

COMMITTEE ON PUBLIC UNDERTAKINGS (1972-73)

(FIFTH LOK SABHA)

THIRTY-SIXTH REPORT

**Action taken by Government on the recommendations
contained in the Sixteenth Report of the Committee
on Public Undertakings (Fifth Lok Sabha)**

OIL AND NATURAL GAS COMMISSION

(Ministry of Petroleum and Chemicals)



**LOK SABHA SECRETARIAT
NEW DELHI**

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C O R R I G E N D A

to

The Thirty-sixth Report of the Committee on Public Undertakings on Action Taken by Government on the recommendations contained in the Sixteenth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Oil & Natural Gas Commission.

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1972-73)

•
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Shrimati Subhadra Joshi

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2. Shri Dinen Bhattacharya
3. Shri G. Bhuvarahan
4. Dr. Kailas
5. Shri Murasoli Maran
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7. Shri S. N. Misra
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14. *Chaudhary A. Mohammad
15. Shri D. P. Singh

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Shri M. A. Soundararajan—*Deputy Secretary.*

Shri M. N. Kaul—*Under Secretary.*

*Died on the 7th February, 1973

COMMITTEE ON PUBLIC UNDERTAKINGS
COMPOSITION OF THE STUDY GROUP ON ACTION TAKEN
REPORTS AND MISCELLANEOUS MATTERS

• Shrimati Subhadra Joshi—*Chairman*

2. Shri Amrit Nahata—*Alternate Convener*
3. Dr. Kailas
4. Shri S. N. Misra
5. Shri P. Parthasarathy
6. Shri G. Bhuvarahan
7. Shri D. P. Singh
8. Shri Lal K. Advani
9. Shri U. N. Mahida
10. Shri Ranen Sen.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 36th Report on Action Taken by Government on the recommendations contained in the Sixteenth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Oil and Natural Gas Commission.

2. The Sixteenth Report of the Committee on Public Undertakings (5th Lok Sabha) on Oil & Natural Gas Commission was presented to Lok Sabha on the 21st April, 1972. The replies of Government to all the 73 recommendations contained in the Report were received in batches and the last batch was received on the 2nd January, 1973. Further information sought in respect of certain points arising out of the replies furnished by Government was received on the 15th December, 1972 and the 2nd January, 1973.

3. The replies of Government to the recommendations contained in the aforesaid Report were considered by the Committee on Public Undertakings on the 9th April, 1973 and the Chairman was authorised to finalise the Report on the basis of the decisions of the Committee.

4. The Report has been divided into the following Chapters :—

(i) Report

(ii) Recommendations that have been accepted by Government.

(iii) Recommendations which the Committee do not desire to pursue in view of Government's replies.

(iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.

(v) Recommendations in respect of which final replies of Government are still awaited.

5. An analysis of the Action Taken by Government on the recommendations contained in the Sixteenth Report of the Committee is given in Appendix V. It would be observed therefrom that out of the total number of recommendations made in the Report 45.22 per cent have been accepted by Government. The Committee do not desire to pursue 42.25 per cent of the recommendations in view of Government's replies. Final replies of Government in respect of 12.33 per cent recommendations have not been received by the Committee.

NEW DELHI;
April 18, 1973

Chaitra 28, 1895 (S).

SUBHADRA JOSHI,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

ORGANISATION—HEADQUARTERS—PARAGRAPHS 2.10, 2.11, 2.14, 2.15, 2.16
AND 4.42

Recommendations Serial Nos. 5, 6, 7 and 24

The Committee noted that the Government desired that the Chairman of the Commission should function primarily in the role of a co-ordinator and expected the Commission to function on the principle of collective deliberations and joint responsibility. After careful examination of the views of the Government, the Committee concluded that they were unable to accept their viewpoint as merely designating the Chairman as Co-ordinator would not clothe him with an effective authority. In an expanding organisation demanding quick decision making, the power to take prompt decision was a primary pre-requisite and this could not be fulfilled unless the Chairman had the power to overrule the dissenting views of Members in the overall interests of the organisation.

1.2 The Committee after careful consideration were compelled to reiterate their earlier recommendation that the Government should arm the full time Chairman with the authority of the "Chief Executive" of the Commission with a view to expeditious implementation of work in the various fields.

1.3 The Government stated in their reply that the Government recognised the merit of the view taken by the Committee, initially in 1964-65 in their 5th Report in ONGC and reiterated in the present Report that the Chairman of ONGC should have the status and powers of a Chief Executive. The Committee had mentioned in the present Report, the considerations which had inclined Government to favour the existing pattern of relationship between the Chairman and other Members of the ONGC, and the role of the Chairman. Although some of these considerations might still hold good, Government were veering round to the view that, in the light of its more recent experience, it might be better to change the existing pattern and give the Chairman the position and authority of the Chief Executive, statutorily. However, since the Malaviya Committee had also suggested certain radical changes in the existing organisation and structure of the ONGC and Government was presently examining these recommendations, a final decision on this subject would be taken after this examination was completed and Government's view conveyed to the CPU and their comments were received.

1.4 The Committee had also recommended that since the activities of the Commission were technical in nature, to fulfil its objectives effectively, technical background at highest level was vital, and the senior level appointments deserved to be recruited out of the organisation itself. Moreover, continuity of experience at Commission level for an effectively long period was a must. The Commission should also be allowed to function unhindered by

out side (including ministerial) interference as far as possible. The Committee recommended that:—

- (i) The Chairman, now a full time Member of the Commission should be granted a tenure of at least five years which should not normally be reduced.
- (ii) Chairman should be invested with full authority to overrule, if necessary, the decision of the other Members of the Commission in the interest of the efficient working of the Commission. He should be designated as the Chief Executive Head and given the requisite powers.
- (iii) Secretary/officials of the Ministry should not be appointed Members of the Commission and deputation from Government departments and other Public Undertakings should not ordinarily be allowed.
- (iv) Functional members should be well-versed in their respective technical fields.
- (v) Appointment of Members should be made in consultation with the Chairman.
- (vi) Procedure for appointment of Members of the Commission should be reviewed every 5 years.

1.5. The Government agreed in principle with the views of the Committee stated above.

1.6. It was stated that it had been Government's endeavour to select persons with a suitable technical background for the posts of Members in ONGC; this had been done not only in the case of functional Members but also by way of appointment of some eminent and experienced Geologists from outside as part-time members to strengthen the technical expertise available to the Commission at the top.

1.7. It had been the effort of the Government to make appointments to the posts of Members from within the organisation itself, wherever possible. Appointment from outside the Commission was made only when Government were satisfied that no suitable person with the requisite qualifications and experience was available from within.

1.8. In order to allow continuity of experience at Commission's level, Government had amended ONGC Rules to provide a tenure to Members upto a period of 5 years (instead of 1 year as earlier), continuing at the same time the provisions of their eligibility for re-appointment at the end of a tenure. As regards interference of the Ministry in ONGC's working, Government's views had been expressed before C.P.U. at the time of oral evidence and had been noted by the Committee.

1.9. As regards specific recommendations made by the Committee above Government's views were as under:—

- (i) Government agreed that normally the Chairman ought to have a long tenure; but there can be occasions when a departure

from this principle could be justified and in the interest of the Commission;

- (ii) Regarding a change in the role, status and powers of Chairman, Government's reply to Recommendation No. 5 might be referred to;
- (iii) Even presently, deputation from Government departments and Public Undertakings to the Commission was made only in very few cases. As regards representation of the Ministry of Petroleum and Chemicals on the Commission, it had been the practice to appoint a part-time Member from among the senior officers of the Ministry for maintaining liaison and coordination with the Commission. Experience had shown this to be beneficial both to the Commission and Government. C.P.U. itself had recommended this in its Fifth Report (Recommendation No. 38) on the ONGC which stated as under :—

“The Committee feel that with a view to represent the point of view of the Finance and Administrative Ministries as well as for maintaining the close liaison and coordination with the Commission, it is very desirable that a representative each of these Ministries is appointed as a part-time Member on the Commission. The Secretary of the Ministry agreed that there should be a representative of the administrative Ministry on the Commission.”

- (iv) Government agreed that functional Members should be well-versed in their respective technical fields;
- (v) Appointment of Members, even now, was being made in consultation with the Chairman; and
- (vi) Procedure for appointment of Members could be reviewed as and when it was considered necessary, and it was felt that there need not be a fixity of time after which such a review must be made.

1.10. The Committee also recommended that at present the Member (Exploration) was also performing the duties of the Chairman. The Chairman had to function as Member (Administration) and was also incharge of Planning and Control, Secretariat, Vigilance and Legal Affairs. Needless to say that in a big organisation like the O.N.G.C., the Chairman had to perform onerous duties and it was too much to expect Member (Exploration) to do justice to his duties both as Member (Exploration) and Chairman. Knowing fully well that the captain of the team had to carry on the work, it was unfortunate, the Government had not filled up the post of the Chairman on a regular basis for over a year. The Committee hoped that the Government would soon appoint a person to perform the duties of the Chairman exclusively.

1.11. The Government stated in their reply that the post of Chairman, ONGC, had fallen vacant on September 8, 1970 with the end of the tenure of Shri L.J. Johnson. The Officer appointed to succeed Shri Johnson, did

not, however, join the post. Government therefore, considered other proposals for filling this post on a substantive basis. In the meantime, as an *ad interim* arrangement, Shri B.S. Negi, Member (Exploration), ONGC had been appointed to officiate as Chairman, ONGC, with effect from September 8, 1970.

1.12. While Government were still considering the question of making substantive appointment to the post of Chairman, they decided to constitute a high-powered Committee under Shri K.D. Malaviya, M.P. to review the functioning of the ONGC and make necessary recommendations for its improvement on various specific matters, including the organisational structure of ONGC. It was then decided to await the report of this Committee before deciding the question of substantive appointment to Chairman's post. The report of the Committee had since been received and in accordance with the instructions of the Committee on Public Undertakings, copies of the report had been submitted to the Committee. As the Committee would have noted, Malaviya Committee had recommended certain radical and far-reaching changes in the structure and organisation of ONGC as presently constituted.

1.13. Malaviya Committee's Report was under the examination of Government and after this was completed, Government's considered opinion on various recommendations would be submitted to the C.P.U. as directed by it. After the C.P.U. had given its own observations, final decisions would be taken by Government on various aspects of the Report including the future structure of ONGC. Meanwhile, Government were considering what action could be taken immediately to strengthen the ONGC and make it a more effective organisation.

1.14. The Committee had also recommended that looking to the extensive areas ONGC was covering on land the present assessment of large areas of oil bearing off-shore area of India's continental shelf, the Committee felt that there was a good case for the off-shore operations both survey and drilling to be looked after by an independent agency. The Committee recommended that Government might consider of relying ONGC of the operations pertaining to the off-shore surveys and drilling and setting up another organisation independent of ONGC for conducting off-shore survey and drilling as these needed separate planning and expertise in the interest of efficiency and attaining self-reliance in this crucial fuel resources in the nearest future.

1.15. The Government replied that the Committee were aware, Government constituted a Committee under the Chairmanship of Shri K.D. Malaviya, M.P., to review the working of the ONGC including a review of the organisation and structure of the ONGC. The Malaviya Committee had also gone into the question of organisation for undertaking off-shore survey and drilling and had recommended that these operations ought to remain under the ONGC which, that Committee had recommended, should be reconstituted in the form of an Oil and Gas Corporation of India. Government were considering the recommendation of both the Committees and expected to be able to take a decision very soon. The decision after being taken, would be forwarded to the Committee in due course.

1.16. Since no comments of Government have been received on the Malaviya Committee's recommendations on these points, the

Committee on Public Undertakings cannot fully assess the implication of the recommendations of the Malaviya Committee in this regard. The Committee on Public Undertakings, while reiterating their recommendations would urge Government to keep in view their recommendations before taking a final decision.

Organisation-Relations with Government—Paragraph 2.43

Recommendation Serial No. 10

1.17. The Committee noted that non-statutory Public Undertakings including Indian Oil Corporation did not require the approval of the Government for framing their rules and regulations. These Undertakings enjoyed comparatively greater autonomy in exercise of their powers and did not require the previous approval of the Central Government for framing their rules and regulations as was required by the ONGC under Section 32 of the ONGC Act, 1959. The Committee felt that the functions and duties of the ONGC were more susceptible of comparison with some of the non-statutory undertakings e.g. I.O.C. The Committee felt that the restrictions imposed upon the ONGC under sections 15 and 32 of the Act had the effect of impeding the efficient working of the Commission. The Committee recommended that Government should re-examine the position and give adequate powers to ONGC to frame its rules and regulations and exercise greater autonomy in the selection and execution of projects. The Committee recommended that Sections 15 and 32 of the ONGC Act might be suitably amended, as necessary, as early as possible.

1.18. The Government in reply informed the Committee that the Government were in agreement with the principle behind this recommendation of the Committee i.e. that ONGC should enjoy sufficient autonomy to enable it to carry out its duties and responsibilities in a smooth, efficient and effective manner. The Committee had specifically pointed to provisions of Sections 15 and 32 of the ONGC Act as impediments in this regard. As far as the provisions of Section 32 of the ONGC Act, 1959 were concerned, on fuller consideration of the matter and taking into account the working of the ONGC lately, Government were now veering round to the view that the Commission could be given the power to make regulations, without needing prior approval of the Government as presently required under Sec. 32(1). However, Government considered it necessary to retain to themselves the power given under Sec. 32(3) of amending, varying or rescinding any such regulation through notification in the official Gazette. This would provide the safeguard that the regulations framed and/or modified by the ONGC from time to time are in line with Government's policies and general guidelines that may be laid down in this matter from time to time.

1.19. Regarding Section 15 of the ONGC Act, it provided for the Commission to exercise all such power as may be necessary or expedient for the purpose of carrying out its functions under that Act. Only on three aspects this required the previous approval of the Central Government. Government had carefully considered the need to amend the Provisions to Section 15 in the light of what the Committee had stated, and its view were as follows:—

(i) *Proviso (a)* : Government were veering round to the view that the Commission could be given the power to create posts, the salary etc. of which

was more than Rs. 2250, or on a scale the maximum of which was more than this figure. With ONGC's programme of expanding its operations in the coming years and of acquiring new techniques and equipment of greater sophistication, the Commission was likely to find it necessary to create a number of high salaried posts in order to attract persons who were highly qualified and had the requisite experience.

However, as far as appointments to top management posts were concerned, it was mentioned that Government had, as a matter of policy, reserved to itself the right of making appointments to such top posts in all public sector enterprises. In IOC also, the Chairman, Managing Directors and other Directors, and General Managers of constituent units were appointed by the President of India. This arrangement would have to be continued in ONGC also.

(ii) *Proviso (b)* : As regards the Committee's suggestion to allow ONGC greater autonomy in the selection and execution of projects, the Committee's attention was drawn to the evidence given by the Secretary of this Ministry stating that the Commission was as autonomous as was necessary for carrying out all its operational tasks. This included selection and execution of projects. The only stipulation in this regard was that wherever capital expenditure exceeding Rs. 50 lakhs was sought to be incurred in the implementation of any scheme or proposal, the Commission should take the previous approval of the Central Government. This again, was a provision which, Government felt it necessary to retain; however, as the Committee had already noted, it was proposed to somewhat enlarge the autonomy to ONGC in this matter by increasing the financial limit from Rs. 50 lakhs to Rs. 1 crore, as was the case with I.O.C.

(iii) *Proviso (c)* : It was proposed to retain this proviso the Committee had not made any observation on this aspect specifically.

1.20. Government were already examining the future pattern of structure, organisation and financing of ONGC in the light of the recommendations made in CPU/Malaviya Committee Reports. The statutory changes that would be necessary to give greater autonomy to ONGC, would be brought about when the amendment of ONGC Act is undertaken to give effect to other decisions that Government might take on the suggestion made in these two Reports.

1.21. The Committee regret to find that, even though the Government have endorsed the basic principle underlying their recommendation, Government have not accepted the key suggestion made by the Committee viz. Sections 15 and 32 of the ONGC Act be suitably amended to confer on the ONGC greater autonomy in the exercise of its power. The Committee therefore, reiterate their recommendation.

INDIAN PERSONNEL IN IMINOCO—PARAGRAPH 6.28

Recommendation—Serial No. 31

1.22. The Committee noted that the number of Indian Personnel for training and for employment in IMINOCO, the parent Company was negligible. In addition to the two persons already trained there were two more

Indians with them one for training and one in their employment. The Committee suggested that Hydro-Carbons India (P) Ltd. should persuade IMINOCO to accept more Indians for employment and training so that ONGC may be able to gainfully draw upon their experience and expertise in furthering off-shore drilling programme in the country.

1.23. In their reply, the Government stated that under the provision, of the Joint Structure Agreement signed between the shareholders IMINOCO was obliged to minimise the employment of foreign personnel i.e. non-Iranians, by ensuring as far as reasonably practicable that foreign personnel were engaged to occupy only those posts for which IMINOCO and where applicable, the Second Party (i.e. HIPL, AGIP and PHILLIPS) did not find available Iranians having the requisite qualifications and experience. IMINOCO was obliged also to prepare plans and programmes with a view to ensuring gradual and progressive reduction of foreign personnel in such a manner that upon expiry of 10 years, the number of foreign nationals employed by IMINOCO shall not exceed 2% of the total staff employed and the top executive posts occupied by non-Iranians shall not exceed 49% of the total of executive posts available.

1.24. It was pointed in the reply that it had also to be borne in mind that ONGC had not yet developed sufficient expertise in offshore drilling in deep waters such as was being undertaken by IMINOCO and, therefore, had not yet been in a position to offer such personnel for employment in IMINOCO. However, HIPL was able to put one of its senior geologists on loan from ONGC in the IMINOCO set-up since the inception of the latter. Additionally, another Indian officer was employed in IMINOCO from February 1968 to October 1969 when he was looking after the work of HIPL also. At this stage, it would be hardly possible for ONGC to depute any qualified offshore expert to IMINOCO since ONGC was very much in need of training its own technicians in offshore drilling for conducting operations in the areas like Bombay High.

1.25. Under the terms of Agreement between the parties which constitute IMINOCO, there was no scope for training of HIPL officers in the operations of IMINOCO. However, at the insistence and persuasion of HIPL, a number of officers belonging to ONGC have received training in IMINOCO operations for varying periods from June 1969, till date. HIPL hoped to be able to continue this arrangement with IMINOCO for training ONGC's personnel on a selective basis.

1.26. The Committee reiterate their recommendation and suggest that ONGC should develop sufficient expertise in off-shore drilling by sending more and more personnel for training with IMINOCO now that the work on Bombay High is to commence shortly.

FINANCIAL MATTERS—CAPITAL STRUCTURE AND WORKING RESULTS—PARAGRAPHS 9.10 AND 9.14

Recommendations—Serial Nos. 53 and 54

1.27. The Committee noted that despite Government's decision in 1968 that they would supply finances to ONGC in the form of capital for

exploration and loan for development the accounting and budgetary procedures were not revised, until recently, to reflect accurately the above position. It was moot point whether the entire cost for pipeline construction should be debited to production expenditure and none to exploration head. Similarly it was not clear as to what would be the most appropriate head to debit cost of project housing. The Committee noted that Government had already asked Malaviya Committee to specifically go into all aspects of equity loan ratio and to recommend removal of any financial disincentives that may be coming in the way of exploration and production by ONGC. The Committee desired Government to go into all aspects of the matter and take an equitable decision which would make for a vigorous and meaningful programme for exploration and production.

1.28. The Government stated in reply that the Report of Malaviya Committee had been received and was under examination of Government. As recommended by the C.P.U., Government would consider all relevant aspects of the financing of ONGC and take equitable decisions which could make for a vigorous and meaningful programme for oil exploration and production. The decision, when taken, would be forwarded to the Committee in due course.

1.29. The Committee also noted that in the present procedure, the profit and loss accounts for a particular year was prepared only for commercially producing fields and only a portion of the total expenditure in respect of similar fields, which were not commercially producing was charged to profit and loss account. The Committee also noted from the balance sheet as on 31st March, 1970 that out of a total expenditure of Rs. 101.16 crores incurred by ONGC so far on development on areas other than producing properties, a sum of Rs. 8.30 crores had been written off during the year 1969-70 and the balance of Rs. 92.86 crores had been shown in the balance sheet to be written off in the coming years. The expenditure incurred by ONGC on development etc. of areas other than producing properties during the year 1970-71 and also the brought-forward expenditure as on 31-3-1971 was Rs. 118.61 crores. Of this, a sum of Rs. 10.04 crores was written off against the revenues (in the P & L Account) during the year leaving a balance of Rs. 108.57 crores as on 31-3-1971. The percentage of profit before tax to capital invested was showing a downward trend. The profits from the commercially producing fields as compared to the total capital invested (both in exploration and development) did not reflect the correct position as the capital investment was in two different channels. Similarly much of the glamour from the profits was taken away, when the quantum of expenditure incurred on the development of areas other than producing properties to be written off in future was taken into consideration.

1.30. The Government replied that it was true that the total capital employed in the ONGC did not immediately produce comparable revenues, because the revenues that were taken into consideration accrue only from the commercially producing areas and the investment in these areas was only one part of the total investment in ONGC. This was inevitable considering the nature of the oil exploration industry.

1.31. It had to be appreciated that the efforts and the money, put in the various activities of ONGC could not all lead to success. The nature of the exploration was such that a sizeable expenditure must necessarily

be ultimately abortive. The successful part of the effort as reflected in Accounts was, therefore, essentially to take into consideration the likely unsuccessful expenditure. The amount of unsuccessful expenditure was again, unpredictable and may differ widely from year to year. If the system of amortisation were to provide for a write-off of all unsuccessful expenditure as and when it became known, there would be no consistency in the behaviour of the financial results in the shape of profit or loss. With a view to have some consistency in the financial results and also to ensure a fair basis for comparison between the results achieved in various periods, a uniform accounting policy had been prescribed by which 1/15th of the total expenditure was amortised irrespective of whether the expenditure was ultimately productive or unproductive. This practice was followed by the oil industry in many other countries also.

1.32. So long as exploration, development and production of oil was considered as an integrated activity, there seemed to be no choice but to burden the profit and loss account with write-off of investments in areas other than producing properties. Thus, the profits of an Undertaking would have to be judged against the total capital investment of the Undertaking in its integrated activity comprising different channels of operations. The basic question involved was whether exploration activity of ONGC should be taken as an independent activity to be financed partly or wholly from funds other than the internal resources and normal sources of funds of the Commission. This question had been examined by the Malaviya Committee in its Report which was under consideration of Government.

1.33. The Committee reiterate their recommendation and strongly urge that a firm decision about the financing of expenditure on exploration and development should be taken up expeditiously. The Committee also urge that Government should take an early decision about the question of treating exploration as an independent activity.

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CHAPTER II

RECOMMENDATIONS ACCEPTED BY THE GOVERNMENT

Recommendation—Serial No. 1

The Committee note that while the requirements of crude oil would increase from 18.46 million tonnes in 1970 to 26.50 million tonnes in 1974, the degree of self-sufficiency in terms of indigenous production as compared to import would decrease from 36.9% in 1970 to 33.2% in 1974. For filling up the gap, the Committee note the country is dependent on major international oil companies, whose role in this regard has not always been in the best interest of the country. The Government is often faced with a tug of war for fixing price of the crude oil to be imported; in fact the prices of crude have been sought to be revised upwards no less four times by those Oil Companies since December, 1970. The import bill in terms of foreign exchange is estimated to increase from Rs. 94 crores in 1969-70 to over Rs. 186 crores in 1974-75. The Committee also note that during the first three years of the Fourth Plan there has hardly been any increase in the production of crude oil which has been around 3.6 million tonnes from the oil fields of Oil and Natural Gas Commission. The Committee further note that the ONGC have an ambitious target of raising the production to 5.5 million tonnes by the end of the Fourth Plan. The O.N.G.C. have also prepared a comprehensive Ten year programme for 1969-79. After the critical review of this Ten Year Programme by the Soviet Experts, who had played such a valuable role in the initial phase of exploration and development of crude oil resources in the country, they have outlined two variants for exploration and development in their techno-economic report. The Committee expect Government to take a decision on these alternatives with the least possible delay so that the Plan schemes can be implemented in earnest in a concerted and coordinated manner. The Committee note the assurance given by the official representatives of the Ministry that all assistance including financial provision and allocation of foreign exchange would be given to the O.N.G.C. to implement the programme. The Committee would like Government to keep a keen watch on the concrete measures taken in implementation of the Plan schemes so that the ONGC could be extended assistance promptly to overcome difficulty which may be encountered in the field. The Committee need hardly suggest that a comprehensive review of the progress made should be carried out at the end of each year so that the programme for the next year could be modified and augmented in the light of experience gained.

The Committee would in particular stress the need for drawing up in depth and in time the next operational Plan for 1974-79 based on prospects, logistics and economics and with priorities duly determined so that the ONGC can concentrate its energies on its implementation with a view to facilitate achievement of self-sufficiency in this strategic field in the Seventies. (*Paras 1.46 and 1.47*)

Reply of Government

Government have already taken a decision in April, 1972 to accept the first variant suggested in the Techno-economic Report, which envisages a more intensive scale of operations by ONGC. It is proposed to start operations, based on this variant, from 1973-74 onwards, in order to allow sufficient time for ONGC to draw up a detailed operational Plan and mobilise all necessary resources. A meeting was taken on April 15, 1972 by Secretary of this Ministry, with Chairman and various Members of the ONG Commission, where various preparatory steps that need to be taken prior to commencing these operations were discussed and a time-schedule laid down for completion of these steps. In pursuance of this, ONGC have recently worked out details of a 5-year plan of operations (beginning from 1973-74) under Variant I, including the financial implications and the equipment required to be imported for the purpose. (This plan would supersede the Ten-Year scheme which had been earlier drawn by ONGC and referred to by the Committee).

Government intend to keep a close watch on the various measures that would be taken by ONGC in implementation of this plan. As already assured to the Committee, Government would extend to ONGC, whatever assistance is necessary and possible to overcome any difficulty which may be encountered by the latter in this regard. Government have been carrying out from time to time a review of the progress made by ONGC in its operations in various fields, and agree with the Committee's suggestion that a comprehensive review of the progress should be carried out annually so that the programme for the following year could be modified and augmented in the light of experience gained.

Government would also wish to refer to the Committee's observations on crude oil production by ONGC in the Fourth Plan period and would like to mention, for the Committee's information that for 1971-72 (*i.e.* third year of the Fourth Plan), ONGC's crude oil production crossed the figure of 4 million tonnes.

[Ministry of Petroleum and Chemicals O.M. No. 10/3/72- ONG,
dated the 28th October, 1972]

Recommendation—Serial No. 4

The Committee would also suggest that the O.N.G.C. should take the active help of other scientific organisations such as BARC, CSIR, etc. for pressing into service latest scientific and technological developments in the interest of intensifying oil exploration programme and achieving self-reliance at the earliest. (*Para No. 1.51*)

Reply of Government

Government agree with this suggestion. It may, at the same time, be mentioned that the ONG Commission has already been taking the help of other scientific organisations with a view to achieve self-reliance. A few cases are given below:—

- (i) The Commission has taken the help of the Department of Chemical Engineering, I.I.T., Delhi for stepping up the process of synthesis of the mud-chemical to the pilot plant stage;

- (ii) The Commission is running a joint project with Central Glass and Ceramic Research Institute, Calcutta for development of oil-well cement-clinker;
- (iii) The Commission has taken up the work of the indigenous manufacture of oil-well cement and got the help of Central Building Research Institute, Roorkee;
- (iv) The Central Scientific Instrument Organisation, Chandigarh was contacted regarding the design of operation amplifier and special type of tachometers in connection with design and fabrication of Geophysical instruments;
- (v) The Commission is planning to take up with BARC, work in regard to the isotopic studies of Indian crudes and organic matter in probable source-rocks of petroleum, and also the availability of Laser to be used for optical filtering;
- (vi) The possibility of National Geophysical Research Institute making a high-pressure Cell (for core studies) is being investigated.

However, Government is of the view that ONGC should take much more assistance of other Scientific organisations than it has hitherto been doing. (Government is instructing ONGC accordingly) A copy of Govt.'s letter dated 22-9-72 to ONGC giving instruction to ONGC in the matter is enclosed. (See Appendix No. I)

[Ministry of Petroleum and Chemicals, O.M. No. 10/6/72-
ONG, dated 28th Oct., 1972]

Recommendation (Serial No. 8)

The Committee have dealt with the importance of maintaining harmonious relations with workers of all levels of the organisation in Chapter X. The Committee expect the Chairman and Members of the O.N.G.C. to set a high example of dedication so that the workers at all levels have a sense of participation and adventure in the common endeavour to achieve self-sufficiency in this crucial field of petroleum. (*Para 2.17*)

Reply of Government

Government agree with the observations of the Committee and have conveyed their view to the ONGC. On its part, the Commission has assured Government that it will always endeavour to carry its employees with it in fulfilling the tasks that are undertaken by that organisation.

[Ministry of Petroleum and Chemicals, O.M. No. 10/10/72-
ONG dated the 28th October, 1972]

Recommendation (Serial No. 9)

The Committee feel that for optimum utilisation of men, material and equipment, adequate delegation of powers to the appropriate authorities in ONGC is absolutely essential. If management personnel at various level

are to be called to account for achievement, it is obligatory that they should have the necessary powers to act on their own.

The Committee, therefore, recommend that General Managers of different regions should be given full delegation of powers commensurate with their duties and responsibilities. The headquarters should more appropriately concentrate on policy and planning, leaving the General Managers, Project Managers and other field officers free to handle day-to-day work. The Committee note that ONGC is undertaking a comprehensive review of the delegation of powers. The Committee expect that the powers of the General Managers, Project Managers and other officers in the field would be suitably enhanced keeping in view besides the above observations the need for settlement of grievances/demands of labour except those involving policy and financial matters. (Para No. 2.27)

Reply of Government

Government agree with the observations of the Committee. As the Committee have noted in para 2.25, the Commission has already been delegating powers to different authorities in the past for speedy disposal of its business. The delegation of powers is embodied in a manual called "Book of Delegation of Powers (May 1965)" which was revised in 1969. Subsequently, the Commission thought it to be necessary to review the delegation of powers once again and appointed a sub-committee in this regard. The latter has taken into consideration the need for delegation of powers to the field officers to the maximum extent needed, and it would be finalising its recommendations shortly. In taking decisions on the basis of its report, the observations made by the Committee on Public Undertakings would be borne in mind by ONGC.

[Ministry of Petroleum and Chemicals) O.M. No. 10(11)/72-
ONG, dated 28th Oct., 1972]

Recommendation (Serial No. 11)

The procedural ineptitude has obscured the need of urgency. The relations of ONGC with the different State Governments, where O.N.G.C. is working, deserve special attention so as to facilitate quick decision and smooth working, for example in matter of acquisition of land, fixation of price of gas, provision for accommodation, construction of approach roads, recognition of labour unions, etc. The Committee, therefore stress the need for closer coordination between the Commission and the State Governments. (Para 2.45)

Reply of Government

Government fully agree with the suggestion of the Committee that there is need for a closer coordination between the Commission and the State Governments though ONGC have averred that it has been their endeavour to maintain the best of relations with the Governments of various States where it has taken up its activities.

Regarding the impression gathered by the Committee in Gujarat, and mentioned in Para 2.44 of the Report on the question of flaring of gas by ONGC, Government's reply to the Committee's recommendations made in Para 5.21, may please be seen.

In the past discussions on the various problems that ONGC has faced with State Governments, this Ministry has always emphasised on the Chairman and other Members of ONGC to maintain very close liaison with the State Governments and to keep them fully in the picture about the difficulties that the Commission may face from time to time so that these could be considered on the side of the State Governments at the appropriate level and in good time and resolved expeditiously. It has been emphasised that ONGC officials need to maintain such liaison with the State authorities not only at the top level but also at the field level. The recommendation of the Committee has been forwarded to all State Governments/Administrations of Union Territories for information and necessary action. On their part, ONGC have assured the Government that they would spare no efforts to seek better and closer coordination with the State Governments in future.

[Ministry of Petroleum and Chemicals O.M. No. 10/13/72-ONG, dated the 14th November, 1972]

Recommendation (Serial No. 15)

The Committee note that in the year 1968-69 as against the target of 2,76,500 metres and 126 wells, the Commission drilled 2,87,874 metres and 124 wells; in 1969-70 against the target of 2,71,342 metres and 127 wells, the Commission drilled 2,31,283 metres and 109 wells, and in 1970-71 against a target of 2,14,060 metres and 109 wells, the Commission drilled 1,69,003 metres and 90 wells. The Committee regret to note that there is shortfall both in the meterage drilled and the number of wells except in the case of meterage in the year 1968-69. The Committee note the achievement in the number of wells completed yearwise but are constrained to note that as many as 82 wells drilled have not been fully tested. The Committee expect that as soon as drilling is completed in a particular well, the follow-up action of testing should follow as a matter of routine. Since the number of wells awaiting testing is large, the Committee feel that the planning of exploration, drilling and testing is not fully integrated in the ONGC. The Committee would like ONGC to go into the reasons for delay in commencing testing of wells. The Committee would recommend that the programme of testing a well should be time-bound. Timely testing of wells would provide surer clue whether exploration and drilling work should be intensified or modified in the light of the results achieved. The Committee also recommend that the results of testing should be correlated with the surveys which had preceded drilling so as to derive guidelines for future exploration and drilling work.

The Committee have also noted that during the year 1966-67, 13 rigs were laid off or not used. In 1967-68, 8 rigs were laid off or not used, in 1968-69, 8 rigs were not used. In 1969-70, 8 rigs were not in operation and in 1970-71 as many as 18 rigs were not in operation. They were not used as either they were laid off or were under repair or transport.

The Committee note that at the meeting of the Commission held in August 1971 it was decided in principle that 11 of the rigs should be considered "as not available for active service". It was also decided that before these rigs were treated as condemned a Survey Board should inspect the same and report and also assign a value to the recoverable parts of these

rigs. The recommendations were to be placed by the board before the Commission for further decision. Government are still awaiting the results of the follow-up action taken in the matter by the Commission. The Committee are constrained to observe that in a matter of such urgent importance as availability of rigs for service or otherwise there should have been so much delay. The Committee would like Government and ONGC to undertake a critical review of the rigs which are borne on their inventory with a view to locate those which are unserviceable and should be disposed of and those which can be put into service after execution of repairs where necessary. Government/Commission should then take an overall view about the adequacy or otherwise of these rigs as compared to the present assignment for exploration and development and take timely measures to equip themselves with requisite number of rigs of suitable design and make in the interest of timely and efficient execution of the plan programme. [(Paras No. 3.82 to 3.84)]

Reply of Government

Government agree with the recommendation of the Committee regarding timely testing of wells, and correlation with the Surveys that precede drilling for deriving guide-lines for future operations. It may, however, be mentioned that Well-testing is one of the chain of operations that have to be carried out in the process of well completion. Therefore, at any one point of time, some of the wells, on which drilling operations have been completed, would be awaiting testing.

This time-lag cannot be attributed to any specific causes. As per the present practice in ONGC the detailed programme of work for each drilling rig is prepared quarterly. The sequence of operations performed by each drilling rig is as under :—

- (i) Rigging down, transportation and rigging up;
- (ii) Drilling operations, including casing and cementation; and
- (iii) Production testing.

The programme of testing is time-bound. However, it sometimes happens that the various operations involved in the testing of a well have to undergo changes or have to be repeated for completion of a successful test.

In the case of development wells, the testing is generally completed promptly and the wells are completed as oil and/or gas producers. However, in the case of exploratory wells, where there are more than one horizons to be tested, only the first horizon is tested with the drilling rig, as a normal practice, because it is too costly to retain a drilling rig for testing further horizons. The drilling rig, after the testing of first horizon, moves to the next drilling locations, and subsequent testing is done with the help of a workover rig.

The entire procedure of testing with workover rigs is also time-bound and the sequence of testing the wells is planned well ahead, but sometimes it becomes difficult to adhere to such plans meticulously, wherever dates of completion of drilling for a number of wells clash or coincide and the wells have to be tested with the same workover rig(s).

All testing results of the intervals, recommended by the Geologists to be tested in any well, are critically examined and assessed. Depending upon this, the future exploration/development programme in any area are modified wherever necessary. In some cases, it may result in cancellation of drilling of some of the locations which were released according to the plan drawn up earlier and in some other cases, the test results obtained may call for more locations to be drilled in addition to those planned earlier.

The foregoing explains the reasons for delay in testing of the 82 wells mentioned in Para 3.82 of the Report. However, out of these, the initial testing operations have already been completed on 80 wells and further testing is in hand. The remaining two wells are also likely to be taken up for testing as soon as possible.

2. The O.N.G. Commission has already made a critical review of the rigs, which are borne on its inventory. The rigs which were not considered fit for future operations have been withdrawn from active service. A detailed survey of all the subassemblies of the 11 old rigs, which have been considered by the Commission as not available for "active service" has already been completed by ONGC and the recommendations of the Survey Board have been accepted by the Commission. A further review, therefore, does not appear to be necessary. It has been decided that after the serviceable sub-assemblies and components of the main assemblies have been salvaged for use in repairing the existing units, the remainder should be disposed of. This work is in progress. Instructions have been issued by ONGC's Headquarters to the Regions to segregate, retrieve the serviceable components, if any, and store the items at one place in the projects to facilitate disposal. Government are keeping a watch on the progress of the various steps taken by ONGC for disposal of old rigs.

The requirements of rigs of suitable type and design, based on the 5-year programme which ONGC proposes to undertake from 1973-74 (as per Variant I of the Techno-Economic Feasibility Report) have been considered by the Commission, and it has included these in the Bill of Materials which it has drawn up in regard to this programme.

[Ministry of Petroleum and Chemicals O.M. No. 10/15/72-ONGC dated the 15th December, 1972]

Recommendation (Serial No. 16)

The Committee note that as against the project depth of 5,000 meters to be reached in drilling Bodra well by March, 1967, only 3,315.80 metres were drilled by February, 1967 when further drilling was stopped. The well was sealed at 4,198 metres and divided into 9 horizons. Production test conducted of these horizons did not show encouraging results and well was abandoned after incurring expenditure of Rs. 2.40 crores.

The Committee regret to note that there was change in decision with regard to setting up the derrick for the Bodra well. The foundation plans had to be altered after the tenders had been accepted for the foundation works as instructions were received that four legged derrick type from Sib-sagar would be used instead of 'A' type derrick contemplated earlier. Accordingly, the tenders were re-invited. The foundation plans were again revised on the advice of the consultants. Thus, it appears in retrospect the Seismic

data collected before starting the drilling at Bodra well in West Bengal needed improvements. The data collected by drilling 4,198 metres at Bodra well although of importance to ONGC, may not be commensurate with the huge expenditure on the well. The Committee expect the Commission to draw lesson from this experience and recommend that careful and effective survey should be carried out before selecting a site for drilling in future and to ensure that such lapses will not occur again. (*Paras No. 3.92 and 3.93*).

Reply of Government

Observations of the Committee made in Para 3.92 have been noted; Government would, however, like to add that after the stoppage of drilling in February 1967, it was resumed in stages and the well drilled up to 4198 metres when it was decided to stop further drilling, for causes noted by the Committee in paras 3.85 and 3.86.

2. The type of derrick and foundation plans were not changed on the basis of any doubt about seismic data. As a matter of fact, the choice of type of derrick and design of its foundation had nothing to do with seismic data. The change in the type of derrick was made in consideration of the fact that the four-legged derrick could take more load than the "A" type derrick in possession of the Commission.

While it is true that careful and effective seismic survey should be conducted before selecting a location for drilling, Government would like to add that the quality of seismic data obtained in the course of a survey depends on various factors, e.g. seismo-geological conditions and the instruments and field and processing techniques used. Every effort is made to obtain the best quality data possible in the prevailing seismo-geological conditions and using the instruments and techniques available or developed at the time. However, the Committee's recommendation on the need for careful and effective surveys is noted. In fact, in order to obtain better data from surveys, ONGC have gone in a phased manner, for acquisition of new and sophisticated digital units to conduct seismic surveys. The first few units which have already been purchased, have been deployed in West Bengal area.

[Ministry of Petroleum and Chemicals O.M. No. 10/72/72-ONG,
dated the 2nd December 1972]

Recommendation (Serial No. 17)

The Committee note that the reasons for variation between the actual cost and standard cost of drilling have been chiefly due to increase in cycle period, increase in expenditure on civil works, more expenditure on man power and P.O.L., increase in cost of services, increase in number of drilling days and increase in expenditure on chemicals, cementation, transport and other materials. In the opinion of the Committee, the reasons assigned for the wide variations can be checked with proper planning and control. The Committee feel that there is scope for reduction in the cost of drilling. The existing mud pumps could be replaced by more powerful ones capable of drilling to great depths. Efforts should also be made (i) to improve the quality of drilling mud. (ii) to procure drilling bits of better quality and more suitable for drilling through the expected rock formations. (iii) to procure

drilling pipes with better quality and with factory fitted tools joints. (iv) to give more emphasis on proper maintenance of drilling rig and machinery and create better facilities, (v) to procure better and additional coring, fishing, drilling stem testing, lifting and transportation equipment. (Para No. 3.97)

Reply of Government

Government agree with the recommendations of the Committee. It may be added that, as far as possible efforts are made by ONGC to adequately equip the rigs, earmarked for deep drilling, with better equipment to increase the drilling efficiency. To exercise a better control over the rig hydraulics, an additional mud pump is provided with the existing mud pumps, as has been done in case of Galeki Wells. Similarly, for new deep wells, provision is made for equipping the rig with more powerful pumps, which are capable of drilling with greater efficiency. With regard to the other points in the recommendation, the following comments are offered:

- (i) For improving the quality of mud, the Standing Committee of ONGC in a recent meeting has decided to equip all the rigs with suitable mud control equipment like desanders, degassers, mud-guns etc. Accordingly, action is being taken for processing the requirement of the mud control equipment;
- (ii) Suitable action for procurement of proper drill bits is taken by the Commission as per its requirements from time to time;
- (iii) Better quality of drill pipes are provided, wherever possible, for deep wells. For example, Surinsar and Tripura deep wells have been provided with superior quality of drill pipes;
- (iv) Due emphasis is being given for the proper maintenance of the drilling rig and machinery, sub structure and accessories. The recommendation of C.P.U. has been noted by ONGC also for future guidance;
- (v) The Commission is procuring good quality coring, fishing and drill-stem testing tools for its deep exploratory wells, as far as possible. Complete set of new tools have, for example, been provided for wells at Surinsar and Tripura. For other rigs, additional 7 sets of superior-quality coring tools and 3 sets of D.S.T. tools have been provided. Similarly, wherever possible, better type of such sophisticated tools are provided.

However, Government will ensure that to all the above matters, ONGC continue to give greater attention. On their part, Government will endeavour to make the needed finance and foreign exchange available.

[Ministry of Petroleum and Chemicals O.M. No. 10(62)/72-ONG dated the 28th October, 1972]

Recommendation (Serial No. 19)

The Committee note the activities of the ONGC in surveying the continental shelf of the country and notice that the job was being underaken through hired agencies. A stage has come for the Commission to raise

its own team of experts, capable of undertaking seismic survey of the continental shelf without depending exclusively on foreign agencies. The Committee recommend that the modern methods and techniques of seismic survey including the latest equipments of magnetic seismic survey be acquired. They also hope that the personnel concerned will be trained properly to handle these equipments for successful execution of the job. (Para No. 4.18)

Reply of Government

Government agrees in principle with the Committee's recommendations. It would like to add that permission has since been given by Government to ONGC to invite global tenders for acquisition of a suitable seismic ship and the necessary equipment. When specific proposals from ONGC in regard to these purchases are received, Government would endeavour to take an early decision in the light of all relevant considerations, including the foreign exchange situation, existing at that time.

[Ministry of Petroleum and Chemicals O.M. No. 10/19/72-ONGC, dated the 14th November, 1972]

Recommendation (Serial No. 21)

The Committee appreciate this daring deed of all officers and men of ONGC for their perseverance and courage and congratulate ONGC for designing and fixing "off-shore" platform. (Para No. 4.29)

Reply of Government

Appreciation of the Committee of the work of ONGC's technicians has been noted by the Commission. It would, no doubt, act as an incentive to the ONGC technicians to continue to apply themselves to their tasks with commitment and diligence.

[Ministry of Petroleum and Chemicals O.M. No. 10/21/72-ONGC, dated the 28th October 1972]

Recommendation (Serial No. 22)

The Committee can hardly over emphasise the need for urgently discovering new reserves of oil both on off-shore and on land. The Committee have a feeling that the progress in matter of acquiring the mobile platform or in taking a decision to go in for drilling in the Gulf of Cambay has been slow. The Committee expect that with the appointment of the Member (Off-shore) in the Commission to look after the off-shore ventures of the Commission, decisions in this regard would be taken expeditiously. One of the reasons for going in the off-shore areas of the Gulf of Cambay and the adjoining area of the Arabian Sea, is the likely extension of the known petroliferous sedimentary basin of Gujarat into the aforesaid off-shore area and the indications of the presence of large structures in the area. In this context the presence of oil in the very first venture in under-sea drilling is gratifying to note. Whether the strike of oil is commercially viable or not

It has shown presence of oil in this structure. It brightens the prospects of finding oil in off-shore continental shelf. The Committee appreciate the fixing of the rig at Aliabet ahead of schedule. Subsequently the project suffered a set-back and work had to be suspended for several weeks due to defect in the mud circulation system of rig and unfavourable weather. The finding of oil should boost the morale of the Commissions' personnel and encourage them to intensify their efforts in this region. This should encourage plans to look for oil in the adjacent and more promising fields in the Gulf of Cambay. The country has paid a heavy price for the Aliabet project and not to make use of the expertise gained would be unwise. (Para No. 4.39)

Reply of Government

The Committee's observations are noted. Government agree with the Committee that the country's off-shore oil prospects should be vigorously explored and are actively working out plans towards this end. Government can assure the Committee that in the coming years, off-shore exploration in India's continental shelf, will be given increasing attention.

[Ministry of Petroleum and Chemicals O.M. No. 10/22/72-ONG, dated the 14th November, 1972.]

Recommendation (Serial No. 23)

The time lag between the submission of the report of the Soviet off-shore seismic team and the decision to commence drilling in the area recommended by them is big. The committee realise that decision in a delicate matter like this involving huge investment is not easy to arrive. Nonetheless, our search for crude oil to become self-sufficient is necessary. At this juncture, one can hardly afford to go slow in a matter so vital to the country. (Para 4.41)

Reply of Government

The observations of the Committee are pertinent and would be kept in mind in future. As already intimated the mobile drilling platform, presently under construction in Japan, is expected to reach the country by the end of this year. Drilling is expected to start on the first Well in the Bombay High area soon afterwards, i. e. some time in January, 1973.*

Government are in entire agreement with the Committee that the need for urgently discovering new reserves of oil both on land and off-shore cannot be over-emphasised. Government are very actively considering how best the programme of oil exploration on land and off-shore can be rapidly expanded and efficiently implemented.

[Ministry of Petroleum and Chemicals, O. M. No. 10/23/72-ONG, dated the 28th October, 1972.]

*At the time of factual verification, the Ministry of Petroleum and Chemicals informed the Committee as follows:—

"The Mobile off-shore platform 'Sagar Samrat' which was under construction in Japan, was delivered to the ONGC on March 31, 1973. It is now on way to India and is expected to arrive in the drilling area of Bombay in the second half of May, 1973."

Recommendation (Serial No. 25)

The Committee find that so far as the transport of crude from Gujarat oil-fields is concerned, most of the difficulties have now been overcome and pipeline laid for assured supply to Koyali Refinery. The Committee need hardly stress that there should be close co-ordination between ONGC and the Refinery and a perspective plan should be drawn up so that supplies to the Refinery can be stepped up in keeping with its expansion programme etc. (Para No. 5.13)

Reply of Government

The observations of the Committee have been noted for guidance.

[Ministry of Petroleum and Chemicals O.M. No. 10/25/72-ONGC, dated the 14th November, 1972.]

Recommendation (Serial No. 27)

In the opinion of the Committee much of the criticism about flaring of gas could be avoided, if ONGC were to explain the technical reasons for doing so through their publicity media in a layman's language. The impression that the supply of gas from O.N.G.C. is not regular should be dispelled by them. It is likely that the demand of gas in the Gujarat region may increase in the future. The Committee would suggest that O.N.G.C. should identify the areas where the demand of gas is expected to increase and take necessary steps well in time to meet the need of prospective industrial consumers. (Para No. 5.21)

Reply of Government

The Committee had, in para 2.44 of their Report, mentioned that during their visits to Gujarat, they had an impression of there being a feeling in Gujarat that "ONGC would rather flare gas than share it with Gujarat". The real reasons why ONGC has to flare certain quantities of gas have been noted by the Committee in Para 5.19. It is also not true that the supply of gas by ONGC to industries in and around Baroda has been irregular and the Committee have examined this aspect in Para 5.17.

2. Government agree with the Committee that the wrong impressions about flaring and supply of gas need to be dispelled. ONGC have made arrangements to explain the technical reasons for flaring of the gas through publicity media in a layman's language. As regards the view of the industries in and around Baroda that the supply of gas is irregular, the matter is being taken up by ONGC with the industries to dispel their erroneous impression.

3. The Marketing Division of ONGC at Baroda does carry out a continuous market survey for the sale of gas and remains on the look-out for prospective consumers of gas in the areas where the economics of supply of gas from the known oil/gas fields through pipelines are favourable. Information on the availability of gas is furnished to all prospective consumers as well as to the State Government authorities, as soon as it is decided to develop an oil/gas field after taking into account the various techno-economic considerations. Government would, however, add that even if an area were

identified where the demand of gas is expected to increase, supply of gas to that area will depend firstly on the existence of oil/gas fields which are capable of being developed on techno-economic considerations, and secondly on the techno-economic feasibility of transporting the gas to the areas where the additional demand exists. Necessary steps to meet the increased demand for gas in a specific area can, therefore, be taken only on discovery of new oil/gas fields in the region and after examining the techno-economic feasibility of developing the fields and transporting and supplying the gas to the areas where the demand exists.

[Ministry of Petroleum and Chemicals O.M. No. 10/27/72-ONG, dated the 2nd December 1972.]

Recommendation (Serial No. 34)

Though the enquiries have attributed the blow-out to "operational and administrative failure", perhaps a better type of a Blow-Out Preventor could have saved the situation. (*Para 7.44*)

Reply of Government

The Committee have already noted, in para 7.42, ONGC's reply that after the experience at Kathana, the Hydrill type of blow-out preventor has been replaced by a new type. The Committee's observations in para 7.44 have been noted.

[Ministry of Petroleum and Chemicals O.M. No. 10/64/72-ONG, dated the 28th October, 1972.]

Recommendation (Serial No. 35)

The need for developing indigenous capacity to manufacture rigs within the country cannot be over-emphasised. It deserves utmost consideration of all the concerned authorities, but the way manufacturing/assembling of the three rigs at the Heavy Engineering Corporation, Ranchi, has progressed leaves much to be desired. So far ONGC has received only one rig and that too has not been put to use as some of the components are still awaited. The reasons for the delay in the assembling/manufacturing programme of rigs should be looked into and necessary measures taken to overcome these delay. The Committee would also like that the suitability and performance of the rigs manufactured at the Heavy Engineering Corporation should be carefully evaluated so that the necessary improvement could be effected in the new rigs to be manufactured.

The Committee need hardly point out that as Heavy Engineering Corporation have lot of spare capacity available it could be gainfully utilised in the manufacture of rigs of suitable designs and other equipments best suited to the requirements of ONGC and other public undertakings engaged in drilling, mining, etc.

The Committee recommend that there should be greater co-ordination, amongst the ONGC, the HEC and the Administrative Ministries concerned with a view to plan and frame their programmes in a more fruitful way according to the needs of each other. The Committee recommend that Government should give all assistance to the undertakings to achieve their objective. (*Para No. 7.59 to 7.61*)

Reply of Government

Government agree with the Committee's recommendations regarding need to develop indigenous capacity to manufacture rigs. The Committee's suggestion to examine the reasons for the delay in the execution of the programme of the assembling/manufacturing of the rigs by the H.E.C. and the remedial action that can be taken has been forwarded to the Ministry of Steel and Mines as well as to the Managing Director, H.E.C. The reasons for the delay in the execution of the programme of the assembling/manufacturing of the rigs by the H.E.C. as and when known and remedial action taken will be intimated to the Committee for its information in due course. Government also agree with the recommendation of the Committee that the suitability and performance of the rigs manufactured by the H.E.C. should be carefully evaluated so that necessary improvements could be effected in the new rigs to be manufactured by the H.E.C.; such an evaluation would be possible after the three rigs supplied by H.E.C. are commissioned and operated by ONGC over a period of time.

Government agree that the spare capacity available in the H.E.C. could be gainfully utilised in the manufacture of rigs of suitable designs, and on other equipment suited to the requirements of ONGC, etc. The Commission's future expected requirements of equipment for the period 1973-74 to 1977-78, including new rigs and spare parts which the H.E.C. might be in a position to supply have already been intimated by ONGC to the H.E.C. H.E.C. have been asked to convey a firm commitment that these items could be supplied by the scheduled dates. After H.E.C. indicate their ability in this regard to ONGC, Government would consider what further course of action, would be needed including ensuring necessary inter-Ministerial co-ordination.

[Ministry of Petroleum & Chemicals O.M. No. 10/34/72-ONG, dated 14th November, 1972.]

Further reply of Government*

The oil drilling rigs were manufactured for the first time in the country without any previous experience. Hence, there have been some delays in the manufacture and supply of the oil drilling rigs by the Heavy Engineering Corporation to Oil and Natural Gas Commission. There have been no further orders for similar type of rigs. Action will however be taken by the Heavy Engg. Corporation to avoid the delays in the manufacture of such rigs if there are orders in future.

Regarding the suitability and performance of the rigs manufactured by Heavy Engineering Corporation, it may be mentioned that they have since received an indication of the requirement of capital equipment for 1973-74 onwards from Oil and Natural Gas Commission. This is being examined by the Heavy Engineering Corporation with a view to drawing Heavy Engineering Corporation's future manufacturing programme.

[Ministry of Steel and Mines/(Department of Steel) No. 20-4/72-HEP-I, dated 15th December, 1972.]

*Not vetted by Audit.

Recommendation (S. No. 37)

The Committee have noted with concern that there had been unnecessary stock-piling of the bits and that of spare parts for imported transport equipment, because of incorrect assessment of requirements. The tendency of accumulating unnecessary stores not only ties up capital, but also results in unnecessary expenditure on their care and maintenance. The Committee understand that the O.N.G.C. has already acquired an Electronic Data Processing Equipment. The Committee feel that the computer should have been available in all its regional offices and should have been fruitfully utilised so that inventory position is readily available at any point of time to avoid duplication of orders. The Committee expect that with the appointment of member of the Commission exclusively incharge of Purchases and Stores, the system of inventory control will improve. The Committee note that the Commission has not so far classified the inventory separately into indigenous items and imported items. Segregation of inventory into indigenous and imported items is a very essential item of inventory control in the opinion of the Committee. The Committee trust that ONGC will expeditiously take necessary steps to classify the inventory holdings accordingly. (Para 8.6)

Reply of Government

The observations of the Committee have been noted and will be duly complied with. However, Government wish to mention that both O.N.G.C. and Government have been giving considerable attention to proper inventory management and control in ONGC. It was for this purpose that Government created the post of Member to exclusively look after the subject. Sufficient improvement has already been brought about and a brief mention of this will not be out of place.

The inventory of the ONG Commission is classified into two broad groups of 'Stores' and 'Spares' and then sub-divided into 27 distinctive groups on the basis of type, function, and use of stores and spares to suit the particular conditions of operations in the Commission. Some of these groups such as Building Materials, Petrol, Oil and lubricants, Transport Spares (indigenous) etc., consist of indigenous items only. The stores and spares in the various groups can be further categorised as follows :—

- (i) Stock items.
- (ii) Non-stock items.

The stock items are generally those which are manufactured and made available indigenously, and have regular pattern of consumption. The provisioning of the stock items is done through automatic recoupment of stock on the basis of maximum/minimum limits as fixed. These limits are required to be reviewed annually by a Board of Officers consisting of a representative each of the User, Finance and Stores Departments.

As regards non-stock items, these are mostly the imported stores and spares, and are treated as review items irrespective of whether these are imported or indigenous. The purchase of these items is made on the basis of periodical reviews, which are generally conducted annually. The purchase and review in respect of non-stock indigenous items is done at the Project/Regional levels or in the Head-Office, depending on the nature

and importance of the item, whereas such a review in respect of all imported stores and spares is conducted by the user Technical Departments in the Head-Office, and purchases made centrally by the Director of Stores and Purchase, Dehra Dun.

With the introduction of Electronic Data Processing in the Commission, the stores and spares are being recodified into a 9-digit numerical code for purposes of computerization. Priority has, in this regard, been given to the imported stores and spares, which are centrally provisioned and constitute the bulk of the Commission's inventory. As on 30-4-1972, a total of 2,11,946 items had been codified. Code Reference Books have been issued for use by all concerned. Furthermore, insofar as the imported stores and spares, which are centrally provisioned items, are concerned, the stock in hand, dues on order and past consumption data is being collected from the various units by the Head Office, collated and compiled on the EDP and circulated periodically to the user Technical Departments to enable them to plan and provision their future requirements on a scientific and rational basis. It can, therefore, be said that the inventory of imported stores and spares has been segregated and a proper control is being exercised. The periodical stock status reports are also being sent to the various reporting projects to check back and ensure the correctness of the data regarding stock and consumption furnished by them.

The present classification and codification of inventory and the control mechanism devised has enabled the Commission to exercise control over the purchase, accounting, and identification of the various groups of stores, which is the objective of a rational system of classification of the inventory.

It will thus be seen that a strict system of inventory control has been set up for the Commission so as to minimise stock-piling of slow-moving and items likely to become obsolete in future. The EDP equipment has been brought into use for this purpose and its services have been made available to the regions and projects through the circulation of periodic stock status reports as mentioned above. Segregation of indigenous and imported items for the purpose of inventory control has been achieved through a system of periodic review of all imported items, while maintaining a unified system of classification based on type, function and end-use of the materials, and not on its origin as the latter might lead to unnecessary complication in storage, accounting and control.

(Ministry of Petroleum and Chemicals O.M. No. 10/65/72-ONG, dated 2nd December, 1972).

Recommendation (S. No. 42)

The Committee note that the Commission placed an order for the supply of Kenflo Super Concentrate valued at Rs. 2.06 lakhs for preparing oil base mud without making an assessment about its requirement. The mud chemical was purchased in June, 1963 and till May, 1969 only three drums of the mud-chemical were issued for use. The Committee regret to note that undue haste was exhibited by the Commission in purchasing the mud-chemical which could not be utilised gainfully. (Para No. 8.23)

Reply of Government

While conveying the observations of the Committee to ONGC, the latter are being directed to ensure that due care is exercised, in future, in

properly assessing the requirements of a particular material before making the purchase, and that such cases do not recur. A copy of Government's letter No. 10/70/72-ONG, dated 19-9-72 to Chairman, O.N.G.C. is enclosed. [See Appendix No. II]

2. Out of the balance quantity as at the end of May 1969 (after use of 3 drums), 11.7 M. tonnes of Kenflo have since been used, leaving a balance of about 27 M. tonnes.

(Ministry of Petroleum and Chemicals O. M. No. 10/70/72-ONG, dated 2nd December, 1972).

Recommendation (S. No. 44)

The Committee note that as in June, 1971 out of a total 108553 indigenous items of stores and spares for which stock cards are maintained, maximum/minimum limits have been fixed by the Commission only in respect of 11022 items of recurring consumption and that indigenous stock items of stores and spares are reviewed once a year. The Committee emphasise the need for fixing the stock limits in respect of the remaining items after making a thorough assessment of fast moving and slow moving items.

The Committee understand that the imported items are constantly kept under review at headquarters through EDP reports in respect of each Directorate. The Committee consider if these reviews are carried out in depth, there should be no question of any imports taking place far in excess of the requirements. In fact the Committee would suggest that the review should also serve another purpose of seeing how far the items which are intended to be imported could be substituted by indigenously produced goods. (*Paras No. 8.36 and 8.37*)

Reply of Government

The recommendations made by the Committee have been noted. It has, however, to be submitted that the figures indicated in para 8.36 of the Report relate to the total number of stock cards held at various Projects and not the number of items because a particular item may be simultaneously held at several Projects. Vigorous efforts are nevertheless being made to bring as many items which have a regular pattern of consumption, as possible under stock control. In this connection, it is also pointed out that a Master Catalogues of stock items, Trade Group/Equipment wise, are being compiled and issued by the ONGC's Head Office at Dehra Dun for the guidance of the Projects.

Government will keep a watch to ensure proper progress being made by ONGC in the matter.

It has further been intimated by ONGC that stock consumption and dues-in data are being collected and circulated periodically to the User Departments to enable them to plan and provision their requirements on a scientific and rational basis. The data so collected are also sent back to the reporting units with a view to check and ensure its correctness. The periodical stock-status reports also throw up the non-moving items, which are also circulated to the indenting units and it is incumbent on the latter to certify, while preparing their future requirements, that they have consulted the list of non-moving items so as to ensure that no item in the list of

non-moving items can be sued in lieu. Every effort is, therefore, being made by ONGC to take necessary precautions against any over-provisioning.

Insofar as import substitution is concerned, it may be mentioned that the Commission has created a special Cell to undertake the development and execution of an Import Substitution Programme, which is functioning under the Director of Mechanical Engineering. In this connection, Government's reply to the Committee's recommendation in Para 7.64 may also please be seen.

(Ministry of Petroleum and Chemicals O.M. No. 10/77/72-ONG, dated the 28th Oct., 1972)

Recommendation (S. No. 45)

The Committee trust that ONGC will gain from the experience of this contract and plan their future requirements on a realistic basis keeping in view their perspective drilling programme. As suggested by the Government the Committee would also stress that all proposals for new equipment should be submitted to the Government in the form of a complete project report rather than piecemeal as is being done now. This would go a long way to obviate the need for reducing or increasing the order, after it has been contracted. (Para 8.48)

Reply of Government

Government agree with the comments of the Committee which have been noted by ONGC. In fact, the requirements of equipment and materials in respect of drilling in Tripura and Off-shore (Bombay High) were made out by ONGC in the form of a complete Project Report. Similarly, the first two years' requirements of equipment and materials for the execution of the expanded drilling and production programme (as recommended in Variant I of the joint ONGC/Soviet Techno-Economic Feasibility Report) which is proposed to be launched from 1973-74, have been worked out on a comprehensive basis so as to avoid *ad-hoc* purchases.

(Ministry of Petroleum and Chemicals O.M. No. 10/78/72-ONG, dated the 28th October, 1972)

Recommendation (S. No. 46)

The Committee note that physical verification of stores is carried out every year in accordance with the provisions of Rule 17(i) of the Oil and Natural Gas Commission Rules, 1960 and that the instructions have been issued in connection with the deficiencies pointed out by the Stock Verification Team. The Committee trust that the instructions issued will be borne in mind by all concerned in the Commission and that constant endeavours would be made by the Commission to bring down the figure of discrepancies as early as practicable. (Para No. 8.59)

Reply of Government

All possible efforts are made to settle the stock verification discrepancies as quickly as possible. With this end in view, a quarterly progress report

on the settlement of discrepancies is submitted to the top management. Also suitable instructions are issued from time to time so as to ensure early settlement of discrepancies.

[Ministry of Petroleum and Chemicals O.M. No. 10/80/72-ONG dated the 2nd December, 1972]

Recommendation (S. No. 50)

It would thus be seen that the lower tender in respect of purchases of tubings from Japan were not communicated to the administrative Ministry in anticipation of non-availability of foreign exchange from a particular country without ascertaining from the Ministry of Petroleum, its administrative Ministry. They suggest that in such matters it should be obligatory for the Public Undertakings to approach the Ministry rather than direct, and this practice should be strictly followed.

As in the case of casing pipes, in the case of tubings it is highly desirable that the country should be self-sufficient. Avenues for manufacturing the desired types of tubings should be explored and every endeavour made to become self-sufficient in this regard by a specified date. (*Paras No. 8.85 and 8.86*)

Reply of Government

The Committee has already noted, in Para 8.84, the explanation of ONGC for not communicating the Japanese offer to the administrative Ministry, which was because the Commission had contacted Department of Economic Affairs directly and come to know of the non-availability of Yen Credit. Government agree with the recommendation of the Committee that in such matters, the Public Undertakings should approach the Finance Ministry through their respective administrative Ministries and that this practice should be strictly followed. A copy of Para 8.85 has been sent to the Department of Economic Affairs and Bureau of Public Enterprises for taking note of the Committee's recommendations.

2. As regards the Committee's observation in Para 8.86, Government's reply to Recommendation No. 49 (Para 8.80) which also covers this point may be referred to.

[Ministry of Petroleum and Chemicals O.M. No. 10 (38)/72-ONG dated the 15 December, 1972]

Recommendation (S. No. 57)

The Committee are anxious that this matter should be settled quickly. The ONGC and the Railway Board, both being different limbs of Government, it is not desirable to carry on this kind of discussion and a long-distance correspondence. The matter might have been settled by a conference between the Finance Member of the ONGC; Financial Adviser to the Petroleum Ministry, The Financial Commissioner, Railways and representative of the Petroleum Ministry. The Committee need hardly emphasise the matters like these there should be a complete and a fruitful coordination amongst all the concerned authorities. (*Para No. 9.33*)

Reply of Government

Government agree with the Committee's recommendation. The matter was discussed in a Meeting held on 6-10-72 between the representatives of the Ministry of Petroleum & Chemicals, Ministry of Finance, Railway Board and ONGC and action will be taken in the light of the minutes of the meeting. A copy of the minutes is enclosed for the information of the Committee. [See Appendix No. III]

[Ministry of Petroleum & Chemicals O.M. No. 10/31/72-ONG
dated 14th November, 1972]

Recommendation (S. No. 58)

The Committee feel that while it would be legitimate for ONGC to take into account the cost of production of natural gas as well as the royalty which is to be paid to the State Government it has to be borne in view that natural gas is a fuel resource of basic importance for industrial development of Gujarat which is situated far away from the coal areas and does not have any industrial fuel except gas and petroleum. The Committee, therefore, need hardly stress that in fixing the price of gas hereafter, Government should keep this important consideration in view so as to assure supply of natural gas for power, fertilizers and other basic industries at a reasonable rate.

The Committee note the ONGC's statement that there is no difficulty in meeting the requirements of industry, in the contiguous areas, for supply of gas. The Committee would like ONGC to publicise the availability of gas so that it can be used in ever larger quantities for industrial purposes. The larger use of gas should also yield economies of scale to ONGC. The Committee would also stress the need for taking effective measures to ensure that the cost of generation and supply of gas are reduced to the minimum so as not to burden the industry.

As regards the flaring of the gas the Committee would like to recall that when they visited the Ankleshwar oil fields it was understood that the Commission was examining the economics of suitably compressing the gas and putting it to industrial use. The Committee have been supplied a copy of the "Feasibility Study For a Gas Compressor Station at Ankleshwar to transport additional gas to Baroda". It is claimed in the study that on an investment of Rs. 100 lakhs the Commission would be able to have a return of 38.81 per cent before taxes and 17.33 per cent after taxes and that the entire investment would be paid back after 3-5 years, even after setting off taxes. In view of the favourable economic aspects and the over-riding need to utilize a valuable energy resource like gas for productive purposes, the Committee would like Government to take decision in the matter without delay and draw up a firm programme for supply of additional gas to meet among other the requirements of Heavy Water Plant at Baroda. (Paras 9.50 to 9.52)

Reply of Government

As noted by the Committee in Para 9.44, the price of natural gas produced from ONGC's Gujarat fields and as given to G.S.F.C. and G.E.B.,

has already been settled through the good offices of the Governor of Gujarat and the then Minister of Petroleum and Chemicals. This price would be valid for a period of five years w.e.f. 1-4-1971. As regards fixation of price for a subsequent period, Government would keep all relevant considerations in view before taking a decision at that time. One of these, as the Committee have pointed out, is that natural gas is a fuel resource of basic importance for industrial development of Gujarat which hardly has any industrial fuel except gas and petroleum products. Another is to ensure a fair price to ONGC; this would improve its financial position and help to some extent in financing of the intensive programme of exploration which it would be undertaking in the years to come.

2. As regards the Committee's observations in Para 9.51, it may be stated that during the early stage of development of a field, ONGC generally carries out market surveys for finding customers for natural gas likely to come out of that field and adequate publicity of this is done well before supply of gas in commercial quantity is started. Efforts have also been made by ONGC and would continue to be made to reduce the cost of generation and supply of gas.

3. As regards the establishment of a Gas Compressor Station at Ankleshwar, Government had approved the Scheme in April-May, 1972, on the basis of the feasibility study submitted by ONGC. Since that time, ONGC have taken various follow-up actions like getting the necessary clearance from the indigenous angle to import the Compressors, and getting the release of requisite foreign exchange. Orders for the compressors allied equipment have already been placed by ONGC and it is hoped that the Compressor Station would be installed at Ankleshwar by the time the Heavy Water Plant at Baroda is commissioned and is in a position to take supplies of gas.

[Ministry of Petroleum & Chemicals O.M. No. 10/52/72-ONGC
dated 28th Oct., 1972]

Recommendation (Serial No. 60)

The Committee trust that with the introduction of the revised forms of budget, proper co-ordination and tighter control will be exercised by the ONGC in its ever increasing activities. (Para No. 9.60)

Reply of Government

Government agree with the observations of the Committee and have impressed their importance on the Commission. Copy of Government's letter dated the 22nd September, 1972 addressed to ONGC on the subject is enclosed (See Appendix No. IV). The revised form of Budget has been given effect to in the preparation of Revised Estimates for 1971-72 and onwards.

[Ministry of Petroleum and Chemicals O.M. No. 10(44)/
72-ONGC dated 28th Oct., 1972]

Recommendation (S. No. 61)

The Committee recommend that energetic efforts should be made by the Commission to settle all outstanding claims expeditiously. The Committee also suggest that a careful scrutiny of the shipping documents should

be undertaken contemporaneously to enable claims for short landing being lodged without any loss of time, so as to obviate any loss on account of time-barred or incomplete claims. (Para No. 9.64)

Reply of Government

The suggestions made by the Committee have been noted by ONGC for compliance. The Commission have informed Government that it is making redoubled efforts to clear the outstandings. The amount of outstandings cleared till the end of August 1972 was Rs. 3.46 lakhs (including Rs. 3.16 lakhs for which the respective claims have been admitted but payments are still awaited). Thus, the amount of outstandings, out of the amount of Rs. 6.68 lakhs relating to the claims upto 31-3-71, was Rs. 3.22 lakhs only.

[Ministry of Petroleum and Chemicals O.M. No. 10/45/72-ONG dated 2nd December, 1972]

Recommendation (S. No. 62)

The Committee note that customs claims to the tune of Rs. 50.88 lakhs are outstanding. The Committee would urge that a careful analysis of the claims should be made with a view to taking appropriate steps for their realisation. Since this matter has been pending for a number of years, the Committee would suggest that reasons for these outstandings should be gone into claim-wise and the matter taken up at the highest level, if necessary, in the interest of expeditious finalisation. (Para No. 9.65)

Reply of Government

The recommendations of the Committee have been noted by ONGC and it reports that efforts to clear the outstandings have been intensified. ONGC has been directed to take further action as suggested by the Committee.

Till the end of August 1972, out of total claims of the value of Rs. 50.88 lakhs (as standing on 31-3-71), outstandings valued at Rs. 35.81 lakhs had been cleared (including Rs. 27.80 lakhs for which claims have been admitted but payment was awaited); this left a balance of outstandings of only Rs. 15.07 lakhs.

[Ministry of Petroleum and Chemicals O.M. No. 10/46/72-ONG dated 2nd December, 1972]

Recommendation (S. No. 63)

The Committee would emphasise the need for prompt clearance of goods both at the Railways and at Ports to obviate incurring demurrage charges. (Para 9.66)

Reply of Government

The observations of the Committee have been taken note of by the Government and have also been forwarded to ONGC, Railway Board, and Ministry of Transport and Shipping for further action.

[Ministry of Petroleum and Chemicals O.M. No. 10/53/72-ONG dated the 28th October, 1972]

Recommendation (S. No. 64)

The headquarters of ONGC should also keep a careful and continuous watch on claims for short landing and custom-refunds which are pending beyond six months to ensure their expeditious settlement.

The Committee would also urge that contemporaneous action should at least now be taken to claim refund from customs for cases which may arise hereafter so that such arrears do not occur. (*Paras 9.67 & 9.68*)

Reply of Government

The suggestions of the Committee have been noted and conveyed to ONGC for compliance. The Commission has assured Government that efforts to clear the outstandings have been re-doubled.

[Ministry of Petroleum and Chemicals O.M. No. 10/47/72-ONG, dated the 28th October, 1972]

Recommendation (S. No. 68)

The Committee note the steps taken by the Administration to rationalise the staff strength of the Commission. In view of the specialised requirements of personnel to man the Oil Industry, and the fact that there is dearth of the type of persons required for manning exploration and production activities of the Commission, the Commission has to pay greater attention to the training of its personnel so as to ensure that its employees are fully familiar with the latest technology, practice and procedure. ONGC is an enterprise which demands large expenditures of capital and competent technically skilled man-power with a feeling of dedication to the task. The Committee trust that the Commission, as has been the case all along, will continue to impart confidence in its personnel. (*Para 10.60*)

Reply of Government

Government fully agree with the recommendations of the Committee and have themselves been emphasising, in recent years, upon the Top management of the Commission, the need to give greater attention to man-power planning and to training of the personnel of ONGC. ONGC have intimated that they have noted the observations of the Committee. Government will keep a watch to ensure that due action is taken by the Commission.

[Ministry of Petroleum and Chemicals O.M. No. 10/57/72-ONG dated the 28th October, 1972].

Recommendation (S. No. 69)

The Committee find that there has been inordinate delay in framing, finalising and notifying after approval in the Gazette of India Recruitment/Promotion regulations and Pay and Allowances regulations etc. The Committee deprecate such avoidable delays in matters which affect the vital interests of workers in a key statutory organisation. The Committee would stress that the procedure for framing such regulations should be well laid out and the matter should be systematically followed up both in the offices of the Commission and the Ministry to ensure that these are finalised and notified without delay. (*Para 10.66*)

Reply of Government

Government as well as ONGC have taken careful note of the recommendations of the Committee for compliance. ONGC would also be asked to review their procedures for framing of such regulations in order to cut out all avoidable delays. Government on their part will take up for examination how the finalisation of the regulations can be speeded up.

[Ministry of Petroleum and Chemicals O.M. No. 10/58/72-ONG dated the 28th October, 1972]

Recommendation (S. No. 70)

The Committee note the various steps taken by the Oil and Natural Gas Commission with regard to maintaining cordial labour-management relations. The committee have taken up for examination this year the horizontal study of Personnel Policies and Labour Management in the Public Undertakings. They would therefore, make their detailed recommendations in this regard in that Report. (*Para 10.76*)

Reply of Government

No comments.

[Ministry of Petroleum and Chemicals O.M. No. 10/59/72-ONG dated the 28th October, 1972]

Recommendation (S. No. 71)

The Committee need hardly stress that ONGC should take effective and prompt action to resolve the genuine difficulties of workers. (*Para No. 10.81*)

Reply of Government

Government fully agree with the recommendations of the Committee which have also been noted by ONGC. It is recognised that action as suggested by the Committee is essential for continued maintenance of cordial Management-labour relations in ONGC.

[Ministry of Petroleum and Chemicals O.M. No. 10/60/72-ONG dated the 28th October, 1972]

CHAPTER III

RECOMMENDATIONS WHICH THEY DO NOT DESIRE TOPURSUE IN VIEW OF THE GOVERNMENT'S REPLY

Recommendation (S. No. 2)

The Ministry should draw up an integrated plan for implementation with a view to attain self-sufficiency in crude oil at the earliest to save the heavy drain on precious foreign exchange which is expected to rise to Rs. 186 crores in 1974-75. The Ministry should have a separate task force cell to ensure systematic follow up and for taking steps for implementation of time-bound programme of Ten Year Plan to obviate the import of crude oil, at the earliest. (*Para 1.48*)

Reply of Government

Government fully share the anxiety of the Committee on Public Undertakings regarding the gap between demand and production of crude oil in the country and the heavy out go of foreign exchange in importing crude oil to bridge this gap. As the Committee have already noted in their Report, on the initiative of Government, a Techno-economic Study of the Country's potential for hydrocarbons was conducted jointly by ONGC and Soviet experts. In this study, two Variants for action were suggested. It has been decided to accept Variant I which envisages a more intensive effort being made in oil exploration. Under this Variant, ONGC, in the next five years, would strive to discover 64 million tonnes of additional oil reserves and to establish at the end of that period, crude oil production at the rate of 8 million tonnes per annum. ONGC have recently drawn up details of a Five-Year Plan on the basis of this Variant which is scheduled to come into effect from 1973-74. This would take the place of the 10-year Plan which had been formulated by ONGC some years back.

In addition to the efforts which would be made under this Plan, Government and ONGC have considered what more could be done to increase the crude oil availability from within the country. As the Committee know ONGC will embark very shortly on a programme of offshore drilling in deep waters off the West Coast, on the "Bombay High" and adjoining structures. This will be done by the mobile drilling platform which is presently under construction in Japan and is scheduled to reach Bombay Port by the end of 1972. As a result of the detailed seismic surveys which were conducted this year and their results, the Commission have released nine locations for this offshore drilling. An operating programme had already been drawn up by the Commission for the drilling of 6 wells in the first phase and various preparatory steps are nearing completion in advance of the arrival of this drilling platform. The Commission also hope to utilise this platform to drill on Tapti offshore structure which is in less deep waters during certain times of the year. Government also are giving serious consideration to how the offshore programme can be expanded, taking into account its financial (including foreign exchange) and other implications.

It may also be mentioned that ONGC have, with the approval of Govt. of India, recently decided to go out for their second venture abroad. In response to an advertisement floated by Iraq National Oil Company (Which is the State Oil Company), ONGC have, on July 31, 1972, submitted a bid for oil exploration and development in an area in southern part of Iraq. The bid is reported to be under consideration of INOC along with other bids which have been received by them.

The Ministry already keeps a periodic watch on the progress of ONGC's annual plan of operations, even though no Cell, as such, has formally been created. It is being done by the administrative and technical officers in the Ministry dealing with ONGC, under the direct supervision and guidance of Secretary of the Ministry, officers of Ministry of Finance are also associated with this, wherever necessary. The ways in which this follow-up is done are many and are suited to the requirements of a particular situation. Monthly letters in a format specifically devised by the Ministry are received from Chairman, ONGC, which give, in considerable detail, the various major activities of the Commission during the month specially the progress in terms of the targets which have been set. Special Reports are also received on certain important projects of the Commission like Offshore. J & K drilling, Tripura drilling etc. These letters and Reports are analysed closely in the Ministry and suitable directions given to the Commission wherever necessary. Regarding major Projects like offshore, meetings have also been held, from time to time, in the Ministry presided over by Secretary, where not only has the progress in various aspects been considered but also decisions taken to remove bottlenecks and out through procedural difficulties. In addition to these, Quarterly Progress Review Meetings are held, which are attended by Chairman and various Members of the ONGC, representatives of the Ministry of Finance, Bureau of Public Enterprises and Planning Commission. In these meetings, the progress of Commission's operations is further discussed in detail and immediate decisions taken wherever possible. The progress of implementation of ONGC's programmes also comes in for a close review at the time of annual discussions of ONGC's Revised Budget for a financial year and Budget Estimates for the following year.

The foregoing would show that the procedures adopted in the Ministry for follow-up on ONGC's activities are adequate for serving the purpose which the Committee on Public Undertakings have in view. These procedures are proposed to be continued in future also, for keeping a watch on the implementation of time-bound programme which ONGC intend to take up in the next five years, referred to earlier.

(Ministry of Petroleum and Chemicals O.M. No.
10/4/72-ONG. dt. 28th Oct. 1972)

Recommendation (S. No. 8)

During the discussion on the demands for grants, in respect of the Ministry of Petroleum and Chemicals in Lok Sabha on the 6th July, 1971 suggestions were made by Members for evolving a National Fuel Policy with particular reference to the role of petroleum products in the economic development of the country.

The Committee note that the National Fuel Policy question is under examination of the Planning Commission and the Ministry of Petroleum and Chemicals has also appointed a Study Group in this connection. They recommend that the National Fuel Plan should endeavour to coordinate the activities of all the parties engaged in the production of different kinds of fuels, as early as a practicable and the Ministries concerned should also get together to evolve the National Fuel Policy which is so vital to the country's requirement. (*Paras No. 1.49 and 1.50*)

Reply of Government

For evaluating all the available fuel resources in the country with a view to optimising their utilisation, Government had, in October, 1970, set up a high-level Fuel Policy Committee. This Committee, of which the C.P.U. have made mention in their recommendation, is presently headed by Prof. S. Chakravarty, Member, Planning Commission. It has already submitted on the 16th May 1972 Part I of its Report entitled "Fuel Policy for the Seventies", which is under consideration of Government. The Committee had been given time till 31-10-1972 (since extended upto 31-3-73) for submission of its final report.

2. As regards the study group appointed by this Ministry, of which the C.P.U. have made mention, it was set up specifically to suggest measures for curbing the consumption of petroleum products. It was headed by Shri N.N. Kashyap, the then Chairman of the Indian Oil Corporation, and consisted of representatives of the concerned Ministries and the Planning Commission. It gave its report in March, 1971, and Government have already taken decisions and initiated action on the various recommendations made in the Report.

3. Government have taken careful note of the C.P.U.'s recommendations regarding a National Fuel Plan and evolution of a national policy in this regard, and have brought these recommendations to the notice of Secretary, Fuel Policy Committee.

(Ministry of Petroleum and Chemicals O.M.No.
10/5/72-ONG dated 14th November, 1972)

Recommendation (S. No. 12)

In the year 1966-67 to 1968-69 although overall targets in respect of geological field parties were generally fulfilled, the shortfalls were noticed in respect of shallow drilling continuously for three years. Moreover, during the year 1969-70, the geological parties deployed in Andaman Islands showed a shortfall in achievement of semi-detailed mapping to the extent of 275 sq. km. (about 53 per cent), which they attributed to the fact that despite the promise made by the Andaman Administration a boat could not be supplied to the Geological party for covering the coastal area.

The Committee note that the percentage of productive days to field days in case of semi-detailed mapping has shown a rising trend from 1966-67 to 1968-69 from 71-69 to 76-63 but in the year 1969-70 it has come down to 74.5.

The Committee note that in pursuance of an earlier recommendation made by them on work norm and standard cost, the Directorate of Geology had undertaken a study based on the performance of geological parties area-wise, workwise and year-wise. Critical study of the results have, however, revealed that because of a number of variables such as topography, weather, accessibility, availability of labour, communication, type of work socio-economic climate, local conditions, etc., it has not been found possible to work out a work norm or standard cost. While the Committee appreciate the difficulties inherent in working out a uniform norm or standard cost for geological survey, they feel that if figures are compiled systematically area-wise and work-wise these should help considerably in framing the estimates on realistic basis and of judging the performance where the area and the work are of similar nature. The Committee have no doubt that if the Commission earnestly persist in their efforts to complete data systematically and closely analyse it they would have before long reliable norms to guide and evaluate the work of geological surveys in the field.

The reasons for the inability of the Andaman Administration to supply a boat to the Geological party should be looked into by Government with a view to finding lacuna if any, and obviate recurrence, in the matter. (*Paras No. 3.16 to 3.19*)

Reply of Government

The reasons for shortfall in respect of Shallow Drilling during the years 1966-67, 67-68, and 68-69, were given in detail by Oil and Natural Gas Commission to the Audit and those have been re-produced as Appendix II of Audit Report (Commercial), 1970 Part VIII, on Oil and Natural Gas Commission.

2. Government have looked into the reasons for the inability of the Andaman Administration to supply a boat for the use of the geological parties of Oil and Natural Gas Commission during their field-seasons. It has been found that the boats available with the Administration have had to be deployed most of the time in connection with the Administration's overall programme of development of the Islands, the opening of new areas, and the settlement of population there every year, and the consequent inability of the Administration to spare those boats on a regular or whole time basis for ONGC's work. Andaman Administration had suggested to ONGC that they should have a boat of their own for their survey work, which lasts for about 4-5 months every year, and in the interim, to avail of the ferry service connecting the islands where ONGC would be doing their survey work. ONGC are examining the matter in order to evolve the most practicable solution to this problem.

3. As regards evolution of work norms, as recommended by CPU, ONGC will once again take up for study whether reliable norms, to guide and evaluate the work of geological survey parties in the field, are possible of being established. A final decision as and when arrived at will be intimated to the Committee in due course.

(Ministry of Petroleum and Chemicals O.M.No.
10/14/72-ONG dated 2nd December, 1972).

Recommendation (S. No. 13)

From the details furnished by the Commission to the Committee and the evidence given by the Commission/Ministry, it is observed that overall targets of survey work fixed for gravity-cum-magnetic parties by the Commission were attained except in the year 1967-68, the shortfall being in Gujarat only in 1966-67, Gujarat, Rajasthan, U.P. Assam and Orissa in 1967-68 and Assam in 1968-69. The Commission have assigned these shortfalls to factors like "breakdown of vehicles and equipment, inadequate repair facilities, poor accessibility of the area, development of defects in the gravity meter, etc."

As far as the targets and achievements of seismic parties are concerned, the Committee find that there were shortfalls in certain areas viz. Gujarat and Madras in 1966-67, Gujarat in 1967-68 and Rajasthan in 1968-69. The Commission had indicated that these shortfalls were also due to "breakdown of vehicles and equipment, inadequate repair facilities, poor accessibility of the area and delayed commencement of operations".

The Committee note that for Gravity Magnetic survey, the percentage of productive days to field days rose from 46.59 in 1966-67 to 71.6 in 1969-70. Normally, the Committee would have expected that with the improvement in the percentage of productive days to field days, the average cost per station/L.K.M. would also come down, but instead they find that the average cost rose from Rs. 131.70 in 1966-67 to Rs. 256.89 in 1968-69 (figures for 1969-70 are not available). The Committee would like ONGC/Government to look into the reasons for this rise in the average cost per Station/L.K.M. despite improvement in the percentage of productive days to field days and take remedial measures to ensure that the cost is kept to the minimum consistent with work achievement.

The Committee would also like to point out that the percentage of productive days to field days increased for seismic off-shore surveys from 19.77 in 1966-67 to 20.52 in 1967-68. The Committee consider that the percentage of productive days to field days is very much on the low side and every effort should be made to increase the percentage. The Committee are further perturbed to find that in spite of the fact that there was some increase in the percentage of productive days to field days in 1967-68 as compared to 1966-67, the average cost per Station/L.K.M. rose from Rs. 2,034.26 per Station/L.K.M. in 1966-67 to Rs. 3,198.44 in 1967-68. The Committee would like ONGC/Government to carefully analyse the reasons for this perceptible increase in the average cost per Station/L.K.M. in spite of the fact that the percentage of productive days to field days had improved. The Committee need hardly point out that as off-shore surveys are bound to increase, it is imperative that every effort is made to keep the average cost per Station/LKM to the minimum.

The Committee note that the ONGC are seized of the problem of working out the standard cost for geophysical survey and that with this objective in view, cost reports for four years from 1964 to 1968 have been prepared and analysed. It was, however, noticed that there was a difference of as much as 40 per cent in the average cost of geophysical surveys carried out in 1966-67 and 1967-68 and, therefore, it had been decided to ascertain actual cost of operation of two more years before working out the standard cost. The Committee hope that the relevant data must have been collected by now.

and standard cost for geophysical survey worked out in consultation with Finance and Audit so as to provide a yardstick for evaluating the performance of parties in the filed. (Paras 3.35 to 3.39)

Reply of Government

Regarding Paras 3.35 and 3.36, the Committee have already noted the factors that led to a shortfall in the achievements of seismic and gravity-cum-magnetic survey parties. It may not always be possible that each individual party fulfills the target upto 100% however, every effort is made in this direction. Despite the endeavours of ONGC to keep their vehicles roadworthy, break-downs often got prolonged due to non-availability of adequate workshop facilities right in the vicinity of the operational areas of the parties. ONGC, however, have been taking steps to replace the Old vehicles within constraints of the overall tight supply position of vehicles in the country. As regards accessibility of the area, it is dependent on the terrain in which the parties might be operating at any particular time. As regards developments of defects in the equipment like gravity meter, efforts are made to ensure that these remain in good working condition but break-downs cannot be completely avoided.

2. In the light of the observations of the Committee in Paras 3.37 and 3.38, ONGC have initiated in July-August'72 a study of the causes for the rise in the average cost per Station/L.K.M., both in gravity magnetic surveys and seismic offshore surveys despite improvement in the percentage of productive days to field days. Remedial measures would have been taken on the basis of the findings of this study (which is likely to be completed by the end of the year) to ensure that the cost is kept to the minimum without sacrificing data, quality or the work achievement.

3. As regards the observations in Para 3.39, cost reports for the field seasons 1968-69 and 1969-70, were compiled by ONGC and analysed. The Commission still found that it would not be possible to evolve standard cost as such for geophysical surveys in view of the variety of the terrain conditions and of field and seismic techniques. Nevertheless, in planning the programme of work and cost estimates for the budget year, past experience is taken into consideration.

(Ministry of Petroleum and Chemicals O.M.No.
10/15/72-ONG dated 15th December, 1972)

Recommendation (S. No. 14)

The Committee do not feel happy to note that the volume of work be done in respect of seismic survey in the Jaisalmer area was not specified in the contract itself and it was therefore not found possible to verify whether the performance of the contractor was reasonable or otherwise. The Committee find that the cost of seismic survey work per line Km. being done by ONGC in the area is very high and would stress that every effort should be made to bring it down by more efficient and greater utilisation of men and equipment (Para No. 3.51)

Reply of Government

Apart from the reply already given by ONGC which the Committee have noted in para 3.45 of their report, it may be added that in the very difficult terrain and seismo-geological conditions, prevailing in the sandy dune-covered desert area of Jaisalmer, and with these conditions varying from one part of the area to other, it was not possible to base a contract on the line Kms. of surveys to be carried out. The quantum of work required to carry out a line-Km. of survey was not known and was likely to vary over the areas. To base the fee merely on the Line-Kms. of the survey done could have led the contractor to run the maximum number of Line-Kms. without caring about the quality of the seismic data obtained. It is generally in the offshore areas that "shooting" conditions are uniform to a great extent and it is possible to fix the fee on a per Line-Km. basis. This was done in ONGC's recent contract with C.G.G. for seismic surveys in the Arabian Sea.

As regards the cost of seismic surveys done by ONGC in Jaisalmer area, every effort is being made by the Commission to utilise man-power and equipment to the maximum extent. As against the cost-line-Km. of Rs. 7057* in 1968-69, the figure for 1969-70 was Rs. 8386.41*. The reasons for increase in costs are being analysed. Cost reports for the years 1970-71 and 1971-72 have not yet been compiled. Observations of the Committee in this regard would be borne in mind by the Commission.

(Ministry of Petroleum and Chemicals O.M. No.
10/18/72-ONG dated 2nd December, 1972)

Recommendation (S. No. 18)

The object of entering into a contract with M/s. Technoexport was to conduct seismic survey in the various prospective parts of the Continental Shelf of the Gulf of Cutch nad Coromandal Coast to obtain information regarding the structures and other geological conditions, which is necessary for making a broad preliminary assessment of the oil and natural gas prospects in any areas. The performance during the original contract period i.e. 1st August, 1964 to 3rd October, 1965 indicates that out of total 429 days, (excluding voyage days from Russia to India) actual survey work was done only for 152 days and the actual lines kms. covered were 6351 out of 9600 line kms; thus leaving a shortfall for 3249 line Kms. The performance during extended period of contract from 4th October, 1965 to 3rd January 1967 indicates that out of the total of 457 days, the ship was engaged in actual survey work for 183 days. The actual line-Kms. covered by the survey were 8272.1 line Kms. against the target of 6160 line Kms. The Committee regret to note that the objectives for carrying out seismic survey in the various prospective parts of the Gulf of Cutch and coromandal Coast were not fulfilled during the different stages of the contract.

Besides it is also noted that the Commission accepted a higher offer on the consideration that it would involve lesser expenditure in foreign exchange. Moreover, the extensions of contract was made to link it up with another agreement with SNAM which envisaged the use of drilling platform of SNAM to be brought from Itlay and also to complete the seismic survey of the continental shelf of India. Unfortunately the Committee find that these objectives failed to materialise.

*At the time of factual verification ONGC informed that the figures "Rs. 7957" and "Rs. 8386.41" may be read as Rs. "7057.74" and "Rs. 8321.15" respectively.

The targets set out in the contract could not be achieved and the submission of the Report of the contractor on the seismic survey was also behind schedule.

The Committee note, the Report indicated the presence of two structures viz. "Bombay High" and "South Tapti" in which deep exploratory drilling was recommended but no exploratory drilling has yet commenced. The Committee are concerned to find that the sense of urgency in commencing deep offshore drilling has been lost by the Commission. (*Para Nos. 4.11 to 4.14*)

Reply of Government

ONGC had already given its comments on most of the points raised by the Committee and Government would wish the Committee to consider these comments even at this stage. Some of these have been noted by the Committee in paras 4.7 to 4.10 of their Report. Government would like to stress that the geological and geophysical objectives of conducting this seismic survey were achieved fairly well. The survey gave valuable information on the structural conditions of the Coromandal Coast and the Gulf of Kutch and the results of the Survey can be said to have been commensurate with the volume of work. As for the specific targets in terms of line-kilometres, these were more than achieved during the extended period of the contract. The target for the first period was fixed on the basis of the discussions with the Russian representatives who had come for negotiations of the contract. In this connection, Chairman, ONGC's comments in Para 4.9 are relevant. During the course of the surveys, it came to be realised that the target was fixed on the high side. From this experience the Commission has learnt the lesson that targets for such survey work have to be very carefully fixed making adequate allowances for uncertain factors. For the period of the extended contract, the target was fixed on the basis of the performance during the previous period and also on the basis of certain other considerations such as experimental surveys. During this period the target was over-fulfilled. Thus, for both the periods combined, out of the total of 15,760 line-Kms. to be covered, the actual coverage was of 14,623 line Kms, and the shortfall was only to the extent of 7%. Achievement of 93% of the planned target is considered as a very good performance, specially in view of the circumstances pointed out earlier, and even in terms of the attainment of geological objectives, the same were considered to have been achieved. Consequently, it cannot be said that the small shortfall in achievement reflected adversely upon the planning and coordination of the Project.

As regards the number of days on which actual survey work was done as against the total number of days on which the ship was available, it is to be noted that the vessel could not have been engaged in the survey work on all the days on which it was available. Certain days had to be set apart, initially, for custom's clearance of equipment brought in by the team, setting up of the radio-geodetic stations etc., and later, for movement from one area to the other; winding up of the establishment in one area and transferring it to the next area and re-establishing it there; shifting of the radio-stations in between the areas; collection of POL, fresh water, foodstuffs, and materials; transportation of explosives and loading them on the vessel; routine maintenance of the vessel, etc.

2. The main purpose of extending the contract for offshore surveys by the Soviet Seismic Expedition was to follow up on the interesting structural indications obtained in the broad regional and reconnaissance surveys carried out in the southern part of the Gulf of Cambay and the adjoining parts of Arabian Sea, as well as in the Coromandel Coast during the original contract period. This contract was extended not with a view to link it up with an agreement between SNAM and ONGC on offshore drilling using a small capacity jack-up platform in the shallow waters of the Gulf of Cambay (where departmental seismic surveys done by ONGC had located certain structures). In this connection the remarks of Chairman ONGC, as noted by the Committee in para 4.8 of the Report are relevant. The main objective of the extended contract was fulfilled. The surveys brought out the existence of a number of structures in the southern area of the Gulf of Cambay and the adjoining area of the Arabian Sea. Some of the structures like Bombay High are very large and are considered to be prospective for large scale oil and gas accumulation.

3. The delay of four months in submission of the Report by the Soviet team was due to the fact that a larger volume of data was collected than planned, and it was felt necessary to review and inter-link it with the data collected earlier.

4. The environmental conditions obtaining in the deep water structures like Bombay High were known to be very severe, comparable to some of the worst conditions obtaining in the world, like in the North Sea and the Gulf of Mexico. Exploratory drilling in such structures could only be undertaken with the help of a suitable mobile drilling platform and great care was needed to determine the specifications of such a platform and the best method of approach to explore these structures, keeping in view the overall national interests. In the mid/sixties, efforts were made to seek foreign collaboration for the Bombay High exploration. Certain Companies, including Tennaco of USA, showed interest and negotiations were conducted with them. The Tennaco proposal was, however, ultimately found to be not advantageous. Moreover, review made of the prospects in Bombay High area showed that the area may be considered as highly prospective for oil and gas in large quantities and that the oil risk is well worth taking by ourselves. After considering the various methods of approach including foreign collaboration through joint venture proposed by certain foreign oil companies, it was decided to explore these offshore structures on an assisted-owner operation basis. Accordingly, the advice of a competent firm of consultants was taken and the self-propelled, self-elevating jack-up platform was chosen as the most suitable to be acquired for conducting offshore drilling in the continental shelf of India and steps were taken to place orders for the construction of such a platform in Japan. Drilling in the Bombay-High area using this vessel is expected to commence early in 1973, and all preparatory actions towards this end are well in hand.*

(Ministry of Petroleum and Chemicals O.M.No.
10/73/72-ONG dated the 30th December, 1972)

*At the time of factual verification, the Ministry of Petroleum and Chemicals informed the Committee as follows :—

“The Mobile off-shore platform ‘Sagar Samat’ which was under construction in Japan, was delivered to the ONGC on March, 31, 1973. It is now on way to India and is expected to arrive in the drilling area off Bombay in the second half of May, 1973.”

Recommendation (S. No. 20)

The Committee very much regret to note the undue delay in processing a proposal both at the ONGC level and at the Government level has resulted in withdrawal of an offer of sale of a second-hand seismic survey ship by a foreign party. The arguments whether the ship in question was suitable to the requirements of the ONGC or not and whether the offer was not considered on grounds of short validity period seem unconvincing. The Committee would like Government to take expeditious decision in the matter so that the ONGC have the services of a fully equipped seismic ship for carrying out the requisite survey. (*Para No. 4.23*)

Reply of Government

Government had already, in the past given their comments in detail on the circumstances why the offer of purchase of seismic vessel 'Teledex-IV' was not accepted. The Committee took note of these comments in Para 4.22 of the Report. Government would like once again to state those reasons and circumstances, why the offer was allowed to lapse. That there was good reason to doubt the suitability of the vessel has been confirmed by the opinion given by the Chief Surveyor in the Directorate General of Shipping, who had inspected the vessel as a part of ONGC's team that in view of the history of frequent break-downs of its machinery and its poor condition (as observed during the examination and in actual trials), it was a wise decision on the part of Government not to have purchased the vessel; also that the vessel would have given many operational headaches when plying in Indian conditions.

As regards the latter part of the Committee's observations, Government have already given a clearance to ONGC to call for global tenders for purchase of a suitable seismic survey ship and equipment. On receipt of specific proposals from ONGC in this regard, Government would endeavour to take an expeditious decision in the light of all relevant circumstances, including the foreign exchange situation then existing.

(Ministry of Petroleum & Chemicals O.M. No. 10/
20/72,-ONG, dated the 14th November, 1972)

Recommendation (S. No. 26)

As far as Rudrasagar and Lakwa oil fields in Assam are concerned, the Committee are not clear whether the real constraint arises from the fact that exploration and drilling operations in these fields have not yet conclusively established commercial production or for want of transport facilities or for lack of capacity in the Refineries. The Committee need hardly point out that most pressing problem is of reducing, if not eliminating, our dependence on imported crude. It is therefore, imperative that the known reserves of oil in Lakwa and Rudrasagar fields are fully exploited and the transport bottlenecks overcome suitably. The capacity in the Refineries at Gauhati or Barani should also be suitably augmented if necessary to refine this available crude. If, however, the intention is that the supply of crude from Rudrasagar and Lakwa oil fields should be stepped up only when the Refinery comes up at Bongaigaon then the Committee expect Government/O.N.G.C. to clearly state and publicise the decision to obviate any misgivings. In that case, the Committee would also expect Government/ONGC to draw up a

coordinated programme for development of Lakwa and Rudrasagar oil fields to synchronise with installation of refinery at Bongaigaon. (Para No. 5.14)

Reply of Government

The exploration and drilling operations by ONGC in Rudrasagar and Lakwa fields had conclusively established an aggregate production potential of 1 million tonnes per annum. Trial production from both these fields had also been started subsequently. However, there was a constraint in despatching all the quantities of crude oil that could be produced from these fields, to Gauhati/Barauni refineries because of the limited capacity of OIL's existing pipeline. Though the demand for crude oil by Gauhati Refinery was being fully met under the arrangements then existing, extra capacity was available in Barauni Refinery (after the setting up of the 3rd million-tonne unit) where more of ONGC's crude could be processed, but for the limited capacity of OIL's pipeline, (which could despatch only 2.2 million tonnes annually on the Gauhati-Barauni Sector). To get over this constraint, OIL prepared a plan for expansion of their pipeline capacity. It was taking time to reach a decision to execute this plan as there was disagreement between ONGC and OIL over the transport charges. Meanwhile the decision was taken by Government to set up additional refining capacity of 1 million tonnes in Assam itself to process ONGC's crude oil from the two fields. This additional capacity is being created through the establishment of a new refinery in the public sector at Bongaigaon. This decision has already received sufficient publicity. The crude from ONGC's fields will be transported through OIL's pipeline from Moran for which necessary additional facilities like pumps and crude conditioning plant are to be provided under a revised plan to expand the pipeline capacity. Moreover, ONGC, on their side would have to put up new oilfield installation, lay flow-lines for connecting additional wells and a trunk pipeline connecting Rudrasagar and Lakwa oilfields (from Lakwa to Moran, a pipeline already exists). ONGC have drawn up a coordinated programme for providing these production facilities so as to synchronise with the installation of Bongaigaon Refinery.

Government have been very much alive to the need for reducing our dependence on imported crude and for utilising fully and quickly the production potential of ONGC's Assam fields. For that reason, the trial production from Rudrasagar, which had started in March, 1966, was despatched to Gauhati Refinery initially through rail tank-wagons. Despatches from Lakwa field were started from July, 1968 @400 tonnes/day through OIL's pipeline by making appropriate arrangements. The rail movement of Rudrasagar crude continued till March 1970 after which it was stopped because this mode of transportation was proving uneconomical to ONGC. However, during 1970-71, OIL considered and took a decision to instal larger-sized plungers at their Moran pumping station to enable an increase in despatch of ONGC's crude oil to 900-950 tonnes/day. While this was being done, OIL pressed some stand by pumps into service from October, 1970, as a temporary expedient to be able to despatch additional quantities of crude. This enabled resumption of despatches of Rudrasagar crude from that month, this time with the aid of OIL's pipeline. By March 1971, the new plungers, had been installed at Moran, which allowed for an increase in production from both Lakwa and Rudrasagar fields. From the

financial year, 1971-72, Lakwa field was deemed to be on "commercial" production, as noted by the Committee in Para 5.46.

In addition, now that a decision has been taken to increase OIL's pipeline capacity in order that it can carry 1 million tonnes of ONGC's crude to the Bongaigaon Refinery. Government are considering whether this expansion could be brought about in two stages. The first of these stages could be completed by summer 1974, by which time, ONGC hope to be able to complete necessary facilities to further augmenting production from their fields. This would enable increased quantities of crude oil to be despatched for processing at Barauni Refinery, as an interim measure till Bongaigaon Refinery is commissioned (some time in 1975-76).

(Ministry of Petroleum and Chemicals O.M. No. 10/26/72-ONG, dated the 2nd December, 1972)

Recommendation (S. No. 28)

The Committee find that consistency of approach in regard to the allotment of work of designing of the Kalol-Nawagam-Koyali Pipeline was lacking. The Committee are not able to appreciate how ONGC/Ministry thought of negotiating designing work with a foreign firm when the Hind Oil Design Institute of ONGC/Engineers India Ltd. (a public sector Undertaking) could undertake the same and thus save valuable foreign exchange and time spent in avoidable negotiations. The result of this vacillating policy was delay in the designing and commissioning of the pipeline. The Committee is of the view that the Government should have shown greater alertness and firmness in deciding the award of the contract to an indigenous organisation.

Now that the Kalol-Nawagam-Koyali Pipeline has been commissioned and regular production has commenced from the Ahmedabad Project the Committee trust that adequate care has been taken to see that the capacity of the pipeline would meet in full the present and future requirements of an expanding refinery like Koyali. (Paras No. 5.33 & 5.34)

Reply of Government

Government would like to point out that before either Engineers India limited or Hind-Oil Design Institute of ONGC had come into existence, ONGC had held negotiations with Snam and with the approval of Government, given in January, 1963, had signed a contract with Snam for designing of Kalol-Koyali pipeline and six other pipelines in Gujarat; and in pursuance of this contract, Snam undertook a certain part of design work of Kalol-Nawagam-Koyali pipeline. However, in view of the fact that oil potentialities of the Kalol-Nawagam fields needed further consideration, action to construct this pipeline was deferred by ONGC.

2. Towards the end of 1964, the nucleus of the Hind Oil Design Institute (HODI) was established at Dehra Dun. Engineers India Ltd. (EIL) was incorporated on March 15, 1965, as a partnership between the Government of India and M/s Bechtel International Corporation of U.S.A. By mid-1965, the ONG Commission had got a clear picture of the oil-producing potentialities of Kalol-Nawagam fields, and of the characteristics

of the crude oils. Thus the Commission decided in its meeting of 21-6-65 to revive action on Kalol-Nawagam-Koyali pipeline. It had been visualised at that time that, in view of the high pour-points of the crude oil from these fields, special treatment involving heating of these crudes at intermediate stations along the span of the pipeline may be needed in order to keep the crude oil flowing through the pipeline. This kind of crude oil pipeline, where heating has to be done at intermediate stations, had not been laid in this country. HODI did not possess the necessary expertise and experience of designing such a pipeline. On the other hand, Snam were known to have had considerable experience of designing and laying various types of pipelines and, had already completed a part of the drawings for this pipeline in the past as a part of the original contract. When ONGC forwarded a proposal to Government in July, 1966, requesting for Government's approval for entrusting the further studies to Snam (along with approval for awarding the construction contract also to Snam), Government considered at that very stage, in what way the Indian expertise in the field of pipelines, to the extent it had developed by then, could be utilised. The possible role that could be assigned to Engineers India Limited was specifically looked into and the level of competence in the pipeline field that E.I.L. had developed by 1966 was considered. It was decided in October, 1966, by the Government that E.I.L. could take up the engineering management of local construction and certain other services in connection with the laying of the pipeline but Snam would do the fresh studies in the context of special heat treatment needed etc. This was intimated by Government on October 18, 1966 to ONGC for processing further the necessary proposals.

3. The assumption made till that stage about the necessity of laying a "hot" pipeline to transport Kalol/Nawagam crude however underwent a change after trial production began from these fields in the first quarter of 1967 and the crude-mix could be further studied. The ONGC engaged, in July, 1967, an Indian Consultant for carrying out detailed studies of the crudes that were then being produced from the two fields and the flow behaviour of the Crude-Mix (this was because Snam had desired more details regarding crude characteristics in order to complete the design of the pipeline). The Consultant carried out field experiments extending over a few months in order to study the problem during different seasons. In his report given in March, 1968, the Consultant advised against the heat treatment of these crudes, for various technical reasons. The studies also showed that it should be possible to pump the Crude-Mix through the pipeline in the cold state; that it was therefore decided to go in for a 'cold' pumping pipeline (and not for a 'hot' pipeline). As the 'cold' pipeline could be designed by HODI, the design work was then entrusted to HODI and the services of Snam were not utilised.

4. As regards the Committee's remarks in Para 5.34, the diameters of K.N.K pipeline are considered to be adequate for transport of the present and the likely future requirements of Koyali Refinery of crude oil from O.N.G.C's North Gujarat fields.

(Ministry of Petroleum and Chemicals O.M.No. 10/28/72-ONG, dated the 14th November, 1972)

Recommendation (S. No. 28A)

The Committee note that the Lakwa and Rudrasagar fields of ONGC have an optimum production potential of 1 million tonnes per annum between

them. This potential was developed some years ago and has hardly been put to use for want of refining capacity at Barauni/Gauhati. The Committee note that Government have now taken a decision to set up a Refinery at Bongaigaon in Assam to refine this crude and this Refinery is likely to go on stream in 1974. The Committee deprecate delay of several years in putting to effective use the production potential of one million tonnes established in Lakwa and Rudrasagar fields which could have saved the country some part of the valuable foreign exchange which is being expanded to import crude oil from abroad. The Committee would like Government to lose no further time in ensuring that the new Refinery is brought up expeditiously and in the meantime the crude potential at Lakwa and Rudrasagar are utilised to the extent feasible by transporting it by suitable means to the existing Refinery at Barauni/Gauhati (*Para No. 5.47*)

Reply of Government

As mentioned in Government's reply to Recommendation No. 26 (Para 5.14), the main constraint on full utilisation of the production potential of ONGC's Lakwa and Rudrasagar fields has been the lack of suitable transport facilities, as regards refining capacity, it did exist at Barauni after the 3rd million tonnes unit was set up at that Refinery. The Committee has already noted in Paras 5.40 to 5.46, the efforts made to increase, from time to time, the despatches from ONGC's fields in Assam. As a result of these continued efforts, Lakwa field could be put on commercial production from the year 1971-72.

Government has noted the observations of the Committee and is taking all action to see that Bongaigaon Refinery is commissioned expeditiously. As has been mentioned in its reply to Recommendation No.26 (Para 5.14), Government are actively considering whether the expansion of Oil India Ltd's pipeline capacity can be done in two stages, the first stage to make it possible to transport increased quantities of ONGC crude to Barauni Refinery for processing, as an interim measure till Bongaigaon Refinery is commissioned.

(Ministry of Petroleum and Chemicals O. M. No. 10/29/72-ONG, dated the 14th November, 1972)

Further information called for by the Committee.

"The steps taken by Government to ensure utilisation of the optimum production potential of Rudrasagar and Lakwa Oil field and arrangements made for transport may please be indicated."

(L.S.S. O.M. No. 21-PU/72 dated 20-12-1972)

Final reply of the Government

Information relating to the steps taken by Government to ensure utilisation of the optimum production potential of Rudrasagar and Lakwa oil fields and arrangements made for transport, has already been furnished in the reply of Government to recommendation No.26 of the Report.

[Ministry of P&C O.M.No. 10/29/72-ONG dt. 30-12-72]

Recommendation (S.No. 29)

The Committee note that the real purpose in entering into a joint structure agreement and capital participation to the extent of 16- $\frac{2}{3}$ per cent with the National Iranian Oil Company (NIOC) was to develop oil resources in the off-shore area of the Persian gulf to meet the requirements of crude for the country. The Committee find that the venture has resulted till 1970 in a cumulative loss to ONGC of Rs. 15.59 crores. The Company has been able to establish production of crude oil in no more than two fields of Rostam and Raksh only. Out of its share of 65,17,146 barrels (till July, 1971) Hydrocarbons India (P) Ltd. lifted 24,37,670 barrels only, thus resulting in underlifting to the extent of 40,79,476 barrels or roughly 62.6 per cent of the share.

The Committee note that Government are now thinking of utilising this crude mixed with other crudes for processing in existing refineries and that they are also contemplating adaptation of the spare capacity available in the Barauni Refinery to take up processing of Rostam crude. Another proposal is to provide for utilisation of this crude in the projected new refinery at Goa. Government claim that they are able to sell Rostam crude at comparable prices to Japan and other countries which are already processing crude with sulphur content. The Committee need hardly emphasise that Government should without further loss of time examine in depth the economics and possibilities of utilisation of Rostam and Raksh crudes in either the Government owned or private sector refineries *vis-a-vis* the cost of importing crude from elsewhere into the country, keeping in view the relative qualities and characteristics of these crudes; the end-products which can be derived from them and the consumption pattern of petroleum products in the country. The Committee consider that had Government carried out a thorough analysis of the problem earlier or made more vigorous efforts to dispose of crude there would not have been shortfall to the extent of 62.6 per cent in our lifting of crude from Rostam and Raksh oil-fields. The Committee would like Government to take a most rational decision in national interests about the disposal of our share of crude from these oil fields of Iran in which Government have made substantial investments and suffered already a cumulative loss of over Rs. 15 crores so as to derive the maximum benefit and cut down the losses. (*Paras No. 6.21 to 6.22*)

Reply of Government

With effect from January, 1972, HIPL has started making up for the shortfall in lifting of crude from this venture in the previous years. This is in addition to lifting of the oil available to it as part of its equity share (plus the amount made available to it from the unlifted portion of NIOC's share). The amount of crude oil lifted upto July, 1972, by way of making up for the past shortfalls is 739,206 barrels. The balance under-lifting amounts to 3,944,846 barrels only out of total quantity of its equity share of 11,129,054 barrels during this period. The short-lifting thus has come down to 35.4% of the equity share of HIPL as on 31-7-72, as against 62.6% that was the position when the Committee gave its Report. It is envisaged that HIPL would continue to lift in excess of its equity share to make up for the remaining portion of the past shortfalls.

2. While it is true that IMINOCO has been able to establish production of crude oil only in Rostam and Raksh fields up to now, exploration activity is still going on at certain places in the areas leased to IMINOCO

like the 'Beta' and 'Alpha' structure in the 'R' Block of the concessional areas. Moreover it has been decided to explore more fully the 'O' structure in 'O' Block where further exploration is considered justifiable by a re-interpretation, of all available data. It is hoped that if large 'Middle-East' sized accumulations of oil can be discovered by these exploration efforts, the cumulative loss of Rs. 15.59 crores upto 1970, could be significantly reduced, if not wholly wiped out, having also regard to the improvement in the ability of HIPL to fully market all available crude oil as evidenced in 1972.

3. The suggestion that Government should examine in depth, the economics and possibilities of utilisation of Rostam and Raksh crudes in either the Government-owned or private refineries has been carried out. The modifications under way to utilise the idle capacity at Barauni Refinery of 1.2 million tonnes are being done in a way to enable processing of Rostam/Raksh crudes also. In addition, the design of the North-west Refinery, recently sanctioned would be such as could enable the refinery to process a wide variety of imported crudes including Rostam/Raksh. The characteristics of Rostam/Raksh crude oils have been analysed and it is found that as compared to Light Iranian Oil, the Yield and product pattern from Rostam/Raksh crudes is such as is not fully consistent with the country's demand for various products. It also has a higher sulphur content; however, this would hardly pose any problem in Barauni and North-West refineries because of their respective design in Barauni the high sulphur content of Rostam Crude can be balanced with the lower sulphur content of crudes that are or might be used, whereas in the North-West refinery, the hydro-cracker would help to reduce the problem of sulphur in the middle distillates.

4. Government did make considerable efforts in the past to dispose of Rostam and Raksh crudes. As for their sale abroad, difficulties were experienced initially, as happens in the case of any new crude which comes in the inter-national markets (which have so far been highly competitive). As for inland refineries, it has not been possible to sell Rostam/Raksh crudes to the private sector refineries because of the respective refinery agreements, which permit them to import crude oil to feed those refineries from their own respective sources. Burmah-Shell did offer to refine this crude but on terms not acceptable to Government. As regards public sector refineries, these at Gauhati and Koyali were already being fully fed by indigenous crudes. Barauni refinery could not take it without a considerable modification of the Plant. Cochin Refinery tried out two tanker loads of Rostam crude on a trial basis but found that it could not be used on technical grounds (as noted by the C.P.U. in para 6.20). Madras Refinery already has a long-term Contract for use of Darius crude.

5. As pointed out in the first para, the situation about Rostam and Raksh crudes has since changed. HIPL have been successful in selling their share of these crude oils abroad at competitive prices, thereby earning free foreign exchange.

(Ministry of Petroleum and Chemicals O.M. No. 10/30/72-ONG, dated the 15th December, 1972)

Recommendation (S. No. 30)

The Committee note that steps have already been taken to bring the Hydrocarbons India (P) Ltd. within the purview of Audit by the Comptroller and Auditor General of India—first through a Resolution by the Board

of Directors and then by amending the ONGC Act suitably. The Committee recommend that this should be done at the earliest. (*Para 6.26*)

Reply of Government

The matter was considered by the Board of Directors of Hydro-Carbons India (P) Ltd. in its meeting held on May 24, 1972 and in accordance with the decisions taken therein, HIPL have made a request to the C. & A.G. to take up Audit of HIPLs accounts. This would be in addition to the audit of these accounts now being conducted by a Chartered Accountant (who is selected in consultation with C & A G) as per requirements of the Companies Act, 1956.

As regards amendments of ONGC Act to formally incorporate the provision about C & G's audit of HIPL's accounts, Government feel that this could conveniently be done at the time when the question of amending the statute is considered to give effect to such decisions as Government may take regarding the future organisation, structure financing, etc., of ONGC in the light of C.P.U./Malaviya Committee Reports: some of these decisions might require amendment of ONGC Act.

(Ministry of Petroleum and Chemicals O.M. No. 10
(31)/72-ONG dated the 28th October, 1972)

Recommendation (Serial No. 31)

The Committee find that the number of Indian Personnel for training and for employment in IMINOCO, the parent Company is negligible. In addition to the two persons already trained there are two more Indians with them one for training and one in their employment. The Committee would suggest that Hydro-Carbons India (P) Ltd. should persuade IMINOCO to accept more Indians for employment and training so that ONGC may be able to gainfully draw upon their experience and expertise in furthering off-shore drilling programme in the country. (*Para No. 6.28*)

Reply of Government

Under the provisions of the Joint Structure Agreement signed between the share-holders, IMINOCO is obliged to minimise the employment of foreign personnel, i.e. non-Iranians, by ensuring as far as reasonably practicable that foreign personnel are engaged to occupy only those posts for which IMINOCO and where applicable, the Second Party (i.e. HIPL, AGIP and PHILLIPS)—do not find available Iranians having the requisite qualifications and experience. IMINOCO is obliged also to prepare plans and programmes with a view to ensuring gradual and progressive reduction of foreign personnel in such a manner that upon expiry of 10 years, the number of foreign nationals employed by IMINOCO shall not exceed 2% of the total staff employed and the top executive posts occupied by non-Iranians shall not exceed 49% of the total of executive posts available.

2. Moreover, it has also to be borne in mind that ONGC has not yet developed sufficient expertise in off shore drilling in deep waters such as is being undertaken by IMINOCO and, therefore, has not yet been in a position to offer such personnel for employment in IMINOCO. However, HIPL was able to put one of its senior geologists on loan from ONGC in the IMINOCO set-up since the inception of the latter. Additionally, another Indian officer was employed in IMINOCO from February 1968 to October 1969 when he was looking after the work of HIPL also. At this stage, it would be hardly possible for ONGC to depute any qualified offshore expert to IMINOCO since ONGC is very much in need of training its own technicians in offshore drilling for conducting operations in the areas like Bombay High.

3. Under the terms of Agreement between the parties which constitute IMINOCO, there is no scope for training of HIPL officers in the operations of IMINOCO. However, at the insistence and persuasion of HIPL a number of officers belonging to ONGC have received training in IMINOCO operations for varying periods from June 1969, till date. HIPL hopes to be able to continue this arrangement with IMINOCO for training ONGC's personnel on a selective basis.

[(Ministry of Petroleum and Chemicals) O.M. No. 10/(32)/72-ONG dated the 28th Oct, 1972.]

Comments of the Committee

Please see Paragraphs 1.22 to 1.26 of Chapter I of the Report.

RECOMMENDATION (S. No. 32)

The Committee understand that certain items of sophisticated equipment for drilling have either been procured or are on order or are being processed. In the opinion of the Committee there is a big scope of reducing the number of idle days, which is due to a number of avoidable reasons like waiting for more chemicals, shortage of equipment etc. It is essential that loss of time on account of fishing and complications should be reduced to the minimum possible extent. Use of better type of drill pipes bits and fishing tools can result in higher speed. Application of latest sophisticated tools should help ONGC in achieving this objective.

Oil exploration is a very risky venture and because of this risk considerable diversification of efforts are needed to have a chance of a successful oil exploration programme. Slackness in taking initiative in the matter of selection of equipment has to be avoided. The Committee recommend that the Commission should plan out the requirements of equipment in advance on a realistic basis and acquire them matching their perspective planning.

At present ONGC is chiefly using rigs from Russia and Rumania, which were considered to be the latest at the time of purchase some ten years back. They have as many as ten types of these rigs. Maintenance of these rigs possess a problem as far as requirement of spare parts is concerned, ONGC should go in for standardisation of rigs. It is possible to procure rigs of the same type and capacity for similar depth range.

The Committee find that at present some rigs are surplus and no proposal has been submitted by ONGC to the Government recently for buying rigs. The Committee would like the Commission to do a careful evaluation of existing rigs and make assessments of requirements of rigs projects-wise with a view to locate the unserviceable and repairable rigs and the type of rigs, best suited for drilling in the different projects. The Committee would urge the ONGC to take an early decision with regard to rigs awaiting development. The Commission should dispose of such of those rigs on which the expenditure involved in repairs would not be commensurate with the efficiency of the repaired rig. This would help ONGC to rationalise its inventory, if needed be, a suitable programme for replacement of old rigs and development of improved types of mud pumps to improve the efficiency of rigs should be drawn up. The Commission has decided to write off 10 old rigs on the basis of the present condition of rigs. A detailed survey of all the components pertaining to these rigs is being carried out. In the opinion of the Committee, such an exercise should have been done earlier.

From the facts placed before the Committee it appears that as far as the Oil and Natural Gas Commission are concerned, non-availability of foreign exchange from any particular source is no longer a hindrance. Government provide the necessary foreign exchange to enable the ONGC to get the required equipment. The Committee recommend that the ONGC should be careful in utilising the foreign exchange for acquiring new and sophisticated equipment and instruments, which should result in the long run in corresponding saving in the quantum of foreign exchange to be spent on the import of crude oil. They recommend that the Commission should place before the Government proposals for a "a complete project" including the foreign exchange requirement instead of approaching piecemeal. The future requirements of ONGC for rigs should be procured from the sources, which can deliver the goods of the right type and requirement, instead of being tied down with the availability of foreign exchange from any particular sources. (Paras No. 7.30 to 7.34)

Reply of Government

The Committee's observations in this recommendation have been noted. As far as possible, efforts are made by ONGC to adequately equip the rigs so as to minimise the loss of time including those on account of factors such as those mentioned in Para 7.30. The Commission is procuring good quality tools for coring, fishing, drill-stem testing, etc. for its exploratory wells including deep exploratory wells. For example, complete sets of new tools and equipment obtained from among the best sources, have been provided for drilling in J&K and Tripura, and are proposed to be provided for deep exploratory wells also in Rajasthan (which is to be taken up in future). For other rigs, additional 7 sets of superior quality coring tools and 3 sets of DST tools have been provided. For improving the quality of mud, it has been decided to equip all the rigs with suitable surface mud-control equipment like desanders, degassers, etc. wherever necessary. Similarly, better quality of drill pipes are being provided, wherever possible, for deep wells.

Care is taken by ONGC to ensure proper and timely planning in the matter of selection of required equipment. Efforts are being made to plan these requirements well in advance keeping in view the lead-time involved which could range sometimes to as much as 2-3 years depending on the source

of supply. All relevant factors like number of wells to be drilled, total meterage of such wells, etc. are taken into consideration to ensure that the requirements are realistic. Thereafter, procurement is phased with reference to programme of work. In connection with the intensive 5-year plan of operations (based on the Techno-Economic Study done with Soviet expert assistance) which ONGC propose to undertake from 1973-74, they have recently drawn up a Bill of Materials. As a part of this, ONGC propose to get a certain number of modern rigs of suitable type and design for the execution of this programme in future years. The desirability of standardisation of rigs, as per type and capacity, will be kept in mind in future purchases.

As regards disposal of old rigs by ONGC, a detailed survey of the sub-assemblies of all old rigs, which have been considered by the Commission as not available for active use, has already been completed by ONGC and the recommendations of the survey board have been accepted by the Commission. It has been decided that after the serviceable sub-assemblies and components of the main assemblies have been salvaged for use in repairing the existing units, the remainder should be disposed of. This work is in progress. Instructions have been issued by ONGC's headquarters to the regions to segregate, retrieve the serviceable components, if any, and store the items at one place in this Projects to facilitate disposal. Government are keeping a watch on the progress of the various steps taken by ONGC for disposal of old rigs.

To exercise a better control over the rig-hydraulics, additional mud pump is provided with the existing mud pumps wherever necessary, as, for example, in the case of Galeki wells. Further, for new deep wells, provision is made for equipping the rig with more powerful pumps which are capable of providing adequate hydraulics.

As regards para 7.34, Government agree with the observations and suggestions made by the Committee and ONGC will be asked to follow the suggestions. As regards preparation of project reports, as far as special projects (like Tripura, Rajasthan, "Bombay High", etc.) are concerned, ONGC have, for some time now, already been giving the requirement of equipment and materials in form of such reports. For normal requirements of projects already in hand, an annual foreign exchange budget is prepared by ONGC and sent to Government and efforts are made to meet the requirements as budgeted. Government also agree in principle with the Committee that the future requirements of ONGC, whether for rigs or for any other equipment, should be procured from those sources which can deliver the goods of the right type and requirement instead of being tied down with the availability of foreign exchange from any particular source. This would be done as far as possible, within the constraints of the overall foreign exchange situation as well as availability of "free" exchange and foreign credits as may exist from time to time.

[Ministry of Petroleum & Chemicals O. M. No. 10/75/72-ONG, dated 28th Oct., 1972]

Recommendation (Serial No. 33)

The Committee are surprised to know that inspite of the Chairman, ONGC being a Director on the Board of Oil India Ltd., no comparative evaluation of performance of rigs of the two organisations has been undertaken. The Committee are of the view that such an evaluation would be useful to both of them and expect that it should be undertaken without any further loss of time. (Para No. 7.35)

Reply of Government

ONGC are being requested to obtain the necessary data pertaining to the drilling operations from Oil India Ltd., and to carry out a comparative evaluation of performance of rigs of ONGC and OIL, as suggested by the C.P.U. Result of evaluation of the performance of rigs of ONGC and OIL as and when undertaken on receipt of necessary data, will be made available to the Committee in due course.

[Ministry of Petroleum and Chemicals O.M. No. 10(33)/72-ONG, dated the 28th Oct., 1972.]

Recommendation (S. No. 36)

The Committee appreciate the Commission's programme of substantially bearing the cost of tooling required for development and asking the manufacturers to develop items against educational orders as also bearing the cost of sample.

Another field of which it is essential to reach self-sufficiency pertains to pipes including seamless pipes which are required in very large numbers for exploration, development and transmission of oil. The Committee consider that since India has already valuable experience in the field of manufacture of pipes, it should be possible to manufacture special types of pipes including seamless pipes required for the oil industry.

The Committee would stress that both Government and ONGC should make concerted efforts to achieve self-reliance in drilling equipments and other stores required for oil exploration and development programme. (Paras No. 7.62 to 7.64)

Reply of Government

As the Committee has noted in Chapter VII, "C. Indigenous Equipment", ONGC have already taken various steps towards encouragement, development and execution of an import substitution programme. One of these steps, of which the Committee have spoken appreciatively, is of ONGC bearing the cost of tooling required for development, placing educational orders and bearing the cost of samples. Government would like to mention that ONGC has set up a separate Division dealing with import substitution which explores the indigenous sources for developing equivalent substitutes of imported equipment, sub-assemblies and spares. Efforts are also being made by the various Directorates of the Commission for developing specialised items indigenously.

Regarding self-sufficiency in the country in the fabrication of pipes, including seamless pipes, which are used in ONGC in very large numbers, various steps have already been taken. ONGC has entered into a contract with M/s. Indian Tube Company for the manufacture and supply of 2-7/8" non-upset tubings and 5-1/2" casing pipes of N-80 and J-55 grades of steel. The deliveries by the supplier are expected to commence in 1974. Moreover, in the context of ONGC's demand for pipes of various grades, Government have considered setting up of a Seamless Tube plant at Alloy Steels Plant, Durgapur, as a part of the expansion of the latter. M/s. Hindustan Steel Ltd., under which this plant comes, has been asked to

commission the preparation of a Detailed Project Report on the proposed seamless tube plant.

Both Government and ONGC would continue to make due efforts to achieve self-reliance in the supply of various equipment, stores etc. which are required for oil exploration, development and production programmes.

[Ministry of Petroleum and Chemicals O.M. No. 10/35/72-ONG, dated the 14th November, 1972]

Recommendation (S. No. 38)

The Committee note that the list of slow-moving and non-moving items of imported stores and spares could be prepared only in September, 1971. Although it was estimated that stores and spares on the value of Rs. 1.71 crores approximately could be declared surplus, so far slow-moving and non-moving items worth Rs. 7.31 lakhs only have been declared surplus and stores worth Rs. 51.58 lakhs have been assessed and awaiting declaration as surplus. Since declaration of surplus is a continuous process, the Committee would stress that exercise of identification of surplus items in slow-moving and non-moving stores and spares should be completed as early as possible and suitable action taken for their disposal. (Para 8.16).

Reply of Government

Out of the estimated surpluses of Rs. 1.71 crores, stores of the value of Rs. 51.18 lakhs have been finally declared surplus by ONGC. Of these finally declared surpluses, the availability of surplus bits, valued at Rs. 7.31 lakhs has already been made known to the various public and private sector consumers in India and these are being released for sale to them as and when a demand is received. As regards the balance surplus stores (drill pipes) valued at Rs. 43.87 lakhs Government had been approached on 22-6-72 to accord sanction for disposal. Simultaneously efforts are being made by ONGC to find out suitable users for these stores.

The remaining estimated surpluses of Rs. 1.20 crores are under review by the User Technical Directorates of ONGC with a view to segregating and declaring final surpluses after collecting the necessary data. The identification, segregation and determination of surplus items in the Commission is a continuous process which demands a thorough study of the items because of the highly technical and specialised nature of the stores.

Besides, while determining the surpluses, the wide areas of uncertainties, inherent in the exploration and drilling for oil and the future programme of work have also to be taken into consideration. In this connection, it would be pertinent to point out that ONGC have recently prepared a bill of materials to meet the first two year's requirements of the five-year programme for expanded drilling and production proposed to be launched from 1973-74 in the light of the recent techno-economic study. While framing these requirements, the existing stocks including the estimated surpluses would have been taken into consideration. The Commission, is, therefore, alive to the problem of excess holdings and constant endeavours are being made to liquidate the surpluses. Thus, the Committee's recommendation will be diligently implemented.

[Ministry of Petroleum and Chemicals O.M. No. 10/66/72-ONG, dated 15th December, 1972]

Recommendation (S. No. 39)

The Committee find that currently ONGC is having an inventory of excess holdings to the tune of Rs. 1.56 crores and an inventory of non-moving items to the tune of Rs. 0.15 crores, i.e. Rs. 1.71 crores as against a closing balance as on 31st March, 1969 of Rs. 25.90 crores. This means nearly 7 per cent of ONGC inventory holding needs to be disposed of. The Committee hope that energetic steps are being taken by ONGC in reducing their holdings of inventory. The procedure for determination and disposal of such items should also be reviewed expeditiously. (Para No. 8.17).

Reply of Government

The ONGC Commission is aware of the need for liquidating excess holdings and constant efforts are being made to reduce the holdings either through internal use or disposal wherever the items are found to be surplus. The importance which the Commission is attaching to this area of materials management is evident from the fact that not only has the provisioning procedure been streamlined and various measures adopted to safeguard against unnecessary purchases but also a special cell has been created in the Directorate of Stores & Purchase with a view to identifying and expediting the disposal of surpluses. Also, a comprehensive Disposal Procedure regarding declaration of surpluses and the methods of disposal has been evolved and is being enforced.

As a result of the steps already taken by ONGC, drilling bits of the approximate value of Rs. 180.61 lakhs have been declared surplus, out of which bits of approximate value of *Rs. 71 lakhs have been released till 31-7-72 for sale to the various Government and private sector consumers in India, apart from finding out alternative use of the bits of the approximate value of *Rs. 16.00 lakhs, within the Commission. Further, the Russian authorities were approached in their talks in Dehra Dun in January 1972 to accept the return of 4777 bits supplied by them earlier and now declared surplus. A protocol, providing for the return of the bits, subject to the approval of the Soviet Ministry of Oil Industry, was signed between the ONGC and the Soviet representatives on 21-1-72. In their letter of 29-4-72, the Soviet authorities expressed their willingness to take back 2800 bits. However, in further talks held in Moscow, they have indicated their willingness to accept the return of 3736 Nos. (including 1000 bits referred to in reply to Recommendation No. 43. Para 8.31) of the approximate value of †Rs. 67.00 lakhs.

The Russian authorities are being persuaded to accept the return of the balance quantity also.

Furthermore, drill pipes 6-5/8" of approximate value of Rs. 43.87 lakhs have been declared surplus and necessary permission of Government is being obtained for their disposal. Simultaneously, efforts are being made to find out suitable users for these stores. Apart from bits and drill pipes, Rubber Foundry Shop equipment valuing Rs. 00 85 lakhs has been declared surplus and tenders are being invited for its disposal.

[Ministry of Petroleum and Chemicals O.M. No. 10/67/72-
ONG, dated the 2nd December, 1972].

*Figure is subject to verification by Audit.

At the time of the factual verification, the ONGC informed that this figure may be corrected as "Rs. 14.00 lakhs".

†Figures is subject to verification by Audit.

Recommendation (S. No. 40)

The Committee note with concern that unserviceable stores valued at Rs. 12.03 lakhs were put to auction between January, 1968 and January, 1969 and a sum of Rs. 0.80 lakhs was realised and that the balance of stores valued at Rs. 5.44 lakhs has been kept to be used again as raw material. The Committee are surprised to note that stores once declared 'unserviceable' had been detained for use again as raw material. Apparently, the procedure for declaring a particular store as 'unserviceable' is not sound and needs to be reviewed with a view to prevent the disposal of serviceable stores without proper scrutiny. The Committee hope that the system of fixing a minimum reserve price is followed in each case while auctioning the unserviceable stores. (Para No. 8.18)

Reply of Government

Government would like to stress that the amount of Rs. 12.03 lakhs represents the *original* value, i.e. the book value of the stores as reported in para 8.10 of the C.P.U.'s Report. These stores after utilisation were declared unserviceable and auctioned. Therefore, there ought not be any assumption that these unserviceable stores were valued at Rs. 12.03 lakhs at the time of disposal but were disposed off at Rs. 0.80 lakhs.

According to the accepted method of stores accounting, the stores and spares in ONGC when issued against any particular job and/or work, are finally charged off in the books and the value thereof is booked against the job and/or work against which they have been issued. After the stores have been used and/or consumed and become unserviceable, these have only a residual value as a scrap. The amount realised as a result of the sale of any unserviceable stores and spares is, therefore, a definite gain to the Commission.

Further, as regards unserviceable stores of the value of Rs. 5.44 lakhs which were kept for use as raw materials, this was done by ONGC to obtain maximum advantage from these materials by putting them to alternative use in their Central Workshop at Baroda. It is not an uncommon practice in the workshops to put to alternative use the unserviceable stores scrap materials. Similarly, in salvage and disposal of stores it is a common practice to retrieve serviceable and repairable components from equipment and assemblies which have been used declared beyond economical repairs and fit for disposal.

As regards the procedure in ONGC for declaring an item as unserviceable the stores are declared as unserviceable only after survey by a Board consisting of a Technical, Finance and Stores Officer. Also, before disposal the minimum reserve price of each item and/or lot, as the case may be, is fixed. The procedure for assigning value in respect of unserviceable material and also for accounting of any retrieved items out of such unserviceable materials for re-use was introduced in April 1969 and was made effective from 1969-70 onwards. In view of this no value was assigned for the unserviceable stores in question which were declared as unserviceable upto 1966-67 in the closed projects and Hoshiarpur and Jawalamukhi.

[Ministry of Petroleum and Chemicals O.M. No.
10/68/72-ONG dated the 15th December,
1972]

Recommendation (S. No. 41)

The Committee have also noted that in Ahmedabad lots of different sizes of belts numbering 2000 to 3000 were stores in a heap and most of them had lost their original shape and had cracked. The value of the stores had not been intimated. This manner of stacking the belts is regrettable. The reasons for non-observance of the stacking procedure should be looked into, responsibility fixed and necessary action taken to obviate recurrence of such losses. (Para No. 8.19)

Reply of Government

Commission in April 1972 called for an absolute and correct position of the case from the stock verifier at Ahmedabad who reported that all V belts except 53 which are also in usable condition has since been issued to the indentors.

[Ministry of Petroleum and Chemicals O.M. No. 10/69/72-ONG, dated 2nd December, 1972.]

Recommendation (S. No. 43)

The case of purchase of bits of incorrect specifications, which resulted on account of defective documentations, is regrettable. The Committee hope that efforts being made to either return them to the supplier or to sell them off to some party within the country would prove successful and O.N.G.C. saved of a loss of Rs. 22.69 lakhs on this account. (Para No. 8.31)

Reply of Government

Government have ascertained from O.N.G.C. that the Soviet authorities have indicated their willingness, *vide* their letter of 29.4.72, to accept the return of 100. Nos. of bits, valuing Rs. 14.24 lakhs approximately. The prices of the bits would be billed to the Soviet authorities in foreign currency at the unit rate at which these were purchased. Efforts are being made to find avenues for the disposal and/or utilisation of the remaining bits. Government will keep a watch on action on both accounts.

[Ministry of Petroleum and Chemicals O.M. No. 10/76/72-ONG, dated 2nd December, 1972]

Recommendation (S. No. 47)

The Committee note the efforts made by the Commission to secure control over the capital assets and also find that investigation in respect of credits and debits noticed, as a result of census of capital items, is proceeding. They hope that the differences would be resolved expeditiously and a clear picture of capital assets will emerge out soon. (Para No. 8.67)

REPLY OF GOVERNMENT

The result of the census of the capital items is being continuously scrutinised by ONGC for further rectification. The comparative position of the amounts kept under Census Suspense Account as on 31-3-1971

and 31-3-1972 are given below (the figures as on 31-3-1972 are subject to minor modifications when the Accounts of 1971-72 are finalised) :—

	31-3-1971	31-3-1972
	(Rs. in crores)	
Debit	12.50	12.50
Credit	12.38	12.47
Net Debit	0.12	0.03

2. The physical verification of the capital items done during the year subsequent to census is also considered for the purpose of making further adjustments wherever necessary.

3. Suitable instructions have again been issued by ONGC to ensure that census identification numbers are indicated on all capital items and in the accounting documents and the records of such items are kept up-to-date by all concerned.

[Ministry of Petroleum & Chemicals O.M. No. 10/71/72-
ONG dated 28th Oct. 1972.]

Recommendation—S. No. 48

The Committee regret to note that the system of inventory control in the past had not been upto the mark, in as much as due to an error in the figures of stock in hand an emergency arose for purchase of casing pipes from abroad. It was feared that had the pipes not been purchased immediately, it would have become necessary to lay off a number of rigs. But the Committee are surprised to note that in spite of the emergent purchases being made, the supplies were not received according to the delivery schedules laid down in the contracts. The matter in which these pipes were purchased in emergent basis is also not very clear. The Central Bureau of Investigation is currently examining this case. As such the Committee would not like to comment on it. (Para 8.79)

Reply of Government

The report of the Central Bureau of Investigation in this case was received on November 29, 1971. Government examined the report and sent their comments for the advice of the Central Vigilance Commissioner on December 29, 1971. The Central Vigilance Commissioner's advice was received on the 30th September, 1972 and the 22nd October, 1972. Further action on the case is under Consideration of Government.

[Ministry of Petroleum and Chemicals O. M. No.
10 (36)/72-ONG dated the 14th November
1972.]

Recommendation (S. No. 49)

The Committee would however like to emphasise the need for all-out effort for developing indigenous sources of supply of the casing pipes of the size and specifications required by the Oil and Natural Gas Commission. The Committee would like the Ministry of Steel and Mines, Ministry of Industrial Development, Directorate General of Technical Development and the Ministry of Petroleum/ONGC to comprehensively review the manufacturing capacity within the country and take concerted measures to achieve self-reliance in this crucial field by a specified date. (Para No. 8.80)

Reply of Government

The Committee have already noted, in Para 8.78 of their report, the efforts made by Government/ONGC in this regard, including the contract placed by ONGC on M/S Indian Tube Company for supply of 5½" casings of different thickness and steel grades with threads and couplings, and of 2-7/8" tubings.

Government would like to add that the Ministry of Steel & Mines, in consultation with Planning Commission, Ministry of P & C, ONGC, Department of Industrial Development and D.G.T.D., have already been looking into the possibility of production within the country of casing pipes and tubings of the various sizes and specifications required by the ONGC. In this connection, a reference may also be made to Government's reply to Recommendation No. 36 (Paras 7.62 to 7.64) of the Committee's Report.

[Ministry of Petroleum and Chemicals, O.M. No.
10/37/72-ONG, dated the 15th December,
1972].

Recommendation (S. No. 51)

The Committee observe that the stacking of pipes received under different contracts was mixed up and it was not possible at the time of their use to distinguish pipes received under another contract nor to ascertain whether the pipe had been used and tested within guarantee period. The Committee would stress that the machinery for checking of stores and spares at the time of their receipt is geared up so that the defects in the stores and spares may be noted right at the time of their receipt instead of their being noticed at the time of use. (Para No. 8.93)

Reply of Government

The prevailing practice in O.N.G.C. is that imported stores and spares, on arrival in India and before being taken on charge, are inspected with a view to identifying the materials, assessing damage in transit and ascertaining discrepancies in regard to excess and/or short supplies. As regards quality of the products, the practice is to get a test certificate from the suppliers. Based on that, O.N.G.C. accept the quality and from their own side only a visual inspection is carried out by the inspecting authorities of the Commission. No physical testing is carried out before the stores and spares are taken on charge because, according to the accepted practice, the manufacturers' test certificates are considered a sufficient guarantee for quality.

Furthermore, as an added precaution, a warranty clause is incorporated in supply orders/contracts.

[Ministry of Petroleum and Chemicals O.M. No. 10/39/72-ONG, dated 2nd December, 1972.]

Recommendation (S. No. 52)

The Committee would also suggest that ONGC should segregate its inventory under each contract so as to avoid any difficulty in future specially when there is dispute over wrong specification of the items supplied. (Para No. 8.94)

Reply of Government

The imported stores and spares, on arrival in the country and before being taken on charge, are inspected with a view to identifying the materials, linking with invoices, assessing damage in transit, if any, and ascertaining discrepancies in regard to quantum of supplies. Any items which are found to be damaged, or discrepant in quantity, or not in accordance with the quality certificates furnished by the suppliers, are segregated. Subsequently, a discrepancy report is given and claim preferred on the suppliers.

Thereafter, the stores and spares are stacked according to the items, their types and sizes. For example, the casing and drill pipes required to be segregated and stored as per their sizes, grades of steel and wall thickness; the issue of these pipes has also to be made accordingly. Even if these were to be stored, contractwise, the necessity of segregation and storage on the basis of sizes, grades of steel and thickness could not be dispensed with. Similar difficulties are likely to arise for other types of stores and spares. A general resort to contractwise storage would, therefore, lead to multiple stacking of stores at several places for the same item, thereby creating practical problems of storage space, control over receipt and issue, stacking, binning, maintenance, and security of stores.

In view of the foregoing, therefore, apart from the segregation already resorted to under certain circumstances mentioned in the first paragraph, it is felt that a change in the existing system of storage to stipulate contractwise stacking would not be practicable or feasible.

[Ministry of Petroleum and Chemicals O.M. No. 10/40/72-ONG, dated 2nd December, 1972.]

Recommendation (S. No. 56)

The Committee note with concern the delay in reconstitution of the Economy Committee and also that this Economy Committee did not meet from June, 1967 to December, 1970. The Committee recommend that the Economy Committee should meet periodically say at least once in every three months to study and resolve the objections raised by the Internal Audit Parties. The Committee would stress that the comments of Audit should receive serious consideration at all levels and necessary follow up action should be taken in each case promptly. (Para No. 9.26)

Reply of Government

Since the O.N.G.C.'s projects/offices are dispersed all over the country and are not located at one place, it would be very difficult for O.N.G.C. to hold Economy Committee meetings very frequently in respect of audit objections raised against each project/office. However, it would be the endeavour of the Commission to hold such meetings at least once in a year for each region to consider the audit objections raised by the Internal Audit Parties as well as suggestions for economy which may be given by the Finance and Accounts Wing of O.N.G.C.

As regards active pursuance of audit objections raised by Government Audit as well as Internal Audit Parties, the Commission has taken effective steps for prompt settlement of audit objections. In the recent past, a team consisting of Director of Finance & Accounts and Internal Audit Officer, had been to different Projects in Western Region with a view to expedite the disposal of audit objections after holding meetings with the Project Managers and other project officers. When this team was formed, the total number of outstanding Government and Internal Audit paras was 72* and 1202* respectively. The number of these paras settled since then is 55 and 361 respectively. In this manner, there has been a significant progress in clearance of audit objections. Similarly, the position of clearance of outstanding objections is periodically reviewed by the Member (Finance) of the Commission. It is hoped that the foregoing steps would bring about a substantial and significant reduction in the number of pending audit objections.

[Ministry of Petroleum and Chemicals O.M. No. 10/41/72-ONG, dated 2nd December, 1972.]

Recommendation (S. No. 59)

The Committee regret that even after a lapse of several years cost and financial accounting have not been introduced in an integrated manner so as to facilitate prompt reporting to management. The Committee would like ONGC to give highest priority to this work so that the Management are fully seized of financial aspects in taking decisions and can exercise contemporaneous check on field and workshop operations in the interest of efficiency and economy. (Para No. 9.55)

Reply of Government

The scheme of accounting, prescribed and practised in ONGC is basically designed to meet the requirements of both cost and financial accounts. The Commission is already booking the expenditure under the various major groups, function-wise. Function-wise expenses are further booked under sub-heads as per the various cost elements. Such expenses are recorded area-wise. The Commission have expressed the opinion that such a scheme of accounting incorporates the principles of integration to the largest practicable extent and that complete integration, though one set of book of accounts is not feasible in the case of an organization like ONCC which has operations in far flung regions of the country. It is further felt that a complete integration would involve many practical difficulties and may entail heavy expenditure without commensurate results. However, Government

*According to Audit the position regarding outstanding paras mentioned in Government's reply has not been verified by them.

are examining the matter further and would take a decision in the light of all relevant considerations.

[Ministry of Petroleum & Chemicals O.M. No. 10/43/72-ONG, dated 14th November, 1972].

Recommendation (Serial No. 66)

The Committee are neither impressed by the manner in which the project for steel foundry, in conjunction with the State Government, was taken up for execution at Roorkee without thorough investigation nor by the post-haste manner in which it is being abandoned to cause avoidable loss. The climate of recession has since given way to buoyancy in production. The Committee would like ONGC/Government to re-examine the project in all its aspects and reach a firm decision in the best public interest. (Para No. 10.20)

Reply of Government

The case of starting a steel foundry jointly by the ONGC and Uttar Pradesh Government has been re-examined by ONGC in the light C.P.U.'s recommendation, and in its meeting of September 4-5, 1972, it has been decided by the Commission that the project should be wound up, as proposed earlier, for reasons stated below:—

- (i) Sufficient capacity of steel foundry is already available in the country;
- (ii) ONG Commission is getting its requirements met from the indigenous sources at competitive rates; and
- (iii) Due to existence of a fair competition in the market, better results can be achieved.

2. As recommended by the C.P.U., ONGC are remitting the matter to Government which would have a fresh look at the case from all its aspects and reach a firm decision in the best public interest. The decision when taken, will be communicated to the Committee in due course.

[Ministry of Petroleum & Chemicals O.M. No. 10/48/72-ONG, dated 28th October, 1972.]

Recommendation (S. No. 67)

The cases relating to the purchase of Nazira property and the compensation for tea bushes are under investigation by the Central Bureau of Investigation. Since the Central Bureau of Investigation is investigating the matter, the Committee would not like to comment on it. The cases were handed over to the Central Bureau of Investigation in or before August, 1970 and during the evidence of the representatives of the Commission and the Ministry, the Committee were given to understand that the investigations were in progress. The Committee are not aware at what stage the investigations are. It is nearly 1½ years that the C.B.I. is seized of the matter. The Committee would only like to suggest that investigation in such cases should not be spread over long period because with the passage of time much of the need, and possibly evidence, is lost. Keeping the ends of justice in view, the Committee would urge the C.B.I. to complete the investigations.

and submit the report to the Government as early as practicable. (Para No. 10.45)

Reply of Government

Investigations by the C.B.I. were completed and reports in the two cases submitted to Government in December, 1971 and January, 1972. Government examined the reports and sent their comments for the advice of the Central Vigilance Commissioner on January 4, 1972 and February 9, 1972. The C.V.C.'s advice was received on the 3rd October, 1972 and the 9th October, 1972 in the Nazira and Lakwa cases respectively. Further action on the cases is under consideration of Government.

2. The observations of the Committee regarding avoidance of delay in CBI investigations have been brought to the notice of the Department of Personnel and C.B.I.

[Ministry of Petroleum & Chemicals O.M. No. 10/55/72-ONG, dated 14th November, 1972.]

Recommendation (S. No. 72)

One of the points raised before the Committee by the Union representatives pertained to casual appointment of persons by Project officials, which later caused difficulties. The Committee note with concern the manner in which the different authorities in the different Regions of ONGC have been recruiting casual or contingent labour. There should be some norm for making such recruitment. A system should be devised whereby, it should be possible to know the number of such labourers at any given time. Large scale recruitment of casual labour in the opinion of the Committee leads to the problem of their regularisation. It is possible because of age, lack of experience or other disqualifications, it may be difficult to regularise the appointment of a large number of such employees. The Committee are anxious that such a situation should be avoided by putting in a purposeful check on casual appointments. (Para No. 10.83)

Reply of Government

O.N.G.C. have informed Government that as a result of an Agreement arrived at between the Commission and the recognised Union, the problem of contingent employees in so far as O.N.G.C.'s Western Region is concerned, has been solved. As per this Agreement, the Commission have agreed for the creation of 141 posts in various trades and for absorption/regularisation against those posts of an equal number of contingent employees, who had completed more than 240 days' service as on September 23, 1971, in the Western Region. Moreover, in order to keep a check on appointment of casual/contingent/work-charged staff, a strict ban has been imposed by ONGC and no appointment can be made without prior approval of the Chairman, with the exception that the General Manager, Western Region, has been empowered to make such appointments of unskilled labourers, not exceeding a certain number, for a period not exceeding 120 days in one year. In so far as Eastern Region of the ONGC is concerned, a study has been carried out by the Industrial Engineer of the ONGC to assess the requirements of the contingent employees *vis-a-vis* the regular employees. The action for regularisation of the services of the contingent employees who have completed more than 240 days' service in the Commission, in its Eastern Region, will be taken by the Commission on the basis of the recommendations of the Industrial Engineer, when accepted, in consultation with the recognised Union(s) in the Eastern Region.

CHAPTER IV

**RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF
GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE
COMMITTEE**

— NIL —

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE AWAITED

Recommendation (S. No. 5)

The Committee find that the Government desire that the Chairman of the Commission should function primarily in the role of a coordinator and expect the Commission to function on the principle of collective deliberations and joint responsibility. After careful examination of the views of the Government, the Committee conclude that they are unable to accept their viewpoint as merely designating the Chairman as Coordinator would not clothe him with an effective authority. In an expanding organisation demanding quick decision-making, the power to take prompt decision is primary pre-requisite and this cannot be fulfilled unless the Chairman has the power to overrule the dissenting views of Members in the overall interests of the organisation.

The Committee after careful consideration are compelled to reiterate their earlier recommendation that the Government should arm the full time Chairman with the authority of the "Chief Executive" of the Commission with a view to expeditious implementation of work in the various fields.
(Para Nos. 2.10 & 2.11)

Reply of Government

Government recognise the merit of the view taken by the Committee, initially in 1964-65 in their 5th Report on ONGC and reiterated in the present Report, that the Chairman of ONGC should have the status and powers of a Chief executive. The Committee has already mentioned in the present Report, the considerations which had inclined Government to favour the existing pattern of relationship between the Chairman and other Members of the ONGC, and the role of the Chairman. Although some of these considerations might still hold good, Government are veering round to the view that, in the light of its more recent experience, it may be better to change the existing pattern and give the Chairman the position and authority of the Chief executive, statutorily. However, since the Malaviya Committee has also suggested certain radical changes in the existing organisation and structure of the OGNC and Government is presently examining these recommendations, a final decision on this subject would be taken after this examination is completed and Government's views conveyed to the CPU and their comments are received.

[Ministry of Petroleum & Chemicals O.M. No.
10/7/72-ONG, dated 14th November, 1972.]

Comments of the Committee

Please see paragraphs 1.1 to 1.16 of Chapter I of the Report.

Recommendation (S. No. 6)

The activities of the Commission are technical in nature. To fulfil its objectives effectively, technical background at highest level is vital, and the senior level appointments deserve to be recruited out of the organisation itself. Moreover, continuity of experience at Commission level for an effectively long period is a must. The Commission should also be allowed to function unhindered by outside (including ministerial) interference as far as possible. The Committee therefore recommend that :

- (i) The Chairman, now a full time Member of the Commission, should be granted a tenure of at least five years which should not normally be reduced.
- (ii) Chairman should be invested with full authority to overrule, if necessary, the decision of the other members of the Commission in the interest of the efficient working of the Commission. He should be designated as the Chief Executive Head and given the requisite powers.
- (iii) Secretary/Officials of the Ministry should not be appointed Members of the Commission and deputation from Government departments and other Public Undertakings should not ordinarily be allowed.
- (iv) Functional members should be well-versed in their respective technical fields.
- (v) Appointment of Member should be made in consultation with the Chairman.
- (vi) Procedure for appointment of Members of the Commission should be reviewed every 5 years. (Para Nos. 2.14 & 2.15)

Reply of Government

Gouvernement agree in principle with the views of the Committee as given in para 2.14.

It has been Government's endeavour to select persons with a suitable technical background for the posts of Members in ONGC; this has been done not only in the case of functional Members but also by way of appointment of some eminent and experienced Geologists from outside as part-time members to strengthen the technical expertise available to the Commission at the top.

It has been the effort of the Government to make appointments to the posts of Members from within the organisation itself, wherever possible. Appointment from outside the Commission is made only when Government are satisfied that no suitable person with the requisite qualifications and experience is available from within.

In order to allow continuity of experience at Commission's level, Government have amended ONGC Rules to provide a tenure to Members up to

a period of 5 years (instead of 1 year as earlier), continuing at the same time the provisions of their eligibility for re-appointment at the end of a tenure. As regards interference of the Ministry in ONGC's working, Government's views had been expressed before C.P.U. at the time of oral evidence and have been noted by the Committee in paras 2.41 and 2.42.

2. As regards the specific recommendations made by the Committee in para 2.15, Government's views are as under:—

- (i) Government agree that normally the Chairman ought to have a long tenure; but there can be occasions when a departure from this principle could be justified and in the interest of the Commission;
- (ii) Regarding a change in the role, status and powers of Chairman, Government's reply to Recommendation No. 5 (Paras 2.10 and 2.11) may be referred to;
- (iii) Even presently, deputation from Government departments and public Undertakings to the Commission is made only in very few cases. As regards representation of the Ministry of Petroleum and Chemicals on the Commission, it has been the practice to appoint a part-time Member from among the senior officers of the Ministry for maintaining liaison and coordination with the Commission. Experience has shown this to be beneficial both to the Commission and Government. C.P.U. itself had recommended this in its Fifth Report (Recommendation No. 38) on the ONGC which stated as under :—
 “The Committee feel that with a view to represent the point of view of the Finance and Administrative Ministries as well as for maintaining the close liaison and coordination with the Commission, it is very desirable that a representative each of these Ministries is appointed as a part-time Member on the Commission. The Secretary of the Ministry agreed that there should be a representative of the administrative Ministry on the Commission.”
- (iv) Government agree that functional Members should be well-versed in their respective technical fields;
- (v) Appointment of Members, even now, is being made in consultation with the Chairman; and
- (vi) Procedure for appointment of Members could be reviewed as and when it is considered necessary, and it is felt that there need not be a fixity of time after which such a review must be made.

[Ministry of Petroleum and Chemicals O.M. No. 10/8/72-ONG, dated 2nd December, 1972.]

- Comments of the Committee

Please see paragraphs 1.1 to 1.16 of Chapter I of the Report.

Recommendation (S. No. 7)

At present the Member (Exploration) is also performing the duties of the Chairman. The Chairman has to function as Member (Administration) and is also incharge of Planning and Control, Secretariat, Vigilance and Legal Affairs. Needless to say that in a big organisation like the O.N.G.C. the Chairman has to perform onerous duties and it is too much to expect Member (Exploration) to do justice to his duties both as Member (Exploration) and Chairman. Knowing fully well that the captain of the team has to carry on the work, it is unfortunate, the Government has not filled up the post of the Chairman on a regular basis for over a year. The Committee hope that the Government will soon appoint a person to perform the duties of the Chairman exclusively. (Para No. 2.16)

Reply of Government

The post of Chairman, ONGC, has fallen vacant on September 8, 1970 with the end of the tenure of Shri L. J. Johnson. The Officer appointed to succeed Shri Johnson, did not, however, join the post. Government, therefore, considered other proposals for filling this post on a substantive basis. In the meantime, as an *ad interim* arrangement, Shri B.S. Negi, Member (Exploration), ONGC, has been appointed to officiate as Chairman, ONGC, with effect from September 8, 1970.

While Government were still considering the question of making substantive appointment to the post of Chairman, they decided to constitute a high-powered Committee under Shri K.D. Malaviya, M.P., to review the functioning of the ONGC and make necessary recommendations for its improvement on various specific matters including the organisational structure of ONGC. It was then decided to await the report of this Committee before deciding the question of substantive appointment to Chairman's post. The report of the Committee has since been received and in accordance with the instructions of the Committee on Public Undertakings, copies of the report have been submitted to the Committee. As the Committee would have noted, Malaviya Committee has recommended certain radical and far-reaching changes in the structure and organisation of ONGC as presently constituted.

Malaviya Committee's Report is presently under the examination of Government and after this is completed, Government's considered opinion on various recommendations would be submitted to the C.P.U. as directed by it. After the C.P.U. has given its own observations, final decisions would be taken by Government on various aspects of the Report including the future structure of ONGC. Meanwhile, Government are considering what action can be taken immediately to strengthen the ONGC and make it a more effective organisation.

[Ministry of Petroleum and Chemicals O.M. No.
10/9/72-ONG, dated 28th Oct., 1972.]

Comments of the Committee

Please see paragraphs 1.1 to 1.16 of Chapter I of the Report.

Recommendation (S. No. 10)

The Committee find that non-statutory Public Undertakings including Indian Oil Corporation do not require the approval of the Government for framing their rules and regulations. These undertakings enjoy comparatively greater autonomy in exercise of their powers and do not require the previous approval of the Central Government for framing their rules and regulations as is required by the ONGC under Section 32 of the ONGC Act, 1959. The Committee feel that the functions and duties of the ONGC are more susceptible of comparison with some of the non-statutory undertakings, e.g., I.O.C. The Committee feel that the restrictions imposed upon the ONGC under Sections 15 and 32 of the Act have the effect of impeding the efficient working of the Commission. The Committee recommend that Government should re-examine the position and give adequate powers to ONGC to frame its rules and regulations and exercise greater autonomy in the selection and execution of projects. The Committee recommend that Sections 15 and 32 of the ONGC Act may be suitably amended, as necessary, as early as possible. (Para No. 243).

Reply of Government

Government are in agreement with the principle behind this recommendation of the Committee, i.e., that O.N.G.C. should enjoy sufficient autonomy to enable it to carry out its duties and responsibilities in a smooth, efficient and effective manner. The Committee has specifically pointed to provisions of Sections 15 and 32 of the ONGC Act as impediments in this regard. As far as the provisions of Section 32 of the ONGC Act, 1959 are concerned, on fuller consideration of the matter and taking into account the working of the ONGC lately, Government are now veering round to the view that the Commission could be given the power to make regulations without needing prior approval of the Government as presently required under Sec. 32(1). However, Government consider it necessary to retain to themselves the power given under Section 32 (3) of amending, varying or rescinding any such regulation through notification in the Official Gazette. This would provide the safeguard that the regulations framed and/or modified by the ONGC from time to time are in line with Government's policies and general guidelines that may be laid down in this matter from time to time.

2. Regarding Section 15 of the ONGC Act, it provides for the Commission to exercise all such powers as may be necessary or expedient for the purpose of carrying out its functions under that Act. Only on three aspects does this require the previous approval of the Central Government. Government have carefully considered the need to amend the Provisos to Section 15 in the light of what the Committee has stated, and its views are as follow:—

(i) *Proviso (a)* : Government are veering round to the view that the Commission could be given the power to create posts, the salary etc. of which is more than Rs. 2250/-, or on a scale the maximum of which is more than this figure. With ONGC's programme of expanding its operations in the coming years and of acquiring new techniques and equipment of greater sophistication, the Commission is likely to find it necessary to create a number of high-salaried posts in order to attract persons who are highly qualified and have the requisite experience.

However, as far as appointments to top management posts are concerned it has to be mentioned that Government has, as a matter of policy, reserved to itself the right of making appointments to such top posts in all public sector enterprises. In IOC also, the Chairman, Managing Directors and other Directors, and General Managers of constituent units are appointed by the President of India. This arrangement would have to be continued ONGC also.

(ii) *Proviso (b)*: As regards the Committee's suggestion to allow ONGC greater autonomy in the selection and execution of projects, the Committee's attention is drawn to the evidence given by the Secretary of this Ministry (and noted by the Committee in para 2.41) stating that the Commission is as autonomous as is necessary for carrying out all its operational tasks. This includes selection and execution of projects. The only stipulation in this regard is that wherever capital expenditure exceeding Rs. 50 lakhs is sought to be incurred in the implementation of any scheme or proposal, the Commission should take the previous approval of the Central Government. This, again, is a provision which, Government feel it necessary to retain; however, as the Committee has already noted, it is proposed to somewhat enlarge the autonomy to ONGC in this matter by increasing the financial limit from Rs. 50 lakhs to Rs. 1 crore, as is the case with I.O.C.

(iii) *Proviso (c)*. It is proposed to retain this proviso; the Committee have not made any observation on this aspect specifically.

3. Government are already examining the future pattern of structure organisation and financing of ONGC in the light of the recommendations made in CPU/Malaviya Committee Reports. The statutory changes that would be necessary to give greater autonomy to ONGC, would be brought about when the amendment of ONGC Act is undertaken to give effect to other decisions that Government may take on the suggestions made in these two Reports.

[Ministry of Petroleum & Chemicals O.M. No. 10/12/72-ONG dated 14th Nov., 1972.]

Comments of the Committee

Please see paragraphs 1.17 to 1.21 of Chapter I of the Report.

Recommendation (S. No. 24)

Looking to the extensive area ONGC is covering on land the present assessment of large areas of oil bearing off-shore area of India's continental shelf, the Committee feel that there is a good case for the off-shore operations both survey and drilling to be looked after by an independent agency. The Committee recommend that Government may consider of relieving ONGC of the operations pertaining to the off-shore surveys and drilling and setting up another organisation independent of ONGC for conducting off-shore survey and drilling as these need separate planning and expertise in the interest of efficiency and attaining self-reliance in this crucial fuel resource in the nearest future. (Para No. 4.42)

Reply of Government

As the Committee are aware, Government constituted a Committee under the Chairmanship of Shri K. D. Malaviya, M.P., to review the working of

the ONGC, including a review of the organisation and structure of the ONGC. The Malaviya Committee have also gone into the question of organisation for undertaking off-shore survey and drilling and have commended that these operations ought to remain under the ONGC which, that Committee has recommended, should be reconstituted in the form of an Oil and Gas Corporation of India. Government are considering the recommendation of both the Committees and expect to be able to take a decision very soon. The decision after being taken, will be forwarded to the Committee in due course.

[Ministry of Petroleum and Chemicals O.M. No. 10/24/72-ONG
dated 28th October, 1972.]

Comments of the Committee

Please see paragraph 1.1. to 1.16 of chapter I of the Report.

Recommendation (Serial No. 53)

The Committee find that despite Government's decision in 1968 that they would supply finances to ONGC in the form of capital for exploration and loan for development the accounting and budgetary procedures were not revised, until recently, to reflect accurately the above position. It is moot point whether the entire cost for pipeline construction should be debited to production expenditure and none to exploration head. Similarly it is not clear as to what would be the most appropriate head to bit cost of project housing. The Committee find that Government have already asked Malaviya Committee to specifically go into all aspects of equity loan ratio and to recommend removal of any financial disincentives that may be coming in the way of exploration and production by ONGC. The Committee would like Government to go into all aspects of the matter and take an equitable decision which would make a for a vigorous and meaningful programme for exploration and production. (Para No. 9.10).

Reply of Government

The Report of Malaviya Committee has been received and is presently under examination of Government. As recommended by the C.P.U. Government would consider all relevant aspects of the financing of ONGC and take equitable decisions which could make for a vigorous and meaningful programme for oil exploration and production. The decision, when taken will be forwarded to the Committee in due course.

[Ministry of Petroleum and Chemicals O.M. NO.
10(49)/72-ONG, dated 28th October, 1972]

Comments of the Committee

Please see paragraph 1.27 to 1.33 of Chapter I of the Report.

Recommendation (S. No. 54)

The Committee note that in the present procedure, the profit and loss accounts for a particular year is prepared only for commercially producing fields and only a portion of the total expenditure in respect of similar fields which are not commercially producing is charged to profit and loss account

The Committee also note from the balance sheet as on 31st March, 1970 that out of a total expenditure of Rs. 101.16 crores incurred by ONGC so far on development on areas other than producing properties, a sum of Rs. 8.30 crores has been written off during the year 1969-70 and the balance of Rs. 92.86 crores has been shown in the balance sheet to be written off in the coming years. The expenditure incurred by ONGC on development etc. of areas other than producing properties during the year 1970-71 and also the brought-forward expenditure as on 31-3-1971 was Rs. 118.61 crores. Of this, a sum of Rs. 10.04 crores was written off against the revenues (in the P & L Account) during the year leaving a balance of Rs. 108.57 crores as on 31-3-1971. The 'percentage of profit before tax to capital invested is showing a downward trend. The profits from the commercially producing fields as compared to the total capital invested (both in exploration and development) does not reflect the correct position as the capital investment is in two different channels. Similarly such of the glamour from the profits is taken away, when the quantum of expenditure incurred on the development of areas other than producing properties to be written off in future, is taken into consideration. (Para No. 9.14)

Reply of Government

It is true that the total capital employed in the ONGC does not immediately produce comparable revenues, because the revenues that are taken into consideration accrue only from the commercially producing areas and the investment in these areas is only one part of the total investment in ONGC. This is inevitable, considering the nature of the oil exploration industry.

2. It has to be appreciated that the efforts and the money, put in the various activities of ONGC cannot all lead to success. The nature of the exploration is such that a sizeable expenditure must necessarily be ultimately abortive. The successful part of the effort as reflected in Accounts has, therefore, essentially to take into consideration the likely unsuccessful expenditure. The amount of unsuccessful expenditure is, again, unpredictable and may differ widely from year to year. If the system of amortisation were to provide for a write-off of all unsuccessful expenditure as and when it became known, there would be no consistency in the behaviour of the financial results in the shape of profit or loss. With a view to have some consistency in the financial results and also to ensure a fair basis for comparison between the results achieved in various periods, a uniform accounting policy has been prescribed, by which 1/15th of the total expenditure is amortised irrespective of whether the expenditure is ultimately productive or unproductive. This practice is followed by the oil industry in many other countries also.

3. So long as exploration, development and production of oil is considered as an integrated activity, there seems to be no choice but to burden the Profit and Loss Account with write-off of investments in areas other than producing properties. Thus the profits of an Undertaking would have to be judged against the total capital investment of the Undertaking in its integrated activity comprising different channels of operations. The basic question involved is whether exploration activity of ONGC should be taken as independent activity to be financed partly or wholly from funds

other than the internal resources and normal sources of funds of the Commission. This question has been examined by the Malaviya Committee in its Report which is presently under consideration of Government.

[Ministry of Petroleum and Chemicals O.M. No. 10/50/72-ONG, dated 14th November, 1972].

Comments of the Committee

Please see paragraphs 1.27 to 1.33 of chapter I of the Report.

Recommendation (S. No. 55)

The Committee recommend that the procedure for sanction of foreign exchange should be so streamlined that room for avoidable delay is negligible. As a step in this direction, the Committee would like Government to examine whether the administrative Ministry should be empowered to sanction the foreign exchange on schemes already approved in principle by Finance Ministry without making another reference to that Ministry as is the existing practice. In the opinion of the Committee, the administrative Ministry should call for from ONGC quarterly report of anticipated expenditure involving foreign exchange in detail, examine their reasonableness and thereafter obtain the sanction of the Ministry of Finance (Department of Economic Affairs). (Para No. 9.20)

Reply of Government

Government have already taken some steps by which the procedure for sanction of foreign exchange has been made somewhat easier. Thus, for certain categories of cases, the proposals do not have to go to the Ministry of Finance (Department of Economic Affairs) as the Ministry of Petroleum and Chemicals (alongwith other Ministries) has been delegated powers in this matter to the extent detailed below:

- (a) for import of items under "Maintenance" and "Replacements", requirements under "Free" Resources and Rupee Payment arrangement, upto Rs. 8.00 lakhs in each individual case, within the overall allocation of the Ministry/Department; and
- (b) for import of items of "additions", under "Free" Resources and Rupee Payment arrangement upto a limit of Rs. 2.00 lakhs in each individual case, within the overall allocation of the Ministry/Department.

2. The procedural aspect of the foreign exchange release to meet ONGC's requirements was also looked into by the Malaviya Committee which has given certain suggestions. Government would take a decision, keeping various aspects of the question into consideration, including the need to cut down on available delays, the changing situation regarding availability of foreign exchange of various types (which necessitates consultation with Department of Economic Affairs), etc.

[Ministry of Petroleum and Chemicals O.M. No. 10/51/72-ONG, dated 28th Oct., 1972].

Recommendation (Serial No. 65)

The Committee agree that at the present stage of development it is necessary that an organisation like ONGC should devote itself primarily to the task of exploration and production so that India is able to reach self-sufficiency at the earliest. This is, however, not to deny that the two demands of ONGC for adequacy of funds for exploration and an incentive bonus comparable to Indian Oil Corporation deserve serious consideration. The Committee would like Government to evolve a satisfactory arrangement whether by way of a parent company having holdings both in ONGC and Indian Oil corporation or at Government level so that ONGC feel reassured about availability of adequate fund for a meaningful programme for exploration, proving and production and grant of a comparable bonus to enthuse the workers engaged in the vital task of production of oil. (Para No. 10.15)

Reply of Government

The Government are presently examining the future structure and financing of ONGC in the light of the 16th Report of the Committee on Public Undertakings (1971-72) and the Malaviya Committee Report. whatever arrangements are ultimately arrived at, it would be Government's endeavour to make available to the Commission, adequate funds for executing a meaningful programme of exploration, production etc. keeping in view the need for attaining self-sufficiency to the maximum extent and as early as possible. Government would also bear in mind the Committee's suggestions on the bonus issue in arriving at a decision in regard to the future financing pattern for the Commission. The decision, when taken, will be forwarded to the Committee in due course.

[Ministry of Petroleum and Chemicals O.M. No. 10(54)/72-ONG, dated 28th October, 1972.]

NEW DELHI;
April, 18th 1973
 28 Chaitra, 1895(S)

SUBHADRA JOSHI,
 Chairman,
 Committee on Public Undertakings.

APPENDIX I

(Vide Reply to recommendation at S. No. 4)

Ministry of Petroleum & Chemicals letter No. 1010/72-ONG, dated the 22nd September, 1972, from Shri R. P. Chopra, Under Secretary to Shri B. S. Negi, Chairman, Oil and Natural Gas Commission, Tel Bhavan, Dehra Dun regarding Examination of the recommendations, conclusions contained in S.No. 4 in respect of para 1.51 of the 16th Report of the Committee on Public Undertakings, seeking help of other Scientific organisation on latest technology.

I am to draw your attention to Member (F)'s D. O. letter No. 41/63/72-Law, dated the 3rd August, 1972 on the above subject and to inform you that by and large, Government agree with the views of the Commission expressed in the reply given to this para relating to seeking guidance on latest technology from other Scientific organisations. However, Government is of the view that the Commission should take much more assistance of other scientific organisations than it has been hitherto taking. This would be in the overall interest of Commission and would be in consonance with the recommendations of the Committee on Public Undertakings.

2. Government have given a reply to this para, on the above lines to Committee of Public Undertakings., a copy of which is enclosed for information and necessary action.

APPENDIX II

(Vide reply to recommendation at S. No. 42)

Ministry of Petroleum and Chemicals letter No. 10/70/72-ONG, dated the 19th September, 1972, from Shri R. N. Chopra, Under Secretary, to the Chairman Oil & Natural Gas Commission, Tel Bhavan, Dehra Dun, regarding examination of the Recommendations contained in the 16th Report of the Committee on Public Undertakings on oil and Natural Gas Commission.

I am directed to inform you that in reply to the recommendation of the Committee on Public Undertakings contained in serial No. 42 in respect of para No. 8.23 of their 16th Report on Oil and Natural Gas Commission, Government have informed the C. P. U. that the Commission are being directed to ensure that due care is exercised, in future, in properly assessing the requirements of a particular material before making the purchase. A copy of the Government's reply is enclosed for strict compliance by the Commission in order to obviate the possibility of recurrence of such cases.

2. The receipt of this letter be acknowledged.

Copy to:—1. Member Stores and Purchase (Shri P. K. Lahiri) ONGC, Dehra Dun, for information and necessary action.

2. Shri A. K. Ghosh, Member Prod., ONGC, Dehra Dun for information and necessary action.

APPENDIX III

(Vide reply to recommendation at Sl. No. 57)

Minutes of the meeting held on 6-10-72 at 4.00 P.M. in the Ministry of Petroleum & Chemicals to discuss the dispute between ONGC and the Railways regarding payment of freight on past transportation of crude oil from Gujarat to Bombay Refineries by Rail.

PRESENT :

- | | | |
|--|---|--|
| 1. Shri A. P. Verma, Joint Secretary
(in the Chair) | } | Representing Ministry of
Petroleum & Chemicals. |
| 2. Shri I. M. Sahai, Deputy Secretary | | |
| 3. Shri R. Narasimhan, Deputy Secretary | | Representing Min. of Finance. |
| 4. Shri V. C. Rajagopal Jt. Director Traffic (Rates) | | Representing Railway Board. |
| 5. Shri H. P. Aranha, Dir. (Prod). | | |
| 6. Shri S. B. Kabra, Dir. (F&A) | } | Representing O.N.G.C. |
| 7. Shri N. K. Talukdar, Jt. Dir (F&A) | | |
| 8. Shri N. N. Malhotra, Dir. (F&A), Western
Region | | |

2. During discussions, the representatives of ONGC as well as Railway Board reiterated their respective positions on this dispute as expressed in the past and explained their viewpoints.

3. As a result of the discussions, the following was agreed :—

- (a) An officer each of ONGC and the Railways would sit together and jointly study the mutual records on the dispute as maintained both at headquarters and field levels and prepare a documented case bringing out the details of efforts made in the past by the respective parties to present their points of view to each other.

This process would be completed by 15-11-1972.

- (b) A meeting would thereafter be called in the Ministry of Petroleum & Chemicals to consider the matter further and arrive at a quick decision.

APPENDIX IV

(Vide reply to recommendation at Serial No. 60)

Ministry of Petroleum and Chemicals O. M. No. 10/44/72-ONG, dated the 22nd September, 1972, from Shri R.N. Chopra, Under Secretary, to Shri B.S. Negi, Chairman, Oil and Natural Gas Commission, Tel Bhavan, Dehra Dun, regarding examination of the Recommendations contained in the 15th Report of the Committee on Public Undertakings on the Oil and Natural Gas Commission.

I would draw your attention to Member (Finance), ONG Commission's D.O. letter No. 41/63/72-LAW, dated the 3rd August, 1972 on the above subject and to say that while Commission had not made any comments in respect of the Recommendation No. 60 concerning Para No. 9.60, Government has informed in its reply (copy enclosed) to Lok Sabha Sectt. that Government agrees with the observations of the Committee and has impressed upon the Commission the importance of the observations.

2. In view of the foregoing, it would be appreciated if the matter receives due consideration and importance in the Commission so that the object in revising the budget forms is achieved in the overall interests of the Commission.

Copy to :—Member (Finance) Shri P.T. Venugopal, Oil and Natural Gas Commission, Dehra Dun for information and necessary action.

APPENDIX V

(Vide para 5 of the Introduction)

Analysis of action taken by Government on the recommendations contained in the Sixteenth Report of the Committee on Public Undertakings (16th Lok Sabha)

I.	Total number of recommendations	73
II.	Recommendations that have been accepted by the Government (<i>vide</i> recommendations at Sl. Nos. 1, 4, 8, 9, 11, 15, 16, 17, 19, 21, 22, 23, 25, 27, 34, 35, 37, 42, 44, 45, 46, 50, 57, 58, 60, 61, 62, 63, 64, 68, 69, 70 and 71).	
	Number	33
	Percentage of total	45.22%
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies (<i>vide</i> recommendations at Sl. Nos. 2, 3, 12, 13, 14, 18, 20, 26, 28, 28A, 29, 30, 31, 32, 33, 36, 38, 39, 40, 41, 43, 47, 48, 49, 51, 52, 56, 59, 66, 67, and 72).	
	Number	31
	Percentage of total	42.45%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee.	
	Number	Nil
	Percentage of total	Nil
V.	Recommendations in respect of which final replies of Government are still awaited (<i>vide</i> recommendations at Sl. Nos. 5, 6, 7, 10, 24, 53, 54, 55 and 65).	
	Number	9
	Percentage of total	12.33%