

THIRTY-FIRST REPORT  
STANDING COMMITTEE ON  
PETROLEUM & CHEMICALS  
(2002)

(THIRTEENTH LOK SABHA)

EVALUATION OF GUIDELINES OF DEALER  
SELECTION BOARDS (DSBs)

MINISTRY OF PETROLEUM &  
NATURAL GAS

*(Action Taken by the Government on the recommendations contained in the  
Twenty-Second Report (Thirteenth Lok Sabha) of the Standing Committee on  
Petroleum & Chemicals (2001) on 'Evaluation of Guidelines of  
Dealer Selection Boards (DSBs)']*

*Presented to Speaker on 17.10.2002*

*Presented to Lok Sabha on.....*

*Laid in Rajya Sabha on.....*

25 NOV 2002



LOK SABHA SECRETARIAT  
NEW DELHI

August 2002/Bhadrapada, 1924 (Saka)

## CONTENTS

COMPOSITION OF THE COMMITTEE .....	
COMPOSITION OF THE SUB-COMMITTEE CONSTITUTED TO LOOK INTO COMPLAINTS ON NON-OBSERVANCE OF THE GUIDELINES LAID DOWN BY THE GOVT. IN ALLOTING RETAIL OUTLETS AND LPG DISTRIBUTORSHIPS BY DEALER SELECTION BOARDS .....	(v)
INTRODUCTION .....	
CHAPTER I Report.....	
CHAPTER II Recommendations which have been accepted by the Government. ....	
CHAPTER III Recommendations which the Committee do not desire to pursue in view of the Government's replies .....	10
CHAPTER IV Recommendations in respect of which replies of the Government have not been accepted by the Committee .....	13
CHAPTER V Recommendations in respect of which final replies of the Government are still awaited .....	17

## APPENDICES

I. Minutes of the Second sitting of the Sub-Committee constituted to look into complaints on non- observance of the Guidelines laid down by the Govt. in allotting Retail Outlets and LPG Distributorships by Dealer Selection Boards held on 2nd August, 2002 .....	23
II. Minutes of the Eleventh sitting of the Standing Committee on Petroleum & Chemicals (2002) held on 12th August, 2002 .....	25
III. Analysis of Action Taken by the Government on the recommendations contained in the Twenty-Second Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on 'Evaluation of Guidelines of Dealer Selection Boards (DSBs)' .....	28

COMPOSITION OF THE STANDING COMMITTEE ON  
PETROLEUM AND CHEMICALS (2002)

Shri Mulayam Singh Yadav — *Chairman*

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*Lok Sabha*

2. Shri Ashok Argal
3. Dr. Chellamella Suguna Kumari
4. Shri Ram Chander Baidia
5. Shri Ananda Mohan Biswas
6. Shri Padam Sen Choudhry
7. Prof. Kailasho Devi
8. Shri P.D. Elangovan
9. Shri Dilipkumar Mansukhlal Gandhi
10. Smt. Sheela Gautam
11. Shri Paban Singh Ghatowar
12. Shri Bijoy Handique
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14. Shri C. Kuppusami
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21. Shri Mohan Rawale
22. Shri Shyama Charan Shukla
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24. Dr. Chhatrapal Singh
25. Shri Prabhunath Singh
26. Shri Ramjiwan Singh
27. Dr. Ram Lakhani Singh
28. Shri Shankersinh Vaghela
29. Shri Ratilal Kalidas Varma
30. Dr. Girija Vyas

*Rajya Sabha*

31. Shri Balkavi Bairagi
- \*\*\*32. Shri Ram Nath Kovind
33. Shri Anil Kumar
34. Shri Shyam Lal
35. Shri Rajiv Ranjan Singh 'Lalan'
36. Shri Mool Chand Meena
37. Shri Deepankar Mukherjee
- \*\*38. Shri Pritish Nandy
39. Shri Ahmed Patel
- \*\*\*40. Shri Keshubhai Savdasbhai Patel
41. Shri Yadlapati Venkat Rao
42. Ms. Mabel Rebello
43. Shri Gaya Singh
- \*44. Shri Tanga Tamilselvan
45. Prof. Ram Gopal Yadav

SECRETARIAT

- |                       |                                   |
|-----------------------|-----------------------------------|
| 1. Shri P.D.T. Achary | <i>Additional Secretary</i>       |
| 2. Shri K. V. Rao     | <i>Joint Secretary</i>            |
| 3. Shri P.K. Grover   | <i>Director</i>                   |
| 4. Shri J.N. Oberoi   | <i>Under Secretary</i>            |
| 5. Smt. Madhu Bhutani | <i>Senior Executive Assistant</i> |

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\* Nominated w.e.f. 8th April, 2002.

\*\* Nominated w.e.f. 8th May, 2002.

\*\*\* Nominated w.e.f. 14th May, 2002.

COMPOSITION OF SUB-COMMITTEE CONSTITUTED TO LOOK INTO COMPLAINTS ON NON-OBSERVANCE OF THE GUIDELINES LAID DOWN BY THE GOVERNMENT IN ALLOTING RETAIL OUTLETS AND LPG DISTRIBUTORSHIPS BY DEALER SELECTION BOARDS OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2002)

Shri Mulayam Singh Yadav – *Chairman*

MEMBERS  
*Lok Sabha*

2. Shri Shankersinh Vaghela – *Convenor*
3. Dr. (Smt.) Chellamella Suguna Kumari
4. Smt. Sheela Gautam
5. Shri Prabhunath Singh

*Rajya Sabha*

6. Shri Rajiv Ranjan Singh 'Lalan'
7. Shri Dipankar Mukherjee
8. Prof. Ram Gopal Yadav

SECRETARIAT

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| 3. Shri P. K. Grover  | <i>Director</i>             |
| 4. Shri J. N. Oberoi  | <i>Under Secretary</i>      |
| 5. Smt. Madhu Bhutani | <i>Sr. Exec. Assistant</i>  |

## INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Chemicals (2002) having been authorised by the Committee to submit the Report on their behalf present this Thirty-First Report on Action Taken by Government on the recommendations contained in Twenty- Second Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on 'Evaluation of Guidelines of Dealer Selection Boards'.

2. The Twenty-Second Report of the Committee was presented to Speaker on 28th December, 2001 and later presented to Lok Sabha on 26th February, 2002. The updated Replies of Government to all the recommendations contained in the Twenty-Second Report were received on 19th July, 2002. The Sub-Committee Constituted to look into complaints on non-observance of the Guidelines laid down by the Government in allotting Retail Outlets and LPG Distributorships by Dealer Selection Boards considered the Action Taken Replies received from the Government and adopted the Report at their sitting held on 2nd August, 2002.

3. The Standing Committee on Petroleum & Chemicals (2002) considered and adopted this Report at their sitting held on 12th August, 2002. The Committee place on record their appreciation of the work done by the Sub-Committee Constituted to look into complaints on non-observance of the Guidelines laid down by the Government in allotting Retail Outlets and LPG Distributorships by Dealer Selection Boards.

4. An analysis of the Action Taken by Government on the recommendations contained in the Twenty-Second Report (Thirteenth Lok Sabha) of the Committee is given in Appendix- III.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

6. The Committee place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

NEW DELHI;  
August 29, 2002  
Bhadrpada 7, 1924 (Saka)

MULAYAMSINGH YADAV,  
Chairman,  
Standing Committee on  
Petroleum & Chemicals.

## CHAPTER I

### REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in the Twenty-Second Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on 'Evaluation of Guidelines of Dealer Selection Boards (DSBs)' which was presented to Speaker on 28th December, 2001 and later presented to Lok Sabha on 26th February, 2002.

2. Action taken notes have been received from the Government in respect of all the 13 recommendations/conclusions contained in the Report. These have been categorised as follows: —

- (i) Recommendations/conclusions that have been accepted by the Government: —  
Sl. No. 2.
- (ii) Recommendations/conclusions which the Committee do not desire to pursue in View of the Government's replies: —  
Sl. Nos. 3, 4 and 5.
- (iii) Recommendations/conclusions in respect of which replies of the Government have not been accepted by the Committee: —  
Sl. Nos. 1, 12 and 13.
- (iv) Recommendations/observations in respect of which final replies of the Government are still awaited: —  
Sl. Nos. 6, 7, 8, 9, 10 and 11.

3. The Committee desire that the final replies in respect of the recommendations for which interim replies have been furnished by the Government should be furnished expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their recommendations and make suggestions thereupon.

#### (A) Auctioning of Dealerships

##### Recommendation (Part-II, Para No.1)

5. The Committee while evaluating guidelines of Dealer Selection Boards had observed that the Government have decided to deregulate marketing of petroleum products *w.e.f.* 1st April, 2002 and with this the business scenario has changed. In the deregulated market, the private

players are making their plans to venture into the open market and public sector oil companies have to compete with them. The Committee had expressed their confidence in the public sector oil companies in meeting the challenges from the private sector. However, the Committee had strongly felt that in the deregulated market the business ability and salesmanship have more importance than the other traits being evaluated by DSBs. The Committee had opined that in the open market the dealer should be selected on his ability to face competitiveness and also on commercial considerations. The Committee had, therefore, recommended that henceforth all the slots in the marketing plan be auctioned subject to fulfilment of social objectives such as affording employment opportunities to educated youth, upliftment of weaker and neglected sections of the society. The Government can do this by adopting certain norms such as restricting the bidding in the respective categories for which the slots are reserved, putting cap on the income of the bidders, etc. The Committee had suggested that the Government may constitute a Committee of Management Consultants to frame norms for this purpose.

6. In their reply the Government have stated as under: —

“The recommendation has been examined in consultation with the Oil Industry. The Industry is not in favour of the auctioning process for selection of dealers/distributors because, in such a process, any individual who bids the highest price would be awarded the dealership though he may not possess the required business acumen for running the agency in the face of acute competition to come from the deregulated market.

Further in line with the recommendation of the Committee the oil industry has obtained advice/consultancy of a former senior professor from Indian Institute of Management, Ahmedabad for developing the revised parameters for selection of dealers/distributors with a view to bringing further objectivity in evaluation of applicants while keeping in view the commercial requirements for operating the dealerships/distributorships in the deregulated scenario. The Industry is of the view that each individual oil company should be empowered to select the dealers/distributors based on its own internal guidelines and at locations of its own choice, depending upon economic viability.

A final view on these will be taken and Committee informed.



7. The Committee have seen reports that the Government have decided, to cancel allotments made since January 1, 2000 and go in for competitive bidding. The Committee welcome this decision and would await for the details of the same. The Committee, however, would like to emphasize again that auction should be made subject to fulfilment of social objectives such as affording employment opportunities to educated youth, upliftment of weaker and neglected sections of the society. The Committee, therefore, reiterate that certain norms may be fixed such as restricting the bidding in the respective categories for which the slots are reserved, putting cap on the income of bidders etc. The slots should be auctioned within the respective categories subject to certain pre-conditions to be evolved by the Government in consultation with Management consultants.

**(B) Preference to Cooperative Societies and Corporations**

**Recommendation (Part-II, Para No. 6)**

8. As per the guidelines cooperative societies/corporations are also eligible with certain norms for selection as retailers/distributors. However, from the data furnished before the Committee, it came to be known that during the last 5 years only 7 ROs and 19 LPG Distributorships were allotted to cooperatives and 2 ROs and 33 LPG Distributorships were allotted to the corporations. The Committee had felt that the cooperative societies are performing very well in some of the States especially in Maharashtra and Gujarat and similarly the corporations are also doing well. The Committee had observed that although under the present dispensation, the reserved quota cannot be fixed for these societies and corporations yet the Committee had recommended that while fixing the parameters for norms of evaluation of the candidates the cooperative societies and corporations should be given weightage so that the selectors may accord priority to this sector over the others.

9. Replying to the observation of the Committee, the Government have stated as under: –

"With the deregulation of the petroleum sector with effect from 1.4.2002, the job of selection of dealers/distributors will be done by the Oil Companies themselves who will lay down their own guidelines in the matter. In the deregulated scenario, the selection of dealers/distributors will include commercial considerations for

business operations in which the different organisations like cooperative societies, state corporations, etc. may apply for award of dealerships / distributorships as per approved guidelines of the oil marketing companies. The Committee would be informed after a final view is taken."

10. The Committee would like to reiterate the thrust of their earlier recommendation that the cooperative societies and corporations should be accorded priority in allotment of dealerships. They would like to advise the Government that while approving the guidelines for allotment of dealership in the deregulated scenario, such norms for evaluating the candidates should be set which help in according priority to cooperative societies and corporations.

**(C) Role of Non-member Secretary**

**Recommendation (Part-II, Para No.8)**

11. The Committee had evaluated the role of the Non-Member Secretary in the Dealer Selection Board and had observed that his job was to provide secretarial assistance to the Board. He was accountable to the Chairman of the DSB functionally, though administratively he was under the control of the Oil Companies to which he belonged. As per the earlier guidelines Non-Member Secretary was the final authority in DSB in scrutinising the eligibility of the applicants. The Committee had, therefore, recommended that it would be in the fitness of things if responsibility of scrutinising of applications was entrusted to the Chairman under whose supervision the Non-Member Secretary performed his job.

12. The Government in the reply have stated that in view of the dissolution of Dealer Selection Boards w.e.f. 9th May, 2002, it might no longer be required to look into the matter that Chairman DSB may be given the responsibility for scrutinising of applications.

13. The Committee have noted the reply of the Government but observed that in the new dispensation there may be an office whose job would be to scrutinise the applications. The import of the Committee's recommendation was that the ultimate responsibility of scrutinising of applications should be with the chief of the Dealer Selection Board and not with the Non-Member Secretary. The Committee, therefore, would like the Government to ensure that in the new system, the responsibility of scrutinising the application lies with the chief of the Selection Board and not with the Non-Member Secretary.

**(D) Allotment of Discretionary Quota****Recommendation (Part-II, Para No. 11)**

14. The Committee while evaluating the guidelines of Dealer Selection Boards had made specific recommendation relating to discretionary quota for allotment on genuine compassionate grounds to some categories of persons. The text of the recommendation is as under:-

“There is a provision of a discretionary quota of dealership/distributorship which would be outside 100% point roster of marketing plans and outside the purview of the Dealer Selection Boards, which would be earmarked for allotment on genuine compassionate grounds to the deserving persons in the following two categories:

- (i) Dependents of Defence/Paramilitary/Police Personnel, who are killed in action or persons permanently disabled while performing their duties and have not been suitably rehabilitated;
- (ii) Dependents of Central/State Government employees, who are killed or permanently disabled while performing their duties and have not been suitably rehabilitated.

The Committee were informed that as on 31st August, 2001, 538 and 30 applications for allotment of retail outlet/LPG distributorship respectively under the above mentioned discretionary quotas were received from the eligible persons. So far no decision has been taken by the Government on these applications, although the process of scrutinising in this regard was on. The Committee view the responsibility of rehabilitating the dependents of paramilitary forces personnel as national duty, and therefore, would like the Government to act quickly and frame a time bound procedure in deciding these cases. The Committee would like that allotments made in the Operation Vijay, the dependents of above categories viz. defence, paramilitary police etc. are treated similarly.”

15. The Government in their reply has stated as under: —

“Till 30.6.2002, 1671 applications for discretionary allotment for dealerships / distributorships have been received by the Committee of Directors (Marketing) of oil marketing companies for

scrutinising applications for discretionary allotment. Action is being taken on applications for discretionary allotments and the same are being processed by the Committee of Directors (Marketing) of oil companies and in the Government in line with guidelines drawn up as per directions of Hon'ble Supreme Court so that allotments can be made as early as possible."

16. The Committee regret to note even after six months of presenting the Report, the Government have not been able to finalise the decision on applications for discretionary allotments. They view this delay in allotment as intriguing. Since the dependents of defence and paramilitary police personnel have been kept on waiting for unnecessarily long periods. The Committee would like the Government to take a final decision in the matter within one month of presentation of this Report.

**(E) Functioning of Director General -anti-adulteration Cell (Aac)**  
**Recommendation (Part-II, Para No. 12)**

17. The Government have constituted a Cell in the Ministry known as Director General - Anti-Adulteration Cell (AAC) whose job is to enquire into the complaints against the Chairman and Members of the Board. This Cell consists of a Director General, 4 Regional Directors and 28 Investigating Officers / Intelligence Officers at the operational level. The Committee had viewed the functioning of this Cell as very important and recommended that the organisational structure of this Cell should be strengthened. The Committee had further recommended that all the appointments at the Regional Director and above level should be above board and this Cell be given full functional autonomy.

18. The Government in their reply has stated as under: —

"The office of Director General, Anti-Adulteration Cell, after going through the different complaints received and excluding duplicate complaints and complaints of general nature, have received 1274 complaints till 31.5.2002. Out of these, reports on 198 complaints have been forwarded to the Ministry of Petroleum & Natural Gas for further action. Out of the remaining cases, 259 and 132 complaints are under different stages of investigation by the oil marketing companies and DG, AAC respectively.

The appointments to the post of Director General and the Regional Directors of the Anti-Adulteration Cell are made by Government in terms of extant procedure through the Department of Personnel and Training. The Cell has been granted full functional autonomy."

19. The Committee have noted that the Cell has received 1274 complaints till 31st May, 2002 and out of these, reports on 198 complaints have been forwarded to the Ministry of Petroleum & Natural Gas for further action. The Committee view this progress in disposing of the complaints as very slow. It has also been brought to the notice of the Committee that in some cases LOIs have been held up pending the final decision by the Anti-Adulteration Cell. The Committee, therefore, urge the Government to strengthen and empower the Cell to investigate the complaints expeditiously and take finalised decision quickly so as to end the uncertainty.

**(F) Establishment of Institutional System to Look Into Complaints Against Chairmen of DSBs**

**Recommendation (Part-II, Para No. 13)**

20. The Committee had come across the cases where the Chairman/ Chairmen of Selection Boards had complained to higher/ highest authorities that they were pressurised by politicians for making allotment of retail outlet / LPG distributorships to specific person recommended by them. The Committee had, therefore, recommended an institutional system be set up in the Ministry to enquire into the substance of such complaints.

21. The Ministry while replying to the observation of the Committee have stated that all the Dealer Selection Boards have since been dissolved *w.e.f.* 9th May, 2002 and with the dissolution of DSBs a separate institutional system may no longer be required.

22. The Committee wish to point out that although the Dealer Selection Boards have since been dissolved, such complaints are in fact pending with the Government for enquiry and disposal. The Committee would like to know how these complaints were enquired and disposed of.

## CHAPTER II

### RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### Recommendation (Part II, Para No. 2)

As per the guidelines, a Dealer Selection Board consists of besides a Retired Judge of a High Court/Retired District Judge/or equivalent judicial officer who would be the Chairman and two officers of the Oil Companies. The Committee have found that there is no institutional system to select the Chairman and the Government has assumed the absolute and unrestricted powers to pick and choose any ex-judicial official as Chairman of the Selection Board. The Committee are convinced that there are innumerable Retired Judicial officers in the eligible categories who are fit and most suitable for being selected as Chairman but they might have no say in being considered for this job. The Government enjoy the absolute and unhindered power in selection, which may be a source of corruption. The Committee are not convinced by the submissions of the officials of the Ministry of Petroleum & Natural Gas that the Ministry itself is an institution and this institution sifts the available information and on that basis the Chairman is appointed. The Ministry could not satisfy the Committee about the credential of the source. The Committee recall that the Ministry while issuing the revised guidelines had proclaimed that the new guidelines have been framed with certain objectives which are to provide transparency, uniformity and fair and fast procedure for selection of suitable candidates as dealers/distributors. The Committee feel that the absence of an institution for selection of Chairman negates the first objective of the revised guidelines *i.e.* transparency. The Committee recommend that the High Courts may be requested to form the panel of suitable persons for being considered for selection for the Chairmanship of the DSB. The Ministry while appointing Chairman may request the High Courts to send a panel of the suitable persons and the number of panelists should not exceed more than 3 times the slots. Government, should appoint the Chairman out of this panel. Till this institutional system is adopted, all the Dealer Selection Boards be disbanded and new system may be set in place at the earliest.

#### Reply of the Government

With the deregulation of the petroleum products market *w.e.f.* April, 2002, the job of selection of dealers/distributors will be

undertaken by the oil companies themselves, who will lay down their own guidelines in the matter. The Government have since dissolved the existing Dealer Selection Boards *w.e.f* 9.5.2002. As the new selection will be done by the oil companies themselves, it may no longer be required by the Government to obtain a panel of judges from the High Court.

[Ministry of Petroleum & Natural Gas, OM No.P-38012/6/2001-IOC,  
dated 19.7.2002 and 23.7.2002.]

### CHAPTER III

#### RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT REPLIES

##### Recommendation (Part II, Para No. 3)

As per the Guidelines, a Chairman is appointed for a term of 2 years. However, he holds his office during the pleasure of the appointing authority. The Committee found that within one year of working of the new guidelines, the Government dispensed with the services of 13 Chairmen out of 59. This showed that the Government used its power indiscreetly and discriminately. Though it has been prescribed in the guidelines that the services of Chairman can be dispensed with even before the expiry of the term without giving a notice yet in democracy it is expected that the appointing authority must assign reason before dispensing with the services. Even the officials of the Government whose services are prematurely terminated are first served the show cause and then only a final decision is taken but in the case of Chairman Dealer Selection Board who happens to be a Retired Judge of a high stature, is not extended the similar treatment. The Committee view these powers as arbitrary and absolute discretionary without any accountability. In the absence of the laid down procedure the Ministry has been vested with absolute power negating the basic principles of natural justice. This shows that the Government want such persons as Chairmen who would follow the dictates of the authority not prescribed in the guidelines. In the Committee's opinion, the absence of any procedure for dispensing with the services of the Chairman is an evidence of lack of transparency. The Committee, therefore, recommend that proper procedure for dispensing with the services of a Chairman should be laid down.

##### Recommendation (Part II, Para No. 4)

The Ministry by an amendment of the original guidelines enhanced the powers of the Chairman and gave him 200 marks for evaluating the candidates as against 100 marks of the other two Members. During the examination of the subject, the officials of the Ministry of Petroleum & Natural Gas apprised the Committee that the Government received suggestions for giving higher weightage to the assessment of the candidates made by the Chairman. The Ministry officials referred to a Conference of the DSBs held in December, 2000 where some of the



Chairmen are supposed to have demanded it. The Committee have gone through the record of this Conference and have found that one or two Chairmen have only asked for this power. When the Ministry was asked whether there was any analogy of this provision with the Selection Boards functioning under the Central Government, the reply was that they are not aware of any such analogous provision in this regard. The Committee note that one of objectives of the revised guidelines was to have uniformity in the selection of the dealers. However, by empowering Chairman with 200 marks, the Committee feel that the objectivity has been sacrificed. The Committee feel that on the one hand, there is no transparency in selecting the Chairman and on the other hand he has been given extraordinary power. Both these things go against the principles of uniformity. The power of the Chairman becomes more critical when one of the two Members nominated on the Selection Board does not report in the selection process. It was reported that in 62 cases this has happened. The Ministry officials assured the Committee that they would like to remedy this situation by ensuring that the nominees of the Oil Companies report in the selection process. The Committee were not convinced by this suggestion as the guidelines provide for quorum of two persons and until and unless the rule relating to quorum is altered the assurance given by the Ministry has no relevance. The basic contentious issue is that of vesting Chairman with more powers than with the other two Members. The Committee pointed out that even in High Courts and Supreme Court, presiding Judge of the Bench has the same powers which his/her brother judges have. In the Committee's view, the powers of the Chairman of the Dealer Selection Boards are unequal. The Committee recommend that the Chairman of the Dealer Selection Boards should have the same power as his colleague Members and, as Chairman he should remain only the administrative head of the Board.

#### **Recommendation (Part II, Para No. 5)**

It has been provided in the guidelines para 3.10.1 that the DSB will judge the *inter se* suitability of the candidates for all categories except defence personnel on some prescribed basis. Neither the DSBs have prescribed certain parameters for testing each criterion nor the Government have issued any guidelines on these. This has resulted in an abnormal situation where the assessment has been left to the total subjectivity of the Members of the Board. The Committee during evidence on the subject referred to the judgement of the Kolkata High Court in writ petition no.1177 (W) of 2001 in the allotment of retail outlets of Indian Oil Corporations at Khirpai, Midnapur district where the Court had observed that the Members of the Selection Board do not

have the jurisdiction to lay down the criteria other than those prescribed. Now the prescribed criteria do not lay down any parameters. During the course of examination, the Committee observed that the Government in consultation with the reputed management consultants should prescribe bench mark for each point to be awarded by the Dealer Selection Board. This would eliminate the scope of subjectivity. The Committee were happy to see that the representative of the Ministry responded to the suggestion positively. The Committee recommend that the norms for evaluating the candidates should be totally reviewed and parameters should be suggested for each trait in consultation with the management experts and the DSBs while awarding the marks should base their judgement on these parameters. The Committee would further like the Government to study the implications of the court case referred to above and apprise the Committee of their findings.

#### **Reply of the Government**

All the Dealer Selection Boards (DSBs) have since been dissolved *w.e.f.* 9.5.2002. The selection of dealers/distributors of retail outlet dealerships, SKO-LDO dealerships and LPG distributorships will be undertaken by the oil marketing companies themselves. The oil marketing companies are preparing their own guidelines for selection of dealers/distributors. The Committee would be informed after a final view is taken.

As the new selection will be done by the oil companies themselves the decision regarding issue of equating the powers of Chairman with those of the Members may no longer be required by the Government in view of dissolution of the existing Dealer Selection Boards *w.e.f.* 9.5.2002. Moreover, as brought out in reply to recommendation No.1 of the Committee the oil industry has already obtained advice/ consultancy of a former senior professor from Indian Institute of Management, Ahmedabad for developing the revised parameters for selection of dealers/distributors with a view to bringing further objectivity in evaluation of applicants while keeping in view the commercial requirements for operating the dealerships/distributorships in the deregulated scenario.

In view of dissolution of the existing DSBs and developing of revised parameters for selection of dealers/ distributors the subjectivity in selection is likely to reduce.

[Ministry of Petroleum & Natural Gas OM No.P-38012/6/2001-IOC dated 19.7.2002 and 23.7.2002.]

## CHAPTER IV

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

#### Recommendation (Part II, Para No. 1)

Dealership of Petroleum Products especially MS, HSD and LPG (domestic supply) has been most attractive and sought after private business activity because of the assured return of investment. Because of this reason there has always been a pressing campaign for allotment of dealerships for these products. Since the marketing of these products has remained in controlled regime, retailing in the above-mentioned petroleum products was almost a monopolistic affair. Now when in principle decision has been taken to deregulate marketing of these products with effect from 1st April, 2002, the business scenario has changed. In the deregulated market the private players are making their plans to venture into the marketing segment and our PSU Oil Companies have to compete with them in all respects. The Committee are confident that our PSU oil companies have the in-built strength to face all sorts of challenges from the private players but it is the Government's duty to control less and less and give real functional autonomy to these Companies. The most important area in the functional autonomy would be the retailing business *viz.* retail marketing of MS, HSD, LPG, etc. etc. The fundamental factor in the post-deregulated market is bound to be pricing and the place of marketing (*i.e.* locations). The Committee visualise the perfect competition in the deregulated arena where business acumen, professionalism and economic considerations would be the commanding elements. Presently, the Oil Companies have no hand in selecting their dealers. This task is being performed by Dealer Selection Boards. As per extant Guidelines, Dealer Selection Board selects the dealer on the basis of certain traits which have been defined in the Guidelines. Out of these traits, personality, business ability and salesmanship account only for 20 marks *i.e.* 1/5 of the total marks. If personality is excluded from this trait the business ability and salesmanship account for about only 15% of the total ability criteria for retail marketing. The Committee strongly feel that in the deregulated market business ability and salesmanship have more importance than other traits being evaluated presently by DSBs. The Committee are of the opinion that in the open market dealer should be selected on his ability to face competitiveness and also on commercial considerations. The Committee, therefore, recommend that henceforth all the slots specified

in the marketing plan should be auctioned subject to fulfilment of social objective such as affording employment opportunities to educated youth, upliftment of weaker and neglected section of the society. The Government can do this by adopting certain norms such as restricting the bidding in the respective categories for which the slots are reserved, putting cap on the income of bidders, etc. The Government may constitute an Expert Committee of Management Consultants to frame such norms for this purpose. Till this recommendation is accepted and implemented by the Government, the Committee make recommendations *ad-interim* as in the succeeding paragraphs.

#### **Reply of the Government**

The recommendation has been examined in consultation with the Oil Industry. The Industry is not in favour of the auctioning process for selection of dealers/distributors because, in such a process, any individual who bids the highest price would be awarded the dealership though he may not possess the required business acumen for running the agency in the face of acute competition to come from the deregulated market.

Further, in line with the recommendation of the Committee the oil industry has obtained advice / consultancy of a former senior professor from Indian Institute of Management, Ahmedabad for developing the revised parameters for selection of dealers / distributors with a view to bringing further objectivity in evaluation of applicants while keeping in view the commercial requirements for operating the dealerships / distributorships in the deregulated scenario. The Industry is of the view that each individual oil company should be empowered to select the dealers/distributors based on its own internal guidelines and at locations of its own choice, depending upon economic viability.

A final view on these will be taken and Committee informed.

[Ministry of Petroleum & Natural Gas OM No.P-38012/6/2001-IOC  
dated 19.7.2002 and 23.7.2002.]

#### **Comments of the Committee**

(Please see para 7 of Chapter I of the Report)

### **Recommendation (Part II, Para No. 12)**

The guidelines provide a set procedure of Grievance Redressal System. In addition to that, the Government have constituted another Cell in the Ministry known as Director General – Anti Adulteration Cell (AAC) whose job is to investigate into the complaints against the Chairman and Members of the Board. This Cell consists of a Director General, 4 Regional Directors and 28 Investigating Officers/ Intelligence Officers at the operational level. Out of these, the post of Director General, 3 posts of Regional Directors and 5 posts of Investigating/ Intelligence Officers have been filled up. The Cell's job is to enquire into the complaints against the Chairman and the Members of the DSBs whereas the complaints against empanelled candidates and/ or the process of selection would be dealt with as per the provision in the guidelines. The Committee learnt that after the formation of Anti-Adulteration Cell in March, 2001 about 810 complaints were referred to this Cell till September, 2001 and the Cell has been able to report on 30 of these. The Committee view the functioning of the Cell as very important and recommend that the organisational structure of the Cell should be fully strengthened. The Committee further recommend that all the appointments at the Regional Director and above level should be above board and the Cell should be given full functional autonomy.

### **Reply of the Government**

The office of Director General, Anti-Adulteration Cell, after doing through the different complaints received and excluding duplicate complaints and complaints of general nature, have received 1274 complaints till 31.5.2002. Out of these, reports on 198 complaints have been forwarded to the Ministry of Petroleum and Natural Gas for further action. Out of the remaining cases, 259 and 132 complaints are under different stages of investigation by the oil marketing companies and DG, AAC respectively.

The appointments to the post of Director General and the Regional Directors of the Anti-Adulteration Cell are made by Government in terms of extant procedure through the Department of Personnel and Training. The Cell has been granted full functional autonomy.

[Ministry of Petroleum & Natural Gas OM No.P-38012/6/2001-IOC dated 19.7.2002 and 23.7.2002.)

### **Comments of the Committee**

(Please see para 19 of Chapter I of the Report)

**Recommendation (Part II, Para No. 13)**

The Committee came across the cases where the Chairman / Chairmen of the Selection Boards have complained to the higher/ highest authorities that they are pressurised by politicians for making allotment of retail outlet/LPG distributorship to a specific person recommend by them. The Committee recommend that an institutional system should be set up in the Ministry to inquire into the substance of such complaints.

**Reply of the Government**

All the Dealer Selection Boards (DSBs) have since been dissolved *w.e.f.* 9.5.2002. with the *dissolution* of the DSBs, a separate institutional system may no longer be required.

[Ministry of Petroleum & Natural Gas OM's No.P-38012/6/2001-IOC  
dated 19.7.2002 and 23.7.2002.]

**Comments of the Committee**

(Please *see* para 22 of Chapter I of the Report)

## **CHAPTER V**

### **RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED**

#### **Recommendation (Part II, Para No. 6)**

As per the guidelines, cooperative societies/corporations are also eligible with certain norms for selection as retailers/ distributors. However, from the data furnished before the Committee, it came to be known that during the last 5 years only 7 ROs and 19 LPG distributorships were allotted to cooperatives and 2 ROs and 33 LPG distributorships were allotted to the Corporations. The Committee feel that the cooperative societies are performing very well in some of the States especially in Maharashtra and Gujarat and similarly corporations which are statutory in character are doing well. Although, under the present dispensation the reserved quota cannot be fixed for these societies and corporations yet the Committee recommend that while fixing the parameters for norms of evaluation of the candidates the cooperative societies and corporations should be given weightage so that the selectors may accord priority to this sector over the others.

#### **Reply of the Government**

With the deregulation of the petroleum sector with effect from 1.4.2002, the job of selection of dealers/ distributors will be done by the oil companies themselves who will lay down their own guidelines in the matter. In the deregulated scenario, the selection of dealers/ distributors will include commercial considerations for business operations in which the different organizations like cooperative societies, state corporations, etc. may apply for award of dealerships/ distributorships as per approved guidelines of the oil marketing companies. The Committee would be informed after a final view is taken.

[Ministry of Petroleum & Natural Gas OM Nos.P-38012/6/2001-IOC  
dated 19.7.2002 and 23.7.2002.]

#### **Comments of the Committee**

(Please see para 10 of Chapter I of the Report)

**Recommendation (Part II, Para No. 7)**

In the deregulated era, PSU Oil Companies are expected to compete with the private players under the perfect economic conditions. Therefore, to enable the Oil Companies to operate efficiently and commercially, it has been suggested in some quarters that Oil Companies should be given freedom in choosing retailers and even the locations. The Government, reacting to the suggestion have intimated that the present system of allotment of dealerships/ distributorships serves the Government's social objectives by reserving certain percentage of dealership/ distributorship for different sections of the society. The Government feel that the continuance of the present selection procedure would be appropriate. The Committee while appreciating the concern of the Government, would like to say that the social objectives can be served only if the Oil Companies operate efficiently and earn profit. If circumstances happen to be such where the private players operate purely commercially then the public sector Oil Companies would be in danger commercially (from the economic point of view.) So the first target should be to ensure that these companies become viable commercially. Only when they remain commercially strong, they can serve the social objectives. The Committee are happy to note that the representative of the Ministry while deposing before the Committee has submitted that in the post-APM era, the suggestion that Oil Companies should be given freedom to choose their retailers would certainly be kept in view while deciding the formalities as to what powers are to be given to the Oil Companies which are not presently exercised by them fully or partly to meet the new challenges. As recommended earlier, the retail outlets and distributorships should be auctioned. On the same analogy the Committee recommend that the Oil Companies should be given functional freedom to choose their retailers/ distributors.

**Recommendation (Part II, Para No. 8)**

The role of the Non-Member Secretary is an important one. His job is to provide secretarial assistance to the Board. He is accountable to the Chairman of the DSB functionally though administratively he is under the control of the Oil Companies to which he belongs. As per the guidelines, Non-Member Secretary is the final authority in DSB in scrutinizing the eligibility of applicants. The Committee recommend that it would be in the fitness of things if responsibility of scrutinising of applications is entrusted to the Chairman under whose supervision the Non-Member Secretary should perform his job.



### Reply of the Government

With deregulation of the petroleum sector *w.e.f.* 1.4.2002, the oil marketing companies will have full functional freedom in the matters pertaining to selection of dealers/distributors. The oil marketing companies are preparing their own guidelines for selection of dealers/distributors. The Committee would be informed after a final view is taken.

As already brought out in the reply to the Recommendation No.1 oil PSUs are not in favour of the auctioning process for selection of dealers/distributors because, in such a process, any individual who bids the highest price would be awarded the dealership though he may not possess the required business acumen for running the agency in the face of acute competition to come from the deregulated market.

Further, in view of dissolution of the Dealer Selection Boards *w.e.f.* 9.5.2002, it may no longer be required to look into the matter that Chairman DSB may be given the responsibility for scrutiny of applications.

[Ministry of Petroleum & Natural Gas OM Nos.P-38012/6/2001-IOC dated 19.7.2002 and 23.7.2002.]

### Comments of the Committee

(Please see para 13 of Chapter I of the Report regarding para 8)

### Recommendation (Part II, Para No. 9)

As per guidelines, para 3.13.1, the selection of a dealer/distributor should be finalised within a period of 145 days from the date of the advertisement. During the course of examination of this subject, the Committee have found that the time frame was not practical at all and in most of the cases, the Letter of Intent (LoI) has not been issued where results were finalized more than 6 months back. The Committee feel that this time frame is absolutely unpracticable and should be suitably reviewed to avoid any scope of litigation over this provision.

### Reply of the Government

With the deregulation of the petroleum sector with effect from 1.4.2002, the Government are considering to entrust the job of selection of dealers/distributors to the Oil Companies themselves who will be expected to lay down their own guidelines in the matter which will include suitable time frame for finalisation of the selection of dealers/distributors. The Committee would be informed after a final view is taken.

[Ministry of Petroleum & Natural Gas OM Nos.P-38012/6/2001-IOC dated 19.7.2002 and 23.7.2002.]

### Recommendation (Part II, Para No. 10)

As per the provision, under para 2.1 of the guidelines, 2% of the dealerships/distributorships are reserved for freedom fighters. The Committee have the impression that this quota was not being utilised genuinely. The Ministry has intimated that there is no proposal as such under consideration for review of quota for freedom fighters. The Committee feel that the surviving freedom fighters must be in an advanced ages and even if they are allotted retail outlet or LPG distributorships at this fag end of their lives, it would not serve any purpose as they cannot be full time workers as stipulated in the guidelines. So there is every apprehension that the allotment made under this quota may go *benami* at later stage. The Committee, therefore, recommend that the provision of this quota should be reviewed thoroughly.

### Reply of the Government

With the deregulation of the petroleum sector with effect from 1.4.2002, the job of selection of dealers/distributors will be done by the Oil Companies themselves who will lay down their own guidelines in the matter *inter alia* including reservation for various categories, etc. The Committee would be informed after a final view is taken.

[Ministry of Petroleum & Natural Gas OM Nos.P-38012/6/2001-IOC dated 19.7.2002 and 23.7.2002.]

### **Recommendation (Part II, Para No. 11)**

There is a provision of a discretionary quota of dealership/distributorship which would be outside 100% point roster of marketing plans and outside the purview of the Dealer Selection Boards, which would be earmarked for allotment on genuine compassionate grounds to the deserving persons in the following two categories:

- (i) Dependents of Defence/Paramilitary/ Police personnel, who are killed in action or persons permanently disable while performing their duties and have not been suitably rehabilitated;
- (ii) Dependents of central/State Government employees, who are killed or permanently disabled while performing their duties and have not been suitably rehabilitated.

The Committee were informed that as on 31st August, 2001, 538 and 30 applications for allotment of retail outlet/LPG distributorships respectively under the abovementioned discretionary quotas were received from the eligible persons. So far no decision has been taken by the Government on these applications, although the process of scrutinising in this regard was on. The Committee view the responsibility of rehabilitating the dependents of paramilitary forces personnel as national duty, and therefore, would like the Government to act quickly and frame a time-bound procedure in deciding these cases. The Committee would like that like allotments made in the Operation Vijay, the dependents of above categories *viz.* defence/paramilitary/police etc. are treated similarly.

### **Reply of the Government**

Till 30.6.2002, 1671 applications for discretionary allotment for dealerships/distributorships have been received by the Committee of Directors (Marketing) of oil marketing companies for scrutinising applications for discretionary allotment. Action is being taken on applications for discretionary allotments and the same are being processed by the Committee of Directors (Marketing) of oil companies. and in the Government in line with guidelines drawn up as per

directions of Hon'ble Supreme Court so that allotments can be made as early as possible.

[Ministry of Petroleum & Natural Gas OM Nos. P-38012/6/2001-IOC  
dated 19.7.2002 and 23.7.2002]

**Comments of the Committee**

(Please see para 16 of Chapter I of the Report)

NEW DELHI;  
August 29, 2002  
Bhadrapada 7, 1924 (Saka)

MULAYAM SINGH YADAV,  
*Chairman,*  
*Standing Committee on*  
*Petroleum & Chemicals.*

## APPENDIX I

### MINUTES

SUB-COMMITTEE CONSTITUTED TO LOOK INTO THE COMPLAINTS ON NON-OBSERVANCE OF THE GUIDELINES LAID DOWN BY THE GOVERNMENT IN ALLOTTING RETAIL OUTLETS AND LPG DISTRIBUTORSHIPS BY DEALER SELECTION BOARDS

A SUB-COMMITTEE OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2002)

**Fifth Sitting**  
**(02.08.2002)**

The Sub-Committee sat from 1500 hrs. to 1530 hrs.

### PRESENT

Shri Shankersinh Vaghela – Convenor

### MEMBERS

*Lok Sabha*

2. Dr. (Smt.) Chellamella Suguna Kumari
3. Shri Prabhunath Singh

*Rajya Sabha*

4. Shri Rajiv Ranjan Singh 'Lalan'

### SECRETARIAT

Shri P.K. Grover

*Director*

2. Shri J.N. Oberoi

*Under Secretary*

At the outset Hon'ble Convenor welcomed the Members to the sitting and explained the purpose of the day's meeting. Thereafter, he invited the Members to give their suggestions, if any, on the Draft Report being considered for adoption.

2. The Sub-Committee then considered the Draft Report on action taken by the Government on the recommendations contained in the 22nd Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on 'Evaluation of Guidelines of Dealer Selection Boards (DSBs)'.

23  
24

3. After some consideration the Sub-Committee adopted the Report.

4. The Sub-Committee authorised the Convenor to finalise the Report and submit this to the Chairman for consideration by the Standing Committee on Petroleum & Chemicals.

*The Sub-Committee then adjourned.*

## APPENDIX II

### MINUTES

#### STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2002) ELEVENTH SITTING ( 12.08.2002)

The Committee sat from 1500 hrs. to 1600 hrs.

#### PRESENT

Shri Mulayam Singh Yadav – *Chairman*

#### MEMBERS

##### *Lok Sabha*

2. Shri Ashok Argal
3. Shri Ram Chander Binda
4. Dr. Chellamella Suguna Kumari
5. Shri Padam Sen Chaudhry
6. Shri Dilipkumar Mansukhlal Gandhi
7. Smt. Sheela Gautam
8. Shri Bijoy Handique
9. Shri Shriprakash Jaiswal
10. Shri Punnulal Mohale
11. Shri Ashok N. Mohol
12. Dr. Debendra Pradhan
13. Shri Ram Sajivan
14. Shri Shyama Charan Shukla
15. Dr. V. Saroja
16. Dr. Chhatrapal Singh
17. Dr. Ram Lakhan Singh

##### *Rajya Sabha*

18. Shri Balkavi Bairagi
19. Shri Ramnath Kovind
20. Shri Shyam Lal
21. Shri Rajiv Ranjan Singh 'Lalan'
22. Shri Dipankar Mukherjee

- 23. Shri Ahmed Patel
- 24. Shri Keshubhai Savdasbhai Patel
- 25. Ms. Mabel Rebello

## SECRETARIAT

- |    |                  |                           |
|----|------------------|---------------------------|
|    | Shri K.V. Rao    | <i>Joint Secretary</i>    |
| 2. | Shri J.N. Oberoi | <i>Under Secretary</i>    |
| 3. | Shri Ram Raj Rai | <i>Assistant Director</i> |

At the outset, Hon'ble Chairman referred to the sad demise of Shri Krishan Kant, Vice-President of India and recalled his contribution to Nation's building. The Committee condoled his death and passed a Condolence Resolution. The Committee stood in silence for a while. Thereafter, Hon'ble Chairman welcomed Shri Keshubhai Savdasbhai Patel, to the Committee and hoped that the Committee would be benefited by his experiences.

2. Hon'ble Chairman then explained the purpose of the day's meeting and invited the Members to give their suggestions, if any on the following four draft Reports being considered for adoption: —

(i)

(ii)

Action Taken Report on action taken by Government on the recommendations contained in the Twenty-Second Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (2001) on 'Evaluation of Guidelines of Dealer Selection Boards (DSBs)'; and

(iv)

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3. After some consideration, the Committee adopted all the Reports without any modification and the Committee authorised the Chairman to finalise the Reports after factual verification from the concerned Ministries/Departments and present them to Speaker or to Parliament as deemed necessary.

4. The Committee placed on record their appreciation of the work done by the Sub-Committees on Petroleum, Chemicals & Petrochemicals, Fertilisers and the Sub-Committee constituted to look into the complaints on non-observance of Guidelines laid down by the Government in allotting Retail Outlets and LPG Distributorships by Dealer Selection Boards.

5. The Committee also placed on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

6.

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*The Committee then adjourned*



### APPENDIX III

[*Vide* Para 4 of the Introduction]

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE  
RECOMMENDATIONS CONTAINED IN THE TWENTY-SECOND  
REPORT (THIRTEENTH LOK SABHA) OF THE STANDING  
COMMITTEE ON PETROLEUM & CHEMICALS (2001) ON  
'EVALUATION OF GUIDELINES OF DEALER SELECTION  
BOARDS (DSBs)'

I. Total No. of Recommendations	13
II. Recommendations which have been accepted by the Government ( <i>Vide</i> Recommendation at Sl. No.2)	1
Percentage of Total	7.69
III. Recommendations which the Committee do not desire to pursue in view of Government Reply ( <i>Vide</i> Recommendations at Sl. Nos. 3, 4, and 5)	3
Percentage of Total	23.08
IV. Recommendations in respect of which replies of the Government have not been accepted by the Committee ( <i>Vide</i> Recommendations at Sl. Nos. 1, 12 and 13)	3
Percentage of Total	
V. Recommendations in respect of which final replies of the Government are still awaited ( <i>Vide</i> Recommendations at Sl. Nos. 6, 7, 8, 9, 10 and 11)	6
Percentage of Total	