

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:488
ANSWERED ON:04.12.2003
SUBSIDY ON LPG AND KEROSENE FROM BUDGETORY GRANTS
ALE NARENDRA

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

- (a) whether the Government have formulated any scheme to provide subsidy on LPG and Kerosene from Budgetary grants;
- (b) if so, the details thereof;
- (c) whether the Government have also decided to reduce its stake in the oil companies and if so, the reasons therefor;
- (d) the loss likely to be suffered or profit likely to be earned by the Government following this decision;
- (e) the reasons for reduction foreign capital in petroleum sector;
- (f) the details of foreign capital investment in this sector during the last three years;and
- (g) the effective steps taken by the Government to increase foreign capital investment in this sector?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SMT. SUMITRA MAHAJAN)

(A) & (B): AS PER THE GOVERNMENT DECISION ON DISMANTLING OF ADMINISTERED PRICING MECHANISM (APM) PETROLEUM SECTOR, THE BUDGETARY SUBSIDY ON PDS KEROSENE AND DOMESTIC LPG IS ON FLAT RATE AND AFTER ACCOUNTING FOR THE SAME, THE OIL MARKETING COMPANIES (OMCS) COULD VARY THE RETAIL S PRICES IN LINE WITH THE VARIATIONS IN THE INTERNATIONAL PRICES OF THESE PRODUCTS.

PDS KEROSENE AND DOMESTIC LPG ARE DOMESTIC FUELS OF MASS CONSUMPTION. PASSING OF I INTERNATIONAL PRICES OF THESE PRODUCTS IN THE DOMESTIC SELLING PRICES WOULD HAVE HUF CONSUMERS. THE MATTER WAS THEREFORE RE-EXAMINED AND IT WAS DECIDED IN CONSUMER INTEREST TH/ OMCS WILL NOT INCREASE THE SELLING PRICES OF THESE PRODUCTS DURING 2003-04 AND THE RESULTANT L RECOVERIES OF OMCS WOULD BE ABSORBED/SHARED AMONGST THE OIL COMPANIES.

(C): DISINVESTMENT IS A CONTINUOUS PROCESS AND GOVERNMENT KEEP CONSIDERING PROPOSAL. DISINVESTMENT OF PSUS INCLUDING OIL PSUS IN TERMS OF ITS DECLARED POLICY GOVERNMENT HAS NO TAKEN ANY DECISION ABOUT THE DISINVESTMENT OF GOVERNMENT'S EQUITY HOLDING IN OIL PSUS OTHER BPCL & HPCL AND SALE OF RESIDUAL SHAREHOLDING OF GOVERNMENT IN IBP THROUGH 'OFFER FOR SALE'. DISINVESTMENT PROCESS OF HPCL AND BPCL HAS BEEN DISCONTINUED IN COMPLIANCE WITH THE JUDGM THE SUPREME COURT DATED 16.9.2003 ON HPCL & BPCL DISINVESTMENT. THE PROCESS OF 'OFFER FOR SALE' CASE OF IBP IS CURRENTLY ON.

(D) THE DISINVESTMENT OF OIL PSUS WOULD INTER ALIA ENABLE THE GOVERNMENT TO REALISE THE FOLI MAJOR OBJECTIVES OF DISINVESTMENT:

- (i) REALISING LARGE AMOUNT OF PUBLIC RESOURCES LOCKED UP IN NON-STRATEGIC PSUS FOR REDEPLOYI AREAS THAT ARE MUCH HIGHER ON SOCIAL PRIORITIES.
- (ii) REDUCING PUBLIC DEBT.
- (iii) TRANSFERRING THE COMMERCIAL RISK TO THE PRIVATE SECTOR.
- (iv) WIDER DISTRIBUTION OF WEALTH THROUGH OFFERING OF SHARES OF PSUS TO SMALL INVESTOR EMPLOYEES.
- (v) STRENGTHENING THE CAPITAL MARKET BY PROVIDING MORE DEPTH AND LIQUIDITY THROUGH DISINVESTM PSU SHARES.
- (vi) ENDING PUBLIC SECTOR MONOPOLY SO AS TO BRING GREATER CHOICES AND AVAILABILITY OF CHEAPE BETTER QUALITY OF PRODUCTS AND SERVICES TO THE CONSUMERS.'

(e) to (g): The information is being collected and will be laid on the Table of the House.