeated in this country, because the oil interests enjoy a monopoly in this country.

Shrimati Renu Chakravartty (Basirhat): This is one of the important subjects to be discussed by this House. This Oil Refinery and Hindustan Steel are the two most important of the public sector undertakings.

There are two or three particularly important points which should serve as a background in discussing this whole matter.

Firstly, there is a great crisis in our foreign exchange position, and as far as oil is concerned, foreign exchange of a very large quantity has to be expended on this.

The second important thing is that oil has to become cheap; it cannot continue to remain at this high price. It is basis of industrialisation. There-

fore, the question of cheap oil is closely linked up with the question of cheaper industrial goods.

Thirdly, we are having this discussion in the background where there is an increase in the world supply. Against the capacity of those who up till now held the monopoly, that is, the Anglo-American monopolists, a new source of supply has come into existence in the world market which is going to help very favourably in bringing down the prices on the one hand and also of making the work of the Indian Refineries Ltd. much easier, giving us crude at a much cheaper price and also the finished product at a cheaper price. We have a much better bargaining position as far as the Anglo-American monopolists are concerned.

The first thing which this Indian Refineries Ltd. report brings to our notice is that very soon Naharkotiya refinery will be in a position to start production. But I would also like to underline what Shri Hem Barua just now stated that unless the pipeline is finalised and we are able to transport quickly the crude from Naharkotiya to Nunmati, it is going to be a bottleneck and it is going to lead to a great deal of loss in the public sector refineries. Since this question is entirely under the control and management of the Assam Oil Co., or the Oil India as it is called, I think it is necessary that Government and this Parliament focus their attention on this particular point.

The second point is regarding the price of oil sold by the Oil India Ltd., to the Indian Refineries. It is strange that the oil will be priced not according to cost of production in India but on the basis of the international monopolists' charge, the oil prices in the Persian Gulf. That is regarding the crude oil which is going to be given to us in Nunmati. The Government has not given us the agreement; they have refused to do so. In addition to what we know, we know that a minimum profit of 13 per cent. on the capital has been guaranteed in the agreement so that the Indian Income-

tax law will not operate if the profits are below that. There is also no time limit for the agreement. From all this we realise that the source of crude supply to us from Naharkotiya is going to be weighted against us as far as the price formula is concerned. That is why the *Statesman* had stated in its report on July 29, 1961, that—

“The price of Naharkotiya crude oil fixed under the new agreement between the Burmah Oil Co., and ourselves has placed the Indian Refineries Ltd. in a dilemma.”

They go on to say that until both the refineries at Gauhati and Barauni reach full production—which will be possible only in 1963—there is going to be—they have calculated it at about—Rs. 3 crores of loss. They say that two factors will govern the price. The first is the import price of comparative crude oil from the Middle East. The new agreement between Government and B.O.C. or the Oil India as they call it, secures a net return of 10·8 per cent. on their equity capital of Rs. 28 crores.

In the first year, the Naharkotiya will not be running to capacity. It will be needing only about 750,000 tons of crude oil and, therefore, they say that the price of Naharkotiya crude will have to be fixed at Rs. 115 per ton in order to provide them the stipulated profit. Assuming that the other refinery will also come up, the Naharkotiya refinery cannot but make a loss of Rs. 3 crores in 1962, according to that report. We do not know how much further it will be in 1963 till the production of both the refineries come up.

The question which is of very great concern to this House and to the whole nation is the overcharging of the country as far as oil prices are concerned. In the Estimates Committee, from 1958, we have been exercised over this and we have made our remarks in our reports wherein we have stated that we see no reason why there should be such disparities, as

for example, of one anna per gallon between the price of motor spirit at Bombay and Karachi and 10½ annas per gallon in respect of aviation spirit. This difference would amount to several crores of rupees annually. Even Pakistan is getting them at cheaper prices than we are getting.

We have seen the big controversy that has raged after the Damle Committee report has been published. Many of us do not feel satisfied about the Damle Committee report. But even what is recommended by the Damle Committee is not being countenanced by the foreign oil companies. Therefore, this question has been exercising the minds of both the Government and of the people and all of us in Parliament.

I do not know how the oil companies say that they cannot afford this price reduction. The Cost Accountant who went into the cost of oil has reported that the Burmah Shell made a profit of 36·55 per cent on capital in 1955, 30·20 per cent in 1956 and 31·62 per cent in 1957; Stanvac 28·6 per cent in 1951, 34·7 per cent in 1953 and 21·4 per cent in 1957; and Caltex, of course, gets on top. They made 44·6 per cent in 1951, 48·1 per cent in 1954. We do not know the later figures. Anyway they will not be below 20 per cent.

Shri K. D. Malaviya: Gross profits.

Shrimati Renu Chakravartty: Then, of course we will have to go into the accounts and find what is the acceptable expenditure.

Shri T. B. Vittal Rao: Without depreciation!

Shrimati Renu Chakravartty: Therefore, this question has been exercising our minds.

There is the question of discounts for example. Everybody knows that discounts are being given to the British and American oil companies. Why not they give us discounts?

Shri K. D. Malaviya: They do not.

Shrimati Benu Chakravarty: They say they will not give unless we accept their right to process a greater quantity of oil in their refineries than the quantity they have been licensed for. How did they get the bigger capacity? They refused to refine for us the Soviet oil when it came to our advantage. Now they say that they will not give at a lower price; they will not give the discount.

According to the agreement with the refineries like the Burmah Shell we know that the price of the finished product will be on a par with that which is imported. Therefore, except that we save some foreign exchange we do not know how the Government is going to overcome this particular clause in the agreement which says that the price at which they are going to give us the refined oil will be the same as the price of that which is being imported. Anyhow the question remains how they have got the bigger capacity. Originally Burmah Shell had a capacity of 2.8 million tons; now they can do 3.5 million tons. Originally it was 2 million; from 2 million it went up to 2.8 million and now it has gone up to 3.5 million. Stanvac: it has gone up from 1.2 million to 1.9 million; and now they say they can process 2.4 million tons. Caltex: it is up to 6.75 lakhs and they say they can go up to 9 lakh tons.

Why should they not give us the low price because in the world market there has been a spurt both in the Italian and Soviet production? According to the Damle Report the oil companies themselves have admitted that they are getting discounts. Why not they give it to us. It is very necessary that our own refineries should start production at the earliest date possible because these people have always tried to bargain from a position of strength thinking that they had a monopoly. When we tried to break that monopoly, they have tried to sabotage every attempt. Now, all over the world the market has become

easier and we are able to get oil from other firms as well as the Soviet Union. So, in this background, we should do everything to expedite the work of the refineries and make ourselves self sufficient as far as possible.

There is one more point which I will mention. Why should there be two bodies in the public sector. Has it already been discussed in this House? That is what the hon. Minister says. I am sorry if I have not been able to follow this particular point. Then, why should the Gujarat refinery be kept under the Oil and Natural Gas Commission and why should Barauni and Nunmati refineries be kept under a public limited company? Should they not both be kept within the same corporation or the same statutory body? As they start functioning you will find it much easier to be able to inter-relate them and guide them in a central manner. I would wish that the report should be fuller and should be given from year to year so that the Parliament and the people may understand more fully what is the progress achieved and what are the difficulties that are being encountered and also what is the future perspective for the growth of that company. It is also of the utmost importance that we make a success of the Indian Refineries Limited *plus* of course the distribution company. It is a separate company. It is the refineries that will give us the immediate benefit of refining the crude oil and produce before the eyes of the people our own products. It will be a big weapon to fight the big monopolists who have built economic empires and even political empires throughout the world. It will be a good thing if we are able to process our crude oil. Lastly, I would join with my friend Shri Barua and Shri Vittal Rao, in saying that we should go forward with nationalisation of the foreign oil companies in the country, now that we are well set in for having our own refineries and our sources of oil as well as on the way for setting up a good distribution machinery.

Shri N. R. Muniswamy (Vellore): Mr. Chairman, I share the feelings expressed by the other hon. Members that the information supplied in this report is scanty and we are not able to get a better picture unless we gather points from some other sources. There has been much controversy about the oil policy in this House and elsewhere. Whatever might be the nature of that controversy and the criticism which might be levelled against that policy or that programme, I can say one thing that as long as these policies are towards the interests of the country and our national cause, we can ignore those criticisms. The policy and the programme seem to be somewhat dynamic but they seem to be involved and complicated and one finds it very difficult to follow the policy and the programme. From the report I find that the present requirements for India could not be met by the recent discoveries and the supplies unless it be that we import crude oil for refinery purposes. For that purpose the Ministry has undertaken some discoveries in the west coast and in other areas. But I find that the discoveries are very promising to start with and when they progress for a year or two it does not seem to be so prospective. We take to drilling operations in areas we expect oil but ultimately something happens and we are not as successful as we hoped. With all that I could only say that in fixing the prices, we have to take into consideration the production, the capital that we have invested and the process that we adopt in refining them. Therefore, it must have some relevance. But ordinarily speaking, crude oil when it is produced and refined and transported, the cost may come to about Rs. 50—60 per ton which is rather expensive compared to the cost of imported crude oil. For that I think there is some reason. There are three units in the public sector and in the absence of complete and effective co-ordination it is not possible to work out a uniform policy so far as the prices are concerned. Many points have been raised by the previous

speakers about the absence of co-ordination and the resulting disadvantage to the consumer as well as the country. When the Commission refuses to supply the needed quantity of oil to the refinery, in spite of having a surplus, it looks as though they do not consider the common interest to the consumer as well as to the country. I can only say that the overhead charges are enormous and the processing cost is also much more. The initial target of scheme, the initial estimated cost goes up by a few crores of rupees ultimately. This indicates that we do not have proper planning so far as estimates are concerned for any scheme. The recent agreement which was entered into by the Union Government and the Burmah Oil Company was referred to by the previous speakers.

Shri K. D. Malaviya: Which agreement?

Shri N. R. Muniswamy: The recent agreement between the Government of India and the Burmah Oil Company on a partnership basis of 50:50. Hon. Members pointed out that it had got some flaws and failings. When the same company enters into an agreement with the Burma Government, it is on 51:49 basis. In Burma I was told that the return is six per cent and that also is to be ploughed back into that country. In our country we have it on 50:50 basis and the return is ten per cent. The Saharan Oil Company has entered into an agreement with the French Government and they have got 65 per cent as their share, as partners. So, there is nothing to appreciate here in respect of this 50 per cent and 50 per cent, unless it is of more advantage to us. Therefore, so far as my understanding of this agreement goes,—much has been said in favour of it and something has been said against it by previous speakers—when compared to agreements entered into with other countries, we are not in a very advantageous position, except perhaps that hereafter there may be a change which

[Shri N. R. Muniswamy]

may be effected in due course or some modification or provision in the same agreement enabling the Government of India to modify the terms may be made; there may be that contingency. So, I welcome the agreement without passing any criticism.

In certain companies, I find that the foreigners have not opened the flood-gates of their knowledge to the trainees and other experts who are working with them. Though they have done much service in discoveries, the Indian engineers and experts working with the foreign companies are kept in darkness. It is essential that the technical knowhow and technical knowledge must be imparted to the experts of India so that we will be able to build experts of our own, who, in times of emergency, could take charge of the entire work. I want that to be done.

So far as achievements are concerned, it has been said that we have attained much for this reason, namely, in the long run we may be able to be self-sufficient in the supply of crude oil and other refined oils. I can only say that this is only a psychological achievement that we are feeling within ourselves.

So far as the physical aspect is concerned, I doubt very much whether it is in consonance with the physical achievements. I am not in any way discouraging all the policies and programmes that have been followed by the Government of India in this respect. But I would only say this much with a view to see that there must be some sort of caution while implementing our programme. Whenever we produce crude oil or refine it, we must be able to find out whether our product is of a competitive type; whether we have got a competitive capacity *vis-a-vis* the foreign-owned companies. The foreign-owned companies are experienced companies. They need not have any extra training. As a

matter of fact, they are improving on their own, and we are beginners, almost in the infant stage. Though we have got the capacity, we may not have the competitive capacity to fight with them so far as the price is concerned. Therefore, I would say that we have to go slow in negotiating with other countries in regard to price.

The recent report of the Damle Committee has created much controversy and many of the foreign-owned companies are reluctant to agree to some of its findings, but still, I am sure that on second thoughts, they will certainly yield, in spite of the criticism that has been levelled against the foreign companies who were reluctant, if not altogether resistant in the matter of supply of information needed by the Damle Committee. Yet, the Committee, though they were not given the full data, were able to find out some facts, on a comparison of the agreements that were prevalent in other countries, and they were able to draw inspiration, and they gave a verdict or finding which cannot be challenged even by the foreign companies. Therefore, I would say that the Damle Committee's report is worth considering and the Government's policy thereon should be followed, and I hope that the foreign companies also will come to terms.

So far as Cambay and Ankleshwar and the supply of oil from these fields are concerned—much has been banked upon in this connection—though I find that Cambay was once thought to be a perennial source of supply, there seems to be no such promising aspect now. In Ankleshwar also, it is not promising that much, though there are certain data which might give us the impression that it would be successful. Still, what is down deep, nobody knows, except the geologists and others who get certain data from what Nature gives them. But we have to give some margin for the vagaries of nature also. So, we have to be very cautious with re-

gard to our assessment and all these have to be taken into account while fixing the targets. This is something which you cannot see except through data supplied seismographically, which may fail under certain circumstances. Therefore, Cambay and Ankleshwar, which once gave us much promise, do not make that impression on us now and it looks as though we may fall short of expectations.

Previous speakers have spoken about Gauhati and Barauni refineries. So far as the selection of the site is concerned, I was very much against the site selected for Gauhati—I say this with due respect to other friends—because according to me, it was not well-placed. Now they have made some improvements. But one thing I wish to say is that the supply of crude oil at Gauhati and Barauni must involve a good deal of freight charges. The supply will not be continuous and without any interruption. There is bound to be some interruption in the supply of crude oil. Therefore, ways must be found out to avoid the possible contingency of interruption in supply from distant places, because we are investing not a few crores of rupees, but tens of crores of rupees in putting these two refineries into operation. We once thought that it might cost about Rs. 10 or 15 crores, but now we find it may go up to Rs. 20 or 30 crores.

So far as reports are concerned, the official reports give one version, but the people who are connected with this industry and who have had experience in exploitation and distribution give a different version. From a study of the reports, I find that in the last year of the second Five Year Plan, the consumption was of the order of 7 million tons or 6 million tons. If we take that as the basis, our requirements during the third Plan may be 30 to 40 million tons. Therefore, when our country needs so much of oil, we will have to see that the prices are on the same level as those of imported ones. But since we are in the

initial stage of the industry, experimenting with it, considering the cost of installation, etc., the cost of our oil is bound to be in excess. We cannot run a race with other countries who have got much experience and who cut short their cost price. We cannot do that, for this reason that we are just in the initial stages, so far as this industry is concerned.

On the whole, I thank the hon. Minister for his dynamism in laying down certain policies both for oil price and oil programme. I wish he will be able to get through his ambitions successfully, consistent with the requirements of our country.

Shri K. D. Malaviya: Mr. Chairman, Sir, at the fag end of the day, I do not propose to take much of the time of the House, more so because the scope is limited to the discussion on the annual report of the Indian Refineries Limited. My friend, Shri D. C. Sharma, initiated the debate. While I listened to him, it occurred to me that perhaps he is too busy with so many other things . . .

Shri Braj Raj Singh: He is busy with election work.

Shri K. D. Malaviya: . . . that his criticism seemed to be most uninformed. It appears to me that there is a certain element of comedy in this discussion, and I should state what that element of comedy in this discussion is. Now, a notice for discussion on the Second Annual Report of the Indian Refineries Limited was given on 14th March, 1961. Since then, for one reason or the other the House has been postponing the discussion till today. It is about ten months or more for which this has been delayed, and it has been taken up just a few hours hours—perhaps 24 or 48 hours—before I lay the final and third annual report of the Indian Refineries before the House for its persual. Surely, Sir, you will not blame me for the postponement of this discussion which has been delayed from March to 28th Novem-

[Shri K. D. Malaviya]

ber, 1961. I am quite sure that my hon. friend Shri D. C. Sharma must have taken note of this.

But there is one thing about which I am quite sure he did not take notice, because his criticism was rather forceful on the issue that the report is not informative. Well, if it is not informative specifically I shall try to see that the next reports are more informative. But may I correct certain of his notions which may have led him to a wrong conclusion? In his first report to which he referred with some compliments which it rightly deserves was only a report of the company for the period August, 1958 to March, 1959—a period of about eight to nine months—and within this period the Indo-Rumanian Agreement was signed in October, 1958. When he says that in the first report only legitimate expenditure has been indicated, there is no element of extra expenditure, unnecessary expenditure is much less and it is a more satisfactory report than the second report, he forgets that most of the activities did not start during the period to which the first report relates. The contracts were signed during the first report, the organisation was created and arrangements for training were made. Therefore, much expenditure was not involved in the activities for which the first report was made.

The period to which the second report relates started right earnestly in the months when our activities increased, but I do not wish to go into those details after ten months from the date on which the notice was given by the hon. Member for a discussion. We are now on the eve of submitting to the House the third report which will perhaps give a clearer idea to my hon. friend Shri Sharma and other hon. friends regarding the activities of the Indian Refineries Limited.

Now, having cleared that point, I would like to state very briefly by way of explanation and answering the

criticism of certain hon. friends. So far as the Opposition is concerned, whether it is sugar or food or oil, on the eve of election campaign their criticisms are made more from the point of view of election speeches.

Shri T. B. Vittal Rao: Very uncharitable.

Shri K. D. Malaviya: Sometime it does occur to me like that I would like to prove it. So far as my hon. friend, Shri D. C. Sharma, is concerned, he has not had enough time to study the report and compare all the schedules. But two or three relevant points have been made both by Shri Sharma and Shri Muniswamy as also by hon. friends opposite. I think it is my duty to refer to them.

The most relevant point was made by Shri Muniswamy when he drew our attention to the inflated or increased estimates of expenditure regarding the refinery. He mentioned the figure of Rs. 6 crores or Rs. 7 crores of over-estimate or excessive expenditure as he saw it. This is a relevant point and perhaps I owe an explanation to the House as to how these figures compare. I would like to compare this with the cost estimates of the Caltex refinery which is almost of equal dimensions and capacity.

The Caltex refinery had a total investment involvement of Rs. 14.13 crores as against our first estimate of Rs. 20 crores and the second revised estimate of Rs. 17 crores. We have estimated an increased expenditure of Rs. 3 crores over the Caltex refinery of slightly increased capacity. This increased expenditure can be explained as follows. The original estimate of Rs. 10.5 crores of this Nunmati refinery was on the basis of the report given by the Government delegation which was deputed to Rumania. They have said in their report that on the basis of the process pattern selected and the cost of equipment available from Rumania at that time, on a theoretical basis an overall estimate for the project was made taking into ac-

count the figure suggested by the Rumanians themselves for the erection and construction cost in India. They have added that the exact cost can be assessed only after the site conditions were known and the detailed civil engineering estimates were prepared. This was added by them in their report. An important assumption made by the delegation was that the cost of equipment and materials to be obtained from foreign sources would contribute approximately 60 per cent of the total project cost. Certain other assumptions made by the delegation were that the land required for the refinery would be made available free of all charges by the State Governments; supply of fresh water could be obtained from the State Governments' resources at reasonable rates and that the rail-cum-sea freight charges for the transport of equipment and material from Rumania to site would be less than what was previously estimated. When these estimates were undertaken the actual site for the refinery itself had not been chosen. When actually the site was selected and other bases of expenditure were agreed upon, it was quite clear to see that certain expenditure had to be more than what the delegation which went to Rumania had estimated. The Indian Refineries Limited then started reassessing the total project cost and this was now based on actual site conditions which selection was made at a later time. This also paid due regard to all the details given by the project consultants, the Indian delegation deputed to Rumania and other relevant factors. The Indian Refineries Ltd., also appointed a sub-committee to examine these cost figures. While the Indian Refineries Ltd., themselves were anticipating the total investment cost up to Rs. 20.75 crores, excluding township, fresh water supply arrangements and the cost of affluent discharge, it is understood that the Rumanian experts had advised that in determining the project cost, certain other things should be included on which we did not agree. Final cost estimates' as approved by the Board of directors and thereafter

by the Government is Rs. 17.70 crores, the details for which have been laid down. When compared with the cost of the Caltex Refinery whose capacity is similar to that of the Nunmati Refinery, this cost appears to be very reasonable.

The elements of increase are mainly two. One is, the cost of construction is substantially higher than it would be either for Vizagapatam or any other part of the country. For every 100 rupees that we have to spend in order to construct a building or a project in this side of the country, we have to spend Rs. 160 there. The cost of materials are almost staggeringly high that side. The cost of transport and freight is very excessive. All these aspects were taken into consideration and therefore, from a purely commercial angle and from an economic point of view, perhaps, the Gauhati Refinery would be quite clearly more costly than any other refinery constructed at a more favourable site.

This also brings me to the question of profitability to which our attention has been drawn by so many hon. Members. They related profitability and the loss to certain agreements that had been concluded recently. I do not wish to refer to that in detail. That can form the subject matter of another discussion. I consider the agreement between the Government of India and the Burma Oil Co., to be a very good agreement, which opens fresh opportunities for foreign oil companies to consider in what situations they should change their attitude to the entire oil industry and its development in India. But, I should submit before the House that the entire question of profitability of a refinery has to be considered from a broad perspective angle. We generally forget that the bigger the refinery, the greater the possibilities of profitability. Perhaps, it is not generally realised that in the Middle East countries, in Iran or Saudi Arabia and near about areas, the installed capacity of annual processing of crude in

[Shri K. D. Malaviya]

these refineries is something more than 80 million tons per annum, out of which—I am speaking only from memory now—there are three refineries at least whose annual refining capacity is more than 12 million tons per annum. One of them processes more than 20 million tons of oil. Imagine the profitability of that refinery which processes 20 million tons of oil per annum and a refinery which is installed in a corner of the country whose processing capacity is .75 million tons. Even then, it is not correct to say that the refinery would incur a loss of Rs. 3 crores per annum. There are certain national charges which are calculated for the sake of annual profits, gross profit and all that. And they are surely related to a certain quantity of oil that has to flow to the refinery in a particular time. Obviously, if it is related to a particular profit to the suppliers of the crude oil, in which we are also fifty per cent partners—perhaps, that is not remembered—then there will have to be a minimum profit which will have to be given by the refiners to the Oil India Limited, in which as I said we are fifty per cent partners.

We are already considering the question of how to minimise the national loss that might occur to the refinery if the flow of oil in the first eighteen months or twenty-four months is less than what we had estimated. The easiest thing perhaps for us to do is to stagger the accounting not over a period of eighteen months but perhaps over a few years, say, over five or ten years' time. Therefore, the loss, that is, the national loss that is being referred to by my hon. friend, which according to him—I do not know how—would be Rs. 3 crores can be staggered, and we are considering steps by which to stagger these national losses, so that the Indian Refineries Limited may not have to show those losses. Actually, there are no losses like that.

There are certain other points which were raised by my hon. friends, which

relate more to the basic questions relating to oil industry like oil exploration, refining capacity, the consumption in the country, less of activity in Punjab, which was referred to by my hon. friend from Punjab and so on. These are all questions not very relevantly related to the report which is before the House for discussion howsoever I would like to take all these questions into consideration. This perspective plan of consumption and production, the Dams Committee's report and its adequacy or otherwise, and the satisfaction or dissatisfaction of the House with that report etc., are surely very interesting subjects on which Government have specific views. But within the short time available to us, perhaps, I shall not be able to go into all those things. However, there are certain points which I would like to make quite clear.

The total refining capacity of the private sector is 6 million tons. From time to time in the past few years, we have been giving them marginal expansion capacity deliberately and knowingly in order to save foreign exchange. A relation has to develop between the import of crude oil and the processing of it by the refineries, whether they are in the public sector or the private sector, and the foreign exchange that we have to spend. So, if we could spend less money by giving them permission for marginal expansion, then we have to do it. So, from 1.8 million tons to about 2.6 or 2.7 million tons—I do not exactly remember—a particular refinery was allowed to expand. Similarly, the Standard Vacuum Oil company was allowed to increase the quantity of crude oil that was considered necessary to reduce the flow of foreign exchange in the import of petroleum products. We have naturally frozen it now at a particular point, having regard to the perspective project estimates that we have of total capacities that we are going to refine in our country in the oil refineries, whether in the public sector or in the

private sector; so, these marginal expansions that were allowed to the private sector refineries were done with a view to save foreign exchange, and it was a part of the whole plan. It had nothing to do with the permission that they want to seek to expand their refining capacity to a sizable quantity. These distinctions have to be clearly understood.

The other point is that we have three public sector refineries now, and they will have to be expanded to a satisfactory level in order to return adequate profits to us. And these three refineries are public sector refineries managed by two sets of authorities, the one by the Oil and Natural Gas Commission, which has to come up soon in Gujarat, and the other two by the Indian Refineries Limited. The Indian Refineries Limited are dealing with the two refineries at Nunmati and at Barauni. They will treat the oil which does not belong to the Oil and Natural Gas Commission; they will treat the oil which originally belonged totally to the Assam Oil Company but with whom we had bargained and whom we had persuaded to sell the whole lot to our refineries. At that time, the Oil and Natural Gas Commission had not conceived of any refinery. The Indian Refineries Limited was born at a time when conditions were different.

17 hrs.

Later on, when the Oil and Natural Gas Commission came, they legitimately put before Government the question: 'Are we to live only by exploration and taking risk, making small profit in selling crude to the Indian Refineries Ltd. or are we also to be allowed to earn profit which we can be ploughed back into oil exploration and we need not go and ask for money from Government?' It was an arrangement considered proper within the framework of the Oil and Natural Gas Commission's functions and it was legitimate to make profit in order to spend it on oil exploration. Therefore, it was an arrangement of convenience

between the Oil and Natural Gas Commission and the Indian Refineries Limited. But I saw to it that the Oil and Natural Gas Commission were given refineries to refine their own oil and to make profits on petrochemical industries also. That is the programme before us under which the Commission produce their own oil and utilise it for their own subsidiary industries. Ultimately, of course, the whole thing goes into the common kitty from which we can draw money by borrowing or in other ways.

There are other aspects mentioned by hon. Members, with regard to perspective plans and all that. We have very much before us all those considerations. As I have been saying, it is very difficult for us to give any projection of our estimates with regard to the discovery of oil or production of crude oil. It all depends on our activities. I can sympathise with and very well appreciate the aspirations of my hon. friend, Shri D. C. Sharma, when he says, 'Be quick in discovering oil'. We are trying to be very quick in discovering oil. Perhaps we cannot be quicker. With the standard of efficiency and experience and education that we have in this art and science of oil exploration, perhaps the best is being done. As soon as we are able to improve our efficiency and do something more, we shall surely report to the House. But I will put only one thing by way of illustration before the House by which the House can get an idea as to how we are increasing our efficiency. Originally, in Ankleshwar our first well was drilled in about 45 days. Now we are drilling a well in 7-10 days. Our drilling time of a well in Ankleshwar is now between 7 and 11 days as against 45 and 60 when we started this work.

The House will agree with me that our boys are doing a very fine piece of work and are increasing their efficiency. But we have still to increase our efficiency; we have still to learn. When I went there I saw and learnt many things. The more I could learn,

[Shri K. D. Malaviya]

the better it would be for the work in which I am engaged.

So all these matters are very much before Government. Within the limited framework of the consideration of the first and second Annual Reports, the cost estimates have been somewhat higher. But the refineries are located at places other than sea ports and also at places consistent with our policy of decentralisation of industries and development of backward regions in the country. All those matters have to be taken into account before we take a decision with regard to the setting up of our projects. All that cannot always mean a lot of profits. Therefore, while we compare our estimates and profitability with those of standard ones outside, we must never forget that there are many other considerations which guide us in the location of our sites for industrial projects. The refinery is now almost ready. Noonmati is going to be on stream on the 1st January. My hon. friend Shri Hem Barua gave correct information to the House. This is three months before the schedule. So, I hope my hon. friend Shri Sharma will remember that all the work that has been described in the first and second reports and that is going to be described in the third report, all lead to one object of doing the job in proper time. We have done this job three months before time. This Noonmati refinery will start on the 1st January. Originally the schedule was March, 1962.

The question of delivery of crude oil has been raised, which is quite relevant to the running of this refinery. It is a fact that there has been delay in the laying of pipe lines. The causes have been substantially beyond the control of those who were to do it, and perhaps it could have improved a bit. But the fact is that it has been delayed, and we were quite upset by it, but I am glad to report to the House that the delay that was

originally estimated has been very much shortened now. The pipe line will be ready some time in March. It will be ready before March. It will take about 25 to 30 days, roughly speaking, to test the pumps, the joints and all that and to fill the pipe line with crude oil. We should be ready to take oil from this pipe line some time during March.

Shri Hem Barua: The date line was 15th March, but the most recent information is this, that it will go beyond 15th May.

Shri K. D. Malaviya: Let me correct that information. What I am saying now is the final picture. We have agreed among ourselves that the pipe line will be ready to deliver crude to the refinery some time quite late in March, in the third or fourth week of March. This delivery late of crude oil to the refinery is inclusive of testing and filling the pipe with crude oil. What my hon. friend perhaps learnt from some source was that the pipe line would be ready some time in May so far as delivery was concerned. Actually the delivery of crude oil will be made in the third or fourth week of March. So, we have to make strong arrangements only for three months, January to March. We have completed all the arrangements and that there will be no difficulty in the supply of crude oil to the refinery from the 1st of January to the last days of March when we shall get the oil from the pipe line.

The question of freight of crude oil, of petroleum products from that place etc., have been raised. All these are complicated questions, and they will be dealt with in course of time. As our refining capacity increases, the freight load will be less and less.

So far as Barauni refinery is concerned, the first unit will be commissioned in December, 1962 now, as against September or October. I cannot promise that this December, 1962

will not be delayed by a month or six weeks more, because of very heavy monsoons last time and the many difficulties that arose, and some difficulties that took place in our construction programme. At the worst, the Barauni refinery schedule may be delayed by two to four months. The delivery of the equipment for the second stage remains unchanged, that is July, 1962, and the commissioning of the units would be by April, 1963. By the end of 1963 or January, 1964, the refinery will be completed, along with the lubricating oil plant also. By that time, or perhaps 6 months ahead, the Gujarat refinery will also be ready to produce oil.

There is not much that I have to add.

Shri Hem Barua: What about the pipeline near the Pakistan border?

Shri K. D. Malaviya: What can we do? There is a narrow piece of land from where the pipeline has to pass. I do not think that from the point of view of defence strategy it makes any difference if it is 5 miles or 10 miles or 15 miles or 50 miles from the frontier. I am hardly competent to deal with such questions except to say that the technicians gave an advice after due deliberation. If the refinery has to be in Gauhati, then the pipeline has got to pass through that piece of land. But we shall see that it is adequately protected.

Shri Hem Barua: What regard to employment?

Shri K. D. Malaviya: Another point raised by my hon. friend Shri Rao is the propriety of having a pipe line from Cambay to Bombay. I do not think there is any firm plan to have that for the transport of crude oil from Cambay to Bombay. Among the list of our projects one is to have a pipeline, if at any time we think it is necessary. Just now it is quite true that we have not got adequate quantity of oil over and above Gujarat's requirements to send oil to the Bombay refineries.

What Shri Muniswamy said surprised me. He made the mistake that the source of supply at Cambay is going to be perennial. Nobody can ever claim that a perennial source of supply of oil has been found either in India or anywhere in the world. When Cambay was first discovered I was quite cautious in every statement that I made. Hon. Members will see that I have never given out the production except in the reasonable estimates given by the experts. Even up till now I have not said what is the estimated production per year from Cambay oilfield or Ankleshwar. This is a part of the story of exploration of oil. First estimates are projected by the experts. Later on they are revised; they are revised sometimes up, sometimes down and these revisions go on till oil is produced. When the Assam Oil started, they indicated a bigger estimate; they later on revised it; they have again revised it. This will go on till we produce oil and see how much a particular oilfield is capable of producing.

As I said in my first statement the oil and gas ratio in the Cambay field is not determined. I still think that the gas ratio is more than what we expected. We are likely to get much more of gas than oil from Cambay. All these things are there and they are hardly relevant to the question of refinery.

I think I have covered all the points.

Shri Hem Barua: What about re-trenchment in Nunmati?

Shrimati Renu Chakravartty: He wants to know about the employment of sons of the soil.

Shri K. D. Malaviya: What have got a policy of seeing to it that all those people who are employed by the refinery are given employment wherever possible. The sons of the soil always get preference. I think I am also a son of the soil as much as Shri Hem Barua is from Assam: I do not distinguish, so far as sons of the soil are concerned, between Shri

[Shri K. D. Malaviya]

Barua and myself. I am as much a son of the soil of my country as he is.

Shri T. B. Vittal Rao: What about nationalisation of foreign owned refineries?

Shri D. C. Sharma: I think the hon. Minister was right when he said that the minds of all us are preoccupied. My mind is as much preoccupied as his mind because I have never heard from him a more disjointed piece of defence than today. I am sorry that he has not been able to make any points very clear. All the same, as I said in the beginning I look forward to the days when India will have its own oil and its own refineries and when India will be rid of this foreign influence. He has not been able to give any reply to that point though that was the most important point which I wanted to be clarified. He said that my knowledge was not up-to-date. It is quite right. On the floor of this House, today, I found the information which the hon. Minister was giving was being corrected by an hon. Member and if my hon. friend is right, his knowledge is also not very up-to-date. But there is one thing of which I am very conscious that the hon. Minister has taken to his work with a great deal of enthusiasm and optimism. Of course, he says that it is cautious optimism and I have no doubt that as time passes we will be able to give a better account of the refineries that we are building up.

I cannot understand Shri Hem Barua raising the point about the sons of soil. I do not know what soil is or what sons are

Shri Hem Barua: May I explain? Four hundred people will be laid off work and it must be noted that the Assamese people, sons of the soil, were the last to come and join the refinery and they will be the first to go, while in Bengal they say that sons of the indigenous soil must be given 75 per cent of the jobs in any private firm or

undertaking with a salary of Rs. 500 or less than Rs. 500 a month; there is legislation like that.

Srinmati Renu Chakravartty: There is no such legislation of that kind.

Shri D. C. Sharma: There is only one soil and that is the Indian soil so far as all of us are concerned; all of us are sons of that soil and I do not think that we should raise this point again and again. I have been to the Hindustan Antibiotics factory and I found there workers trained from all the parts of India, even from my own constituency. Nobody talks of the sons of the soil there. We must give due weight to the people where the refinery is located but I do not think that we should carry on this spirit of the sons of the soil too far whether it is Punjab or Assam or U.P. or any other place.

In the end I wish to say that if my information is not up-to-date, it is owing to the fact that that we discuss the reports which came before ten months. What can I do? I said in the beginning that perhaps the hon. Minister would correct me because so many things had happened during all these ten months. I must also say that many things had not happened and the picture that I gave remains in its outline almost unchanged inspite of the reply of the hon. Minister.

Mr. Chairman: I shall put the motion to the vote of the House. The question is:

"That this House takes note of the Annual Report of the Indian Refineries Limited for the year 1959-60 and the Review by the Government of the working of the Company, laid on the Table of the House on the 10th March, 1961.

The motion was adopted.

17.19 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Wednesday, November 29, 1961/Agrahayana 8, 1883 (Saka).