

**EIGHTH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1985-86)**

(EIGHTH LOK SABHA)

**OIL AND NATURAL GAS COMMISSION—
ORGANISATIONAL STRUCTURE AND PROJECT
CLEARANCE**

(MINISTRY OF PETROLEUM AND NATURAL GAS)

Presented to Lok Sabha on 23.4.1986

Laid in Rajya Sabha on 23.4.1986



**LOK SABHA SECRETARIAT
NEW DELHI**

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1985-86)

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STUDY GROUP II ON OIL & NATURAL GAS COMMISSION
TRADE FAIR AUTHORITY OF INDIA, MINERALS & METALS
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5. Shri Chiranjit Lal Sharma

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Eighth Report on Oil, and Natural Gas Commission—Organisational Structure and Project Clearance.

2. The Committee took evidence of the representatives of Oil and Natural Gas Commission on 23 and 24 September, 1985, 28 and 29 October, 1985, 10 and 11 February, 1986 and of Ministry of Petroleum and Natural Gas on 12, 13 and 14 March, 1986.

3. The Committee considered and adopted the Report at their sitting held on 21 April, 1986.

4. The Committee wish to express their thanks to the Ministry of Petroleum and Natural Gas and Oil and Natural Gas Commission for placing before them the material and information they wanted in connection with examination of the Commission. They also wish to thank in particular the representatives of the Ministry of Petroleum and Natural Gas and the Oil and Natural Gas Commission who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

NEW DELHI;

April 25, 1986.

Vaisaka 5, 1986 (S).

K. RAMAMURTHY,

Chairman,

Committee on Public Undertakings.

CHAPTER I

ORGANISATIONAL STRUCTURE

A. ONGC Act, 1959

1.1 Oil & Natural Gas Directorate was set up by the Government of India in 1956. It was later converted into a statutory body known as Oil and Natural Gas Commission under the ONGC Act, 1959. The composition, powers and functions of the Commission have been specified in the Act.

1.2 According to Section 4 of the ONGC Act, 1959, the Commission shall consist of a Chairman and not less than two and not more than eight other members appointed by the Central Government.

1.3 Under Section 14 of the Act, the main functions of the Oil & Natural Gas Commission, subject to the provisions of the Act, *inter alia*, are "to plan, promote, organise and implement programmes for development of petroleum resources and the production and sale of petroleum and petroleum products produced by it and to perform such functions as the Central Government may, from time to time, assign to it."

1.4 Since the Act was enacted about 26 years back, certain constraints have been experienced in the smooth and speedy commercial working of the Commission owing to certain provisions in the Act. In fact, keeping in view the size of ONGC, the high cost, the high risk and highly sophisticated technology in its operations and the performance of ONGC in the past, it was felt that ONGC should really have more powers than any other Public Sector Undertakings which are normally registered under the Indian Companies Act, 1956.

1.5 The Committee on Public Undertakings, which examined the working of ONGC first in 1964-65 and again in 1971-72, *inter-alia* found that the Act, under which the ONGC had been constituted, did not provide for appointment of the Chairman as its Chief Executive Officer. The Committee (1971-72) in Para 2.11 of their 16th Report (Fifth Lok Sabha) recommended as under:

"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."

1.6 In Para 2.43 of their 16th Report (Fifth Lok Sabha), the Committee (1971-72) also noted that the non-statutory Public Undertakings like Indian Oil Corporation 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 is required by the ONGC under Section 32 of the ONGC Act, 1959. The Committee also 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 accordingly recommended that Sections 15 and 32 of the ONGC Act, 1959 might be suitably amended.

1.7 In their action taken note, the Government endorsed the basic principle underlying the recommendations. The Ministry of Petroleum and Chemicals also stated in their reply dated 14-11-1972 as follows:—

"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."

1.8 The high powered Committee under Shri K. D. Malaviya, M.P. had been set up in 1971 to review the functioning of the ONGC and make necessary recommendations for its improvement on various specific matters including the organisational structure of ONGC. The Malaviya Committee recommended "certain radical and far-reaching changes" in the structure and organisation of ONGC.

1.9 In relation to the ONGC Act, the Malaviya Committee, *inter alia*, observed that "In a large measure the present ineffectiveness and loss of purpose was inherent in the Act which placed the statutory body in a position of subordination to the Government Secretariat."

In the same context, the Committee observed:

"The Committee has found much evidence for the conclusion that the strange mixture of a Commission-cum-Subordinate

office that the ONGC now is, has made it ineffective as an organisation. It has neither the status of a Commission nor the flexibility of a Corporation. In fact, it has the disadvantages of both."

1.10 During evidence of the representatives of the ONGC, the Committee wanted to know the views of ONGC on the above observations of the K. D. Malaviya Committee. Chairman, ONGC stated as follows:

"Basically the statement made by Shri Malaviya Committee in their Report is correct. We have suggested certain amendments to the Act itself so that our functioning can become a little more autonomous as compared to some of the other public sector units. Because of the Act there are certain things which we cannot do.... So, there is need to amend this Act so that certain additional powers are given to Commission so that we are able to operate more effectively without referring anything to Government."

He added:

"Unless you change the total structure between the Government and the public sector, interference cannot stop. Unless there is accountability both at Government level and at the public sector level, it will not do because Chief Executives are accountable for the results. This is not so far as Government officers are concerned."

1.11 In regard to the main recommendations of the Malaviya Committee and the action taken thereon by Government, the Minister of State for Petroleum, Chemicals & Fertilizers made a statement in the Rajya Sabha on 6th December, 1977. In the statement, the Minister of State for Petroleum, Chemicals and Fertilizers stated *inter alia*:

"As the House is aware, Government have had under their consideration a review of the organisational structure of the Oil & Natural Gas Commission, (ONGC) with due regard to their growing responsibilities and the importance of their efficient operations to the national economy. Although certain decisions had been taken tentatively by the Government in this regard, the matter needed to be examined in greater detail in view of the intricate and complex nature of the subject taking into account various recommendations made so far. I am glad to say that the

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examination of the factors involved has now been completed and I have the privilege to place before the House the decisions of the Government on the future organisational set up of the ONGC.

* * * *

The ONGC is a growing organisation and is in the thick of major operations, particularly in the offshore sector. We have therefore proceeded on the basis of making minimum changes at this stage and they have been designed to add strength and a better definition of the responsibility at the staff and executive levels of operations and between the ONGC and the Government."

1.12 Subsequently in March, 1981, in Rajya Sabha in reply to USQ 1216 answered on 2-3-1981, in regard to the action taken on specific recommendations of the Malaviya Committee, the Minister of Petroleum, Chemicals and Fertilizers stated as under:—

"The Malaviya Committee had *inter alia*, suggested that the present ONGC should be dissolved and instead a three tier structure should be created for oil exploration work in the country. Firstly, it had suggested that the responsibility for national policy for oil exploration at the highest level should vest in a body known as the Oil & Natural Gas Commission. The Chairman of this Commission should be a person of Cabinet Ministers's rank and for some years the Prime Minister should take over the Oil Exploration portfolio. A Department (i.e. Ministry) of Oil Exploration should be created as the implementing agency for the Commission's policy. Thirdly the present functions performed by the ONGC should be entrusted to a Corporation which may be called the Oil & Gas Corporation of India. These recommendations were considered by the Government but were not found acceptable."

1.13 It was also stated that Government had taken action on various operational recommendations of the Malaviya Committee Report. As to the actual action taken in pursuance of these recommendations, the ONGC has in a note stated as follows:—

"Arising out of the Malaviya Committee recommendation, the composition of the Commission was modified from 1974 onwards to include Secretary (P) and Secretary (Finance) as members and raising the status of the Chairman and

also empowering him with the powers of the Chief Executive... In addition, Government made some changes in the internal management of the Commission."

1.14 At present Ministry of Petroleum & Natural Gas is being represented on the Commission at the level of Joint Secretary. Similarly Finance Ministry is being represented by an Additional Secretary. During evidence, Chairman, ONGC suggested before the Committee that Chairman of the Commission should be of level of Secretary to the Government of India and Secretaries to the Government of India should be on the Commission for quick decision. It was also stated that Secretary Petroleum and Finance Secretary represented their respective Ministries on the Commission from April 1974 to December 1977.

1.15 The Committee wanted to know the advantages in having Secretaries of Government on the Commission. Chairman, ONGC stated as follows:—

"After the Malaviya Committee, the Secretaries to the Government of India (Ministry of Finance and Petroleum) had to be on the Commission as Members and the Chairman obviously had a higher status. As the Secretary is on the Commission and a decision is taken, he is the final authority in the matter. Then the proposal would not go through the Desk Officer and others. Now what happens is the Joint Secretary or the Additional Secretary is on the Commission and the proposal goes through the whole process, because the Secretary is not involved. They would like to analyse, re-analyse and so on. If there are three or four Secretaries on the Commission, they can also act as empowered, work as best as Committee of the Government to clear the proposals. It has a tremendous advantage."

1.16 Asked about the views of the Ministry on the above suggestion of the Commission, the Ministry of Petroleum and Natural Gas replied in a written note that Government decided after careful consideration in 1977 that representative should be at the level of Joint Secretary/Additional Secretary in Ministries of Petroleum & Finance. The Government does not see need for any change.

1.17 During evidence, the Committee pointed out that an officer of Joint Secretary level may not be able to take on the spot decision.

To this Secretary, Ministry of Petroleum and Natural Gas stated as follows:—

“The powers of the Commission are given with reference of the Commission as a whole and not with reference to the composition of the Commission. In fact, a few years ago, prior to December 1977, there were Secretaries on the ONGC. The powers of the ONGC at that time were less than the powers of the ONGC today in several respects. So, the powers delegated to the ONGC have no bearing with the level of representation from Government. It depends on the calibre of the full-time members.....”

He further stated:

“I may point out that the presence of a Secretary in the Commission may work both ways. We want the Commission to have its own independent thinking and not to be influenced by the Ministry's thinking. There are six or seven full-time members of the Commission. We want them to apply their mind to the problems. The presence of Secretary could be a factor by which the Commission itself may be influenced in a particular way and then it could be said with perhaps some justification as to why the Ministry is trying to influence the Commission by putting its Secretary on the Commission.”

1.18 Asked about the purpose for having some officer of the Ministry on Commission, the Secretary, Petroleum & Natural Gas stated:

“The purpose is to reflect in the deliberations of the Commission the approved policies of the Government. We believe that an Additional Secretary or Joint Secretary is a senior enough officer to reflect the policy of the Government in the Commission. It is not to influence the decision of the Commission but to make a contribution to the discussion by conveying to them the appropriate and relevant policies of the Government to the extent they are already there.”

1.19 On being pointed out by the Committee that Commission's decisions are to be approved by the Ministry, the Secretary stated:

“The Government, as an independent agency, could look at the independent opinion of the ONGC. The idea is to allow them to take an independent view and then the Government can examine it. The Joint Secretary reflects the policy of the Government which is already there. He does not make policies in the Commission.”

1.20 The Committee were informed that ONGC made a review of the provisions of the ONGC Act *vis-a-vis* the corresponding provisions of some other Public Undertakings and made certain suggestions to the Government as far back as 1983. In this connection, Member (Personnel) of ONGC stated during evidence as follows:—

"We had carried out a very detailed exercise virtually section by section. We had compared the provisions in the ONGC Act, we studied what kinds of powers are available in the Act and how they compare with the provisions of the other public undertakings registered under the Indian Companies Act.

Our contention was that in view of the importance of the Commission and its activities and service to the basic infrastructure of the country, the Commission ought to have really far more powers than any other public sector undertakings. Quite apart from that, we discovered that the Commission did not have the powers of a normal public undertaking. To quote an instance, the power to delegate is not available under the ONGC Act. For example, the Chairman has certain powers and the Chairman cannot delegate them to somebody else without the approval of the Government. This power is very important to any progressive commercial undertaking so that it can be more business like in its operation.

The second aspect is the rule making authority. The Commission can make no regulation at all, unless it is approved by the Government and notified in the Gazette and then finally placed before the Subordinate Legislation Committee of Parliament.

Even the power to change service conditions of the officers, which is a power normally available to any public undertaking, is not available to the Commission. That is, the changes are subject to approval by the Government.

These are some of the very important disabilities being suffered by the Commission as a result of the operation of the Act."

1.21 According to the ONGC, a meeting was held in the Ministry on 15 January, 1985 to discuss the suggestions for amendments in the ONGC Act. It has been stated that the reaction of the Ministry was

that ONGC should bring out observations only on those provisions which are directly related to the smooth working of ONGC and a consensus was arrived at that Sections 12, 14, 15, 26, 31 and 32 needed immediate attention.

1.22 During the course of examination of the Ministry, the Committee enquired whether any final decision has been taken to amend the sections 12, 14, 15, 26, 31 and 32 of the ONGC Act. The Ministry of Petroleum and Natural Gas in a written note stated as follows:—

“The ONGC had proposed extensive and radical amendments to the ONGC's Act of 1959, rules and regulations thereunder. These were examined, in detail, and discussed with the ONGC. In January 1985, the ONGC decided to withdraw their proposal.

Fresh proposals for amendment were furnished to the Government by the ONGC in January 1985. After discussions, it was decided that the proposals for amendment of only six (6) sections needed further scrutiny. These are under consideration of the Government.”

1.23 During evidence the Committee pointed out that the matter relating to amendment of certain sections of ONGC Act was hanging fire for a long time and wanted to know as to by what time Ministry would take a final decision to amend the ONGC Act. Secretary, Ministry of Petroleum and Natural Gas stated as follows:—

“There are some amendments we can consider—not sweeping changes proposed by the ONGC. We had discussions and we are having further discussions with them and we will come to a decision soon.”

1.24 The Committee also enquired whether Ministry thought of certain amendments apart from the suggestions submitted by ONGC to amend the ONGC Act for giving more autonomy and powers to ONGC for its efficient functioning. Secretary stated as follows:—

“We have not thought of any amendment so far. The provision of the Act gives them enough freedom which has been made use of by ONGC. They have framed a whole set of regulations. They cannot manage the 45,000 people without such set rules and regulations. They have the delegation of powers. Accordingly, they take decisions which have been approved by them at all levels. We believe that the improvement in the functioning of

ONGC can be brought about by measures other than amending the Act. There is scope for improvement. We had discussion with them. We have been making suggestions. We feel, it is neither necessary nor essential to amend any Act. Giving them greater power is the larger decision of the Government. We feel there is no need for any amendment at this stage. Giving them greater freedom and autonomy perhaps may contribute in some measure to efficient and better implementation."

B. Organisation of O.N.G.C.

1.25 The Commission consists of a Chairman and 8 other Members. The Commission at present is comprised of—

1. Chairman
2. Member (Exploration)
3. Member (Drilling)
4. Member (Operations)
5. Member (Technical Services)
6. Member (Personnel)
7. Member (Finance)
8. Addl. Secretary, Department of Economic Affairs, Ministry of Finance and
9. Joint Secretary, Ministry of Petroleum

1.26 The Committee are informed that a reorganisation scheme which seeks to fully implement the concept of centralised policy making and decentralised administration was introduced in the Commission in July, 1984. Under the scheme, four functional Business Groups have been constituted. These are Exploration, Drilling, Operations and Technical Services. The Business Groups have commercial working relationships among themselves. While each functional Member oversees functioning of the respective Business Group, the Chairman directly oversees the functions of Vigilance, Corporate Planning and management services, public relations, overseas and Commission's Secretariat. The reorganisation scheme was based on the functional specialisation and a common basin approach.

1.27 During the course of evidence of the representatives of ONGC, the Committee wanted to know as to how this reorganisation scheme differed from the earlier organisation of ONGC. Chairman, ONGC explained as follows:

"Earlier we were organised on the basis of territorial bases of off-shore and on-shore and it was resulting in many pro-

blems. Only two members were handling all work i.e. drilling, exploration, technical services and production. The new reorganisation is more or less based on the international pattern. Now, the organisation is based on functional specialisation. We have four groups, operation, exploration, technical services and drilling supported by finance and personnel. Each business group is an autonomous one so that they can get the targets achieved through an integrated system. Now we have geological basins concept rather than off-shore and on-shore because some basins may have both off-shore and on-shore. Then we have our concept of centralised policy making and decentralised administration. The Commission members would exercise their mind to the policy making, futuristic planning, management of the environment and monitoring and giving support to operations. The operations would be handled by the Group General Managers for which we have submitted to the Government our proposals for sanction. We have also delegated the authority to the people at the working level so that they can achieve quantifiable results. The specialisation aspect would get the desired thrust from each member because it is almost equivalent to subsidiary companies of one international company, for drilling they have a separate company, for technical services they have a separate company, for exploration they have a separate company and the operator is production department. Our concept is almost on the same lines. Each group over a period would become a profit centre and relationship with each other would be based on commercial lines. Finally, it would be monitored by the Commission itself headed by the Chairman."

1.28 The Committee further enquired about the need for reorganisation scheme, Chairman, ONGC replied as follows:

"We had carried out a SWOT analysis. We were finding that purchase cases were moving very slowly. When we examined our hydrocarbon resources towards the end of 1981, we found that we had 17 billion tonnes of prognosticated resources out of which only 3.5 billion tonnes had been converted into in-place geological reserves. With the economic development, there is going to be a growing demand for hydrocarbons in this country. So, the need arose as to how we can convert these prognosticated re-

sources into in-place geological reserves, at an accelerated pace to meet the growing demand. We formed a committee to look at the strengths, weaknesses of and opportunities before the organisation. This group went round, looked into various systems and procedures and talked to a large cross-section of the people. They found that the existing structure, let alone meeting the future generation, was not even good for the present operations. For example, on off-shore itself the volume of activities had increased two to three times and the purchase cases were taking long time because there was only one member looking after the operations with four or five highly specialised disciplines under him. It is humanly impossible for a member to take care of all the activities and particularly purchase activities. The emphasis on training and development was also not there because no one member was responsible for a particular discipline."

1.29 Asked whether any time bound programme had been fixed to implement the reorganisation scheme, Chairman, ONGC stated as follows:—

"By and large, it has been implemented except for the additional post of Executive Directors/GM. Detailed checking of physical stocks is going on, it will take a little more of time."

1.30 Asked about the results and benefits arising out of the reorganisation scheme, ONGC informed in a written note that "the reorganisation structure which has come into operation from July 1984 has already shown the desired results. This is primarily because of Business Group concept with required autonomy and decentralisation of material function. There is an improvement in processing of various purchase cases. The profit centre concept has introduced a spirit of competitiveness which has had necessary positive impact on the working of the Commission and is expected to further improve in the coming years."

In this connection, Chairman, ONGC also informed the Committee during evidence:

"I am very happy to tell you that it has already started giving desired results....The first is that specialisation and optimum utilisation of resources is receiving direct thrust. The second one is that purchases used to take a very long time. Almost in all cases, time has been reduced by

20 per cent. We have found operational efficiency on the increase in every area."

1.31 On being asked as to how the new reorganisation scheme introduced in 1984 was working, the Ministry of Petroleum and Natural Gas have stated in a note:—

"Restructuring of an organisation is a dynamic process and every progressive organisation must go through such a process consistent with the environmental and internal needs.....After one-and-half years of this reorganisation, Government once again, reviewed in December, 1985 the structure to identify weaknesses, if any, and whether there was a need for any modification. It was found that the different functional Groups had not yet been able to organise themselves as Business Groups acting as cost and profit centres. It had not been possible to develop separate costing procedures or even a format of budget for each of the Groups. The ONGC had been functioning essentially as a centralised unit with a common budget. The other weaknesses noticed were:

- (i) With all the Members located in Dehradun, their responsibility or activity in all parts of the country, resulted in inadequate supervision;
- (ii) The basin approach had been diluted by having General Managers who reported to their respective Members and provided a relatively weak coordination with officers of their own level;
- (iii) Absence of a single point responsibility for exploration, drilling & production in these basins.
- (iv) With centralised responsibility being thinly spread over all the Regions and in the absence of Regional Organisation with authority and responsibility, the total operations of ONGC tended to become somewhat diffused.

1.32. The Secretary, Ministry of Petroleum and Natural Gas also informed the Committee during evidence that in view of the rapid growth of ONGC, its organisational structure has been restructured many times in the past viz. 1974, 1976, 1978 and in 1981 before the changes made in 1984 and again in 1985.

1.33 The Committee wanted to know the difference between re-organisation scheme of 1984 and the new scheme of December 1985. The Ministry have stated in a written note as follows:—

“At the time of the earlier reorganisation, it was recognised that there might be need of further modification. The ONGC themselves made a proposal to strengthen the second tier of the organisation by appointment of Executive Directors/Chief General Managers. Taking into consideration the proposals of ONGC and also the recommendations of the Sen Gupta Committee, the Government decided, towards the end of 1985 that for each of the Regions —South with Headquarters at Madras; West with HQs at Baroda and East with HQs at Nazira, there will be a Regional Director incharge of Exploration, Drilling and Production in onland areas of his Region. Each Region will prepare its own capital and operational budget and will be given targets for Exploration, Drilling & Production. For the Bombay Offshore area, which is the largest producing area today and other offshore areas, there will be another Executive Director incharge of Exploration & Production who would also have Annual Budget and targets approved by ONGC.”

It is also proposed to have a Member exclusively for Natural Gas in view of its importance in the Energy Sector. This Member will coordinate Exploration and Development of Natural Gas reserves in all the Regions and off-shore areas and will also coordinate the investments to be made for the utilisation of gas centres, production prospects of which are clearly established so that there is minimum flaring of gas. There will also be a re-arrangement of functions of Members so that there is no increase in the strength of six full-time Members excluding the Chairman.

Performance of the Regions will be reviewed internally by ONGC and the overall performance of ONGC would be reviewed by the Ministry. These arrangements are to come into effect from 1st April, 1986.”

1.34 The Committee pointed out that there have been frequent changes in organisational structure of ONGC (i.e. in 1974, 1976, 1978, 1981, 1984 and 1985) in past and wanted to know the reasons for such

changes. Ministry of Petroleum and Natural Gas stated in a written note as follows:—

“For an organisation like ONGC operating throughout the country in different geological conditions and logistic environments, new organisational structures have to be continually evolved. The recent reorganisation in 1984 and end—1985 are two examples of the efforts of the ONGC and the Government to respond to the continually changing nature of challenges being faced by the ONGC.”

In this connection Secretary, Ministry of Petroleum and Natural Gas stated during evidence as follows:—

“The changes are made due to the changing role of the ONGC over a period of time. In 1974, there was a sea change in the activities of the ONGC. Before the Bombay High was found out and development began, ONGC's activities were almost stagnant. Secondly, we are not saying that the 1984 change is a total failure. This has given good results. When the business groups concept was brought in 1984, they had thought that it would not be possible to implement the business group concept without some changes. So, after this 18 months period, all that we have done is to bring about a slight improvement in the changes already made. It is not at all a radical change.

He added:

“We thought that the basic principle of this organisational arrangement is to give responsibility and we find that this had not been properly brought about in this arrangement. That was the reason why we brought about these two changes in December 1985. These changes by no means can be called radical. But they have been made to improve the functioning.”

1.35. The Committee further pointed out that since K. D. Malaviya Committee Report in 1972 no expert Committee had examined the working of ONGC and there were frequent changes in the organisational structure of ONGC and wanted to know from the Ministry whether it would not be better to appoint some expert Committee to determine the proper organisational structure of ONGC. Secretary, Ministry of Petroleum and Natural Gas stated:—

“Since reorganisation has brought out, and work has been going on for some time, it should be given a chance to

work for four or five years. After that it can be reviewed. I think the point has been well taken by the hon. member that too frequent changes should not be allowed and the reorganisation already recommended may be allowed to go ahead."

C. Relations with State Governments

1.36 It has been stated by ONGC that close liaison and inter-action with the respective State Governments both at the regional|project level as well as the Corporate Headquarters level is maintained. The important areas of liaison with the State Governments include acquisition of land, law and order situation, grant of PEL|mining lease, employment, accommodation utility services and infrastructural facilities.

1.37 The Committee enquired about the nature of problems faced by ONGC while dealing with State Governments. The Chairman ONGC stated during evidence that real bottleneck with the States was about the acquisition of land. Elaborating it further ONGC stated in a written note that because of the Land Acquisition Acts of different States acquisition of land for exploration|operational activities often takes very long time. In the case of reserved forest land, the acquisition cases take very long time both in the State Government Departments as well as in the Central Ministries thus retarding exploration activities. This has been a consistent experience in the North Eastern States.

1.38 The Committee wanted to know whether ONGC had any suggestions for making the land acquisition process easier. ONGC stated in written reply furnished after evidence that certain amendments in Land Acquisition Act, (1894) and Forest (Conservation) Act, 1980 are necessary. These are:—

1. Under Forest (Conservation) Act, 1980, besides State Government prior clearance from Central Government is necessary if the land consists of reserved forest land. So, there is need to amend the Act whereby it can be possible to delegate such powers to Chief Conservator of Forests.
2. In view of special provisions given in the Constitution under Article 371A, the State of Nagaland has some special privileges. No Act of Parliament in respect of ownership or transfer of land or resources shall apply to State of Nagaland unless the Legislative Assembly of Nagaland so decides. Waiting for Acquisition of land through land

Acquisition Act is very expensive and it may be desirable to amend ONGC Act itself so that land could be procured through bilateral negotiations.

3. Procedure for land acquisition under land Acquisition Act 1894 and Forest (Conservation) Act, 1980 may be simplified.
4. Section 17 of Land Acquisition Act, 1894 makes special provisions with regard to urgent cases. Special provisions have also been made to waive off certain procedures in case of utility and essential services. These provisions could be extended to activities relating to exploration, exploitation and production of hydrocarbons.

1.39 During the course of examination of the Ministry, the Committee enquired whether the Ministry were aware of the fact that ONGC was experiencing constraints in acquiring land for exploration work. The Ministry replied in a written note as follows:—

“Section 24 of the ONGC Act declares land acquisition for ONGC as a public purpose and provides that such land can be acquired under the provisions of Land Acquisition Act 1894. Notwithstanding this provision, the Exploration Companies have been facing difficulties especially in the Eastern Region where deforestation is involved. With the promulgation of Forests Conservation Act, 1980, the procedure for acquisition of forest land has become very complex.”

1.40 Asked about the steps taken by the Ministry to help ONGC in this regard, Ministry intimated in a written note that efforts to secure exemption for these companies under the Act has not succeeded. However, at the instance of the Petroleum Ministry the Ministry of Agriculture constituted a Working Group which went into the question and consequent to its recommendations a simplified procedure was evolved in April, 1984. Forest Secretaries of all the States and Union Territories were advised on the 19th April, 1984 that—

- (a) for oil prospecting, cases need not be referred to the Central Government for prior approval, if no cutting of trees is involved; and
- (b) for exploratory drilling, where land required is not more than one acre, the simplified procedure would apply. The simplified procedure did not obviate the necessity of prior clearance of Central Government; however, it prescribed

a simpler format for information while this was useful efforts are being made to have the area increased to two hectares.

1.41 It has been further stated that in February, 1986, the Ministry of Petroleum and Natural Gas requested the Ministry of Environments Forests and Wild Life to consider allowing survey activities without prior clearance for de-reservation of forest land. The matter was stated to be under consideration.

1.42 Oil & Natural Gas Commission was set up as a statutory body under the ONGC Act, 1959. The composition, powers and functions of the Commission have been specified in the Act. The Committee find that owing to certain provisions in the Act, constraints have been experienced in the smooth and speedy commercial working of the Commission. The Committee on Public Undertakings which examined the working of ONGC first in 1964-65 and again in 1971-72, inter alia found that the Act, under which ONGC had been constituted, did not provide for appointment of the Chairman of the Commission as its Chief Executive Officer. It was also noted that other non-statutory public undertakings like Indian Oil Corporation etc. which had been set up under the Indian Companies Act enjoyed comparatively greater autonomy in exercise of their powers. The Committee had also 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 high powered Committee set up in 1971 under the chairmanship of Shri K. D. Malaviya, M.P to review the functioning of the ONGC also came to more or less the same conclusion when it observed that "In a large measure the present ineffectiveness and loss of purpose was inherent in the Act which placed the statutory body in a position of subordination to the Government Secretariat". This Committee had also observed that "It (ONGC) has neither the status of a Commission nor the flexibility of a Corporation. In fact, it has the disadvantages of both".

1.43 Following the recommendations of the Committee on Public Undertakings and those made by the Malaviya Committee, the Ministry of Petroleum and Chemicals stated on 14-11-1972 that Government was examining the future pattern of structure, organisation and financing of ONGC in the light of the recommendations made by those Committees and that statutory changes that would be necessary to give greater autonomy to ONGC would be brought about when the amendment of ONGC Act was undertaken. The Committee have been informed that arising out of the Malaviya Committee's recommendations, the composition of the commission was modified

from 1974 onwards and the status of the Chairman was raised to that of a Chief Executive. In addition, Government made some changes in the internal management of the Commission. However, the basic problem of modifying the provisions of the Act with a view to confer a greater degree of autonomy in its day-to-day functioning still persists. The Chairman, ONGC deposed before the Committee that within the existing framework of the Act the Commission did not have the powers of a normal public undertaking. After reviewing the provisions of the ONGC Act vis-a-vis the corresponding provisions of some other public undertakings, ONGC made certain suggestions to the Government as far back as 1983. A meeting was reportedly held on 15 January, 1985 to discuss the suggestions for amendments in the ONGC Act but no final decision could be arrived at. The Ministry have informed the Committee that fresh proposals for amendment to ONGC Act were furnished by ONGC in January, 1985 and those were under consideration.

1.44 The facts narrated above do not at all make a pleasant reading. It is indeed a matter of regret that even after lapse of several years it has not been possible for the Government to bring forward a comprehensive piece of legislation with a view to modify such provisions of the ONGC Act, 1959 which have been found to come in the way of proper functioning of ONGC. The Committee have not gone into the merits of various amendments to the ONGC Act suggested by ONGC. They, however, feel that since the efficient and smooth functioning of ONGC is of vital importance for the country to achieve expeditiously the goal of self sufficiency in oil, a thorough review of the provisions on ONGC Act directly related to the smooth working of ONGC, is called for at the earliest. The Committee, therefore, recommend that the Ministry of Petroleum may, after discussing the proposals for amendments of the Act with ONGC, initiate necessary action in the matter. The Committee also wish to emphasize that any piecemeal approach of having a change or two introduced in the provisions of the Act and then watch the impact may not bring about quick results. In Committee's view what is needed is a comprehensive in depth review of the entire framework of the Act, so that the lacunae which inhibit the smooth functioning of ONGC are removed once for all. The Committee hope that Government will take positive steps in this direction and concrete action taken in this behalf will be intimated to the Committee.

1.45 Apart from the need for amendment of certain sections of ONGC Act, 1959, the question of reorganisation of the structure and working of ONGC with a view to increasing its efficiency and speed up its activities for exploration and exploitation of oil and gas re-

sources in the country has been considered from time to time. The Malaviya Committee had in 1972 recommended "certain radical and far-reaching changes in the structure and organisation of ONGC as presently constituted." These recommendations were considered by the Government but were not found acceptable as stated by the Minister of Petroleum, Chemicals and Fertilizers in reply to a question answered on 2-3-1981 in Rajya Sabha. The Secretary, Ministry of Petroleum and Natural Gas informed the Committee during evidence that in view of the rapid growth of ONGC, its organisational structure had been restructured many a time in the past viz. in 1974, 1976, 1978 and in 1981, before the changes were made in 1984 and again in 1985. The Committee do not see any logic behind making such frequent changes in the organisational structure of ONGC unless these changes impart some further autonomy and freedom of action which is so vitally needed for the optimal functioning of a commercial giant like ONGC. The Committee have a feeling that the changes made in the past have not been brought about after conducting any scientific indepth study because if it were so, such frequent changes would not have been necessary in the organisational structure of ONGC.

1.46 The Committee find that a reorganisation scheme which seeks to fully implement the concept of centralised policy making and decentralised administration was introduced in the Commission in July, 1984. This scheme was introduced after carrying out a SWOT analysis by ONGC. According to ONGC the reorganisational structure which came into operation from July, 1984 had positive impact on the working of the Commission and had already started giving desired results and the operational efficiency was on the increase in every area. The Ministry of Petroleum had strangely enough a different assessment of the scheme. It has been stated by the Ministry that after one and a half years of this reorganisation, the Government reviewed the position and found several weaknesses in the system. According to Ministry it was found that the different functional Groups had not yet been able to organise themselves as Business Groups acting as cost and profit centres and the ONGC had been functioning essentially as a centralised unit with a common budget. As a result a new re-organisation scheme which was to be effective from 1st April, 1986 was being introduced to bring about improvement in the changes already made.

1.47 The Committee find that in fact the scheme of reorganisation introduced by ONGC is sought to be improved although Ministry have claimed that it was a new reorganisation scheme. On the one hand, the Secretary of Ministry deposed before the Committee that too fre-

quent changes should be avoided, on the other hand Ministry themselves are bringing about changes within one and a half year of the introduction of reorganisation by ONGC. The Committee are not able to appreciate this situation. The Committee hope that Ministry had discussed the changes in reorganisation with the ONGC before introducing them. The Committee will like the Ministry to clarify this and inform the Committee after six months of the results achieved by the new reorganised set up.

1.48 Despite close liaison and inter-action with the respective State Governments, ONGC is facing problems in the matter of acquisition of land for exploration/operational activities. The main difficulty appears to be that acquisition of land under the Land Acquisition Act in different States is a complicated and time consuming process. The problem has become more complex after the enactment of Forest (Conservation) Act, 1980, under which, besides the State Governments, prior clearance of Central Government is also needed for acquiring land under reserved forests. It has been stated that at the instance of the Petroleum Ministry procedures for acquisition of land have been simplified to some extent. Much more, however, needs to be done in the matter to overcome the difficulties faced by ONGC in so far as acquisition of land is concerned. The Committee desire that Ministry of Petroleum & Natural Gas should vigorously pursue the matter with all the concerned agencies of the Central and the State Governments to sort out the problems being faced by ONGC in acquiring land for exploration purposes. In view of the peculiar difficulties being faced by ONGC in acquiring land for exploration activities in Nagaland, the Committee would like the Government to give a serious consideration to the suggestion of the ONGC about the need for amending ONGC Act to enable ONGC to acquire land in Nagaland State through bilateral negotiations with the State Government. The Committee desire that to bring about quick decisions this matter be taken up with the State Government at a higher level and the Committee informed of the final outcome at an early date.

CHAPTER II

ALLOCATION OF FUNDS AND DELAY IN CLEARANCE OF PROJECTS

A. Non-utilisation of funds during 6th Five Year Plan

2.1 The total plan expenditure of ONGC for the 6th Five Year Plan was Rs. 6206 crores as against the sanctioned outlay of Rs. 7143 crores. Details of the plan expenditure are as follows:—

		(Rupees in crores)		
		Original Plan (June 1980)	Mid-term Review (Sept. 1982)	Actuals
Surveys		100.58	183.00	193.33
Exploratory Drilling		1114.89	989.00	1152.44
Development Drilling		—	672.00	834.24
Capital		2123.53	5154.00	3841.25
Institutes and R&D		31.00	35.00	36.30
Working Capital		—	110.00	149.05
		3370.00	7143.00	6206.61

2.2 It is seen from the above table that the plan outlay envisaged for the 6th Plan at Rs. 3370 crores was increased to Rs. 7143 crores in Mid-Term Review. At the end of the plan large sums amounting to more than Rs. 900 crores remained unutilised. The Committee enquired about the reasons for non-utilisation of funds during 6th Five Year Plan. ONGC replied in a written note that the main reason for non-utilisation of funds during 6th Five Year Plan was the shortfall in acquisition of capital items and this was mainly due to delay in supply of equipment by indigenous companies and a few projects even being deferred or delayed due to long procedures.

2.3 Elaborating the reasons further, Chairman, ONGC also stated during evidence as follows:—

“The main reasons are the failure of some of the public sector companies to meet their delivery schedule. For example, Water Injection Platform costing approximately two hundred million dollars is getting delayed almost by two years. This is being manufactured by MDL and we are monitoring it almost on daily basis. They are picking up a little bit only now and there is a possibility of this platform being supplied by the end of 1986. It is almost going to be three years behind schedule.

We, therefore, cannot meet the financial commitments if they give us wrong delivery schedule. The same is the case with the other platform to be given by MDL. A large number of platforms are slipping very badly. They have supplied us only the jacket and not the process and other facilities. We are having regular meetings with the concerned authorities, the last one being at my level.

The drill ship Jackups have been ordered and delivery is behind schedule. About Helicopters, till date no delivery has been effected. These are some of the problems. Added to this, to our good luck, the prices of some of the items came down. With the result the money spent by us also came down. All our planning went wrong when these public sector companies and the indigenous companies failed to meet their commitments. Another reason, is that the processing through the Government and the various agencies also got delayed. But by and large our record on the project is good.”

2.4 In reply to query whether ONGC was considering some other indigenous sources, Chairman, ONGC replied:

“Earlier everything was concentrated on Mazagon Dock Ltd. Now we have developed HSL and Burn Standard. Now Larsen and Tubro have come forward to supply top side facilities. They have submitted a proposal. So we are going to the private sector as well.”

2.5 The Committee also wanted to know whether the penalty clause was not there in the agreement entered into with indigenous suppliers. Chairman ONGC replied that liquidated damages clause was there but that would be nothing as compared to the costs.

2.6 The Committee enquired whether the unutilised money could not be utilised for some other purposes. Chairman, ONGC replied as follows:—

“We can very usefully utilise some of the money. But there is limit to which you can make use of that money. The initial plan outlay for the Sixth Plan was only Rs. 3,370 crores. As a result of our long plan, we were able to get additional money. But due to delays, that money could not be utilised, but we were able to utilise a part of that money in increasing our exploratory drilling and production drilling.”

He added:

“We must get the plan allocation 24 months ahead. No doubt, the reorganisation we have undertaken, has started reducing the time of materials and equipment. Further, now our budget allocations are being done on the business group basis. Each Member will be responsible for utilisation of funds.”

2.7 The Committee further pointed out that there were wide gaps between the budgets and actual expenditure. In this connection, Chairman, ONGC stated as follows:—

“I entirely agree with you that there is a need for further refining our planning process and you have rightly asked us about the monitoring. We have set up a very strong monitoring groups in each Unit attached to a Member and also the Chairman. There are almost daily monitoring of the production and exploration effort and monthly reviews on the finance. Of course, the Member (Finance) is carrying out the weekly and fortnightly reviews. But the planning process has to be further refined. I do agree with you that when the budgeting has been done businesswise, consultation has taken place, there should be a more balanced results and the difference between the budget and expenditure should be minimise . . .”.

2.8. During the course of examination of Ministry, the Committee wanted to know whether the Ministry had analysed the reasons for non-utilisation of funds during 6th Five Year Plan. The Ministry of Petroleum and Natural Gas stated in a written note as follows:—

“A yearly analysis of shortfall in plan expenditure on ONGC during 6th Plan had indicated the main reasons as slippages in procurement of capital equipment and delays in

finalising procurement proposals for rigs, vessels etc. The Ministry had made efforts to expedite deliveries from public sector undertakings such as MDL, BHEL, BPCL, HSL etc. not only through letters but by holding meetings with supplier organisations and Ministries. The concern about the shortfall in Plan expenditure is also communicated to the ONGC when necessary."

B. Supply of Equipment by Indigenous suppliers

2.9. Regarding delay in supply of equipments by indigenous companies Chairman, ONGC stated during evidence:

"Unfortunately, sometimes ordering of equipment is not in our hands. I would give you the example of Jackup rigs. I opposed this order, because on account of my engineering background, I knew that they could not deliver these rigs within the stipulated time, but it was forced down my throat.

2.10. When asked as to who forced ONGC to place orders on some particular firm, the witness stated:

"The Ministry, from the national angle, the Government says that you have to develop the indigenous industry. There is a Committee of Secretaries for this."

He added:

"A number of contracts have been signed by ONGC and Mazon Dock Yard. In this case, we were not keen to place order for more than one Jack-up rig. The Government said that we should place order for three."

2.11. After evidence, ONGC further furnished a detailed list showing the cases of delays in supply of equipments by other Public Sector Undertakings namely BHEL, BPCL, MDL, HSL etc. It is noticed from the information that there have been considerable delays on the part of the public undertakings in executing the contracts. According to ONGC, these delays have affected ONGC's plans, schedule performance and meeting the plan outlay.

2.12. The following table gives an idea of delay in supply of equipments by indigenous companies:

Sl.No.	Name of Undertakings	Total No. of equipments supplied	No. of equipments which supplied late	Delay
1.	BHEL . . .	21	19	1 month to 9 months
2.	BPCL	14	13	1 month to 48 months (In six cases delay was more than 12 months)
3.	MDL . . .	24	23	In most of the items delays over 20 months upto 36 months
4.	HSL . . .	7	5	1 month to 7 months. Two items still to be delivered.
5.	HDPR . . .	2	2	2 months each
6.	Goa Shipyard . . .	3	3	2 to 6 months
7.	GRSE . . .	3	3	2 months each
8.	BSCL . . .	2	2	8 and 20 months

2.13. During the examination of the Ministry, the Committee wanted to know whether the Ministry could not help ONGC in getting the equipments from the other Public Sector Undertakings by pursuing the matter at inter-Ministerial level. Secreary, Ministry of Petroleum and Natural Gas stated as follows:—

"There have been delays in delivery schedules. We are assisting the ONGC because those public undertakings are under different Ministries. We try to help them in getting deliveries expedited by those public sector undertakings..... We have had periodical meetings with concerned people to see that deliveries are not unduly delayed."

He added:—

"What we try to do it this: We ask ONGC and other consultants and public sectors to set up a small task force which will sit together every week or every fortnight and sort out problems. It should speed up the whole process of manufacture of equipments in domestic yards|factories. Now they are able to attend to such delivery-schedule with greater confidence."

2.14. The Committee enquired whether the Government have formulated any policy to fully indigenise the production of machinery and equipment required for survey and exploration activities.

The Ministry stated in a written note as follows:—

"Government's policy is to encourage the manufacture of oilfield equipment indigenously both in the Public and the Private Sector subject to their meeting the requirements of specification, delivery schedules and being within the price preference available. In order to achieve this a number of incentives are being given to indigenous manufacturers such as concessional custom duties, benefit of deemed export and price preference upto 35 per cent depending upon the quantum of domestic value added when supplies are made against ICB.

During the 6th Plan the savings in import were estimated to be of the order of Rs. 1900 crores. During the current year, the savings are estimated to be around Rs. 600 crores. Indigenisation has been effected in the manufacture of rigs by BHEL, offshore platforms by Mazagon Docks Limited, Burn Standard Ltd., Hindustan Shipyard Ltd., Jack-up rigs by Mazagon Dock Ltd. offshore supply vessels by various Indian Yards, pumps and compressors by Bharat Pumps and Compressor Ltd., casing pipes and tubes, oilfield chemicals etc. by various Indian parties. Joint ventures for oilfield drilling services have been approved to service the ONGC|OIL.

The Empowered Committee on Indigenisation has been reconstituted in November, 1985 to settle the policy and procedures of Indigenisation. This has representatives of user and supplier Ministries."

2.15. Asked whether the Ministry were satisfied with the progress made in indigenisation programme, Ministry informed that there are several problems encountered such as non-observance of delivery schedules by indigenous parties, substantially higher prices etc., which have to be resolved on case to case basis. Although significant progress has been made, continued effort is required for further indigenisation for which there is still a lot of potential.

2.16 In regard to the prices charged by the indigenous manufacturers, the Chairman, ONGC informed the Committee that as per

Government directions even the indigenous suppliers have to participate in international tenders. He stated:

"The Government directs that all tenders on the indigenous parties will be done through international tenders. They will have to quote against international tenders. Then they will get a price preference in line with the Government direction which may be as high as 35 per cent. So they do not stand to lose but certainly they will get to a discipline. They cannot get away with any prices they quote."

2.17. In a note the Ministry have further clarified:—

"ONGC|OIL are generally required to procure equipments on global tender basis in order to ensure cost competitiveness. Considering the various incentives available to domestic suppliers of Oil field equipment the present system is considered adequate. ONGC is not being permitted to import those items where the indigenous offer is technically acceptable and falls within the admissible price preference.

Setting up indigenous units that are internationally cost competitive would also ensure that these units would be in a position to export in case their product|services were not required by ONGC|Oil. It would avoid idle indigenous capacities in the long run."

2.18. During the course of the study tour by a Study Group of the Committee, the Hindustan Shipyard Ltd. brought to the notice of the Study Group that in order to cope up with various requirements of ONGC, HSL had equipped itself with the required facilities and manpower. However, orders from ONGC were not coming and instead ONGC was going to foreign parties for acquiring the exploration equipments, which could be manufactured by HSL.

2.19. Asked about the reasons for not placing orders on HSL Chairman, ONGC stated during evidence:—

"They are manufacturing off-shore vessels for us and platform and drillship. The history of Hindustan Shipyard has not been very good. But in the recent past, as a result of the very dynamic management, they have shown

tremendous improvement. But, in spite of that, they are not able to meet the delivery and the price requirements of the ONGC. These platforms are required for oil production. A rig is delayed. I can compensate by paying extra money. But if a platform is delayed, I have no other way but to lose the production. It is a serious loss to the economy. I cannot afford to take a chance in platform delivery. The price is sometimes three times more. Who will pay for that money? We are also a commercial organisation. We can subsidise to a limit, but not beyond that. But these are the two problems. But we are discussing with them. We are considering how many platforms we require in 1989-90. If they can provide, we can place orders on them."

Regarding MDL and BHEL he stated:

"We were the pioneers in the ONGC to indigenise. I am happy to tell you that in 1980-81, 100 per cent off-shore vessels which were on charter with the ONGC were of foreign flags. Today 100 per cent vessels are of Indian flags. It is a matter of great pride. But we suffered. We placed orders on Mazagon Docks and we have to pray for rigs to be delivered. It is already 30 months. I have no idea when they will deliver. The BHEL is giving us endless trouble but, of course, it has improved and we have placed more orders. We have placed orders for more than 20 rigs. We are keeping them fully busy. There is no one who says we are not helping them. We are paying in certain cases 100 per cent more money than international prices to keep these units producing. We are losing lot of money for indigenisation."

2.20. The Committee pointed out that in order to achieve self-reliance in the matter of equipment, the indigenous suppliers like HSL and others have to be given support so that they can face the competition from foreign suppliers. To this the Chairman, ONGC replied.

"The points you have mentioned are absolutely important. That is, we have to achieve self-reliance and the industries have to be supported. But the support has to be done by the Government and not by a commercial organisation like ours because we have got our own accounts and our own performance targets. My suggestion to you would

be: if you can advise the Government or if you can recommend to the government that they must create what we call a national subsidy fund through which they should subsidise all these people so that the performance of other companies is not affected by giving subsidies on case to case basis. For example I am subsidising the public sector. I am subsidising against international tenders the indigenous companies both in the private and public sectors. Then I am asked—what is your cost of production? What is your profitability? Is it fair? So my suggestion to you is that you may recommend to the Government to have a separate subsidy fund of India.”

2.21 Asked about the views of the Ministry to this suggestion, Ministry of Petroleum and Natural Gas stated that the suggestion was worth considering.

C. Delays in clearance of Projects

2.22 In regard to time taken by the Ministry of Petroleum & Natural Gas/Finance for clearing the various proposals submitted by ONGC, it has been stated by ONGC in a note that normal time taken by the Government for clearing PIB proposals is 6 months and above and for foreign exchange release it is 3 weeks and above. Asked about the delays in clearance of proposals by the Ministry, ONGC stated in a written reply as follows:—

“The delays are inherent in the system of clearance as the project proposals have to be seen by a number of Government agencies.

In this connection, the Chairman, ONGC also stated during evidence:

“....This delay in calling for the PIB meeting is the real problem. Our experience has been very very unhappy. Sometimes it takes 20 months for the PIB meeting to be called and the projects to be cleared.... It is just a waste of time to go through the various processes of clearance. If the Chairman or the Member does not perform properly do not put him there. It takes 20 months for a proposal to be cleared. It just cannot go on. You are only chasing the Government always.”

2.23 The Committee wanted to know the agencies involved in clearance of investment proposals submitted by ONGC to the Government. Chairman, ONGC stated:

“We submit a feasibility report to the Government and that is distributed to various appraising agencies and they examine these from various angles and then there is a pre-PIB meeting in the administrative Ministry. After that a note for the PIB is submitted by administrative Ministry and it is discussed in the PIB where the Chairman and his representatives also are present.”

2.24 Asked whether Planning Commission was also involved, Chairman, ONGC replied as follows:—

“Planning Commission does not come into the picture always. It comes into play in the case of PIB proposals. When we submit an investment proposal to the PIB, anything beyond Rs. 10 crores, then the Planning Commission, BPE, Finance Ministry, Industry Ministry, all these appraising agencies are involved.”

2.25 The Committee enquired about the contribution made in the proposals by the Government clearance agencies. Chairman, ONGC replied as follows:—

“I have not seen a single proposal having been modified drastically because of the clearance by the Government agencies. The proposals remain identically the same.”

2.26 As to the procedure followed for getting projects clearance and the reasons for delay, the Ministry of Petroleum & Natural Gas have in a note, stated:

“According to instructions issued by the Ministry of Finance vide their O.M. dated 23rd August, 1984, the papers for the pre-PIB meetings must be circulated six weeks before the meeting and 4 to 6 weeks are required for consideration of the PIB after the receipt of Memoranda. Even if another six weeks are allowed for the ONGC to furnish its comments on clarifications sought by the appraising agencies and sometime is allowed for issue of minutes, approvals etc., altogether 5 to 6 months are required for PIB clearance. Delays have occurred in general on account of funding being uncertain, incomplete information, delays in furnishing clarifications, holding of meetings etc.”

2.27 The Committee further wanted to know the time taken by Government for clearance of various proposals of ONGC during the last 5 years. The ONGC submitted a year-wise list of the investment proposals showing the dates on which these were submitted to the Ministry, date of Government approval and time taken by Government. An analysis of time taken by Government in clearing various proposals of ONGC reveals that between 1980-81 and 1983-84, the actual time taken by Government ranged between 3 months and 2 years 5 months.

2.28 The following five proposals submitted during 1984-85 were also not cleared by Government till October, 1985:

Sl.No.	Name of Project	Date of submission to Govt.	Time taken (upto Oct.'85)
1.	Propos ^{al} for charter hire of 4 land rigs from Indian Entrepreneurs	9.1.1985	10 months
2.	Gas Sweetening Phase II	8.2.1985	9 months
3.	Western offshore Integrated Development plan	12.2.1985	9 months
4.	RVP reduction of Crude at Uran.	27.3.1985	8 months
5.	Acquisition of 14 rigs for offshore Drilling for Induction during 1987-90	29.11.1984	12 months

2.29 Similarly against the normal time of 3 weeks for release of foreign exchange, Government took generally more time. From the information furnished for the period 1980-85 by ONGC, it is noticed that out of 172 purchase proposals submitted by ONGC for release of foreign exchange, in case of 108 proposals, Government took more than 3 weeks for clearance. In certain cases Ministry took 3 to 5 months for giving clearance. In case of contract proposals involving foreign exchange, out of 6 proposals submitted by ONGC Government took from 24 days to 208 days for giving their clearance.

2.30 During the course of examination of the Ministry, the Committee wanted to know the reasons for delay in giving clearance for various proposals of ONGC. Secretary, Ministry of Petroleum and Natural Gas stated as follows:—

“..... 60% of the cases are cleared between 3 months and 4 months, 90 days. For cases involving hundreds of crores of rupees, three or four months is a normal time. These are all cases involving considerable scrutiny at several levels and in several committees. Eventually it

goes up to Cabinet for approval. For anything above 4 months, I am prepared to say that it may be a delay for which special reasons are there, or that would have been unduly delayed."

He further added:

"There are other Ministries of Government. There are other institutions of Government. We try to expedite these things. There is a special dispensation for chartered hire rigs for exploratory drilling. It need not go to Public Investment Board. These are included in the Plan; the Plan of action is approved by the Ministry. Therefore no further approval of PIB is required. If there has to be large investment, if acquisition of 20 rigs or so are involved, hundreds of crores are needed and we are trying to reduce these delays. We have asked ONGC to reduce procedural delays. They have to streamline their procedure for examination of tender etc. If the quotations come by October, 1985, the recommendation or final order should not be held up till March or April, 1986. It should be given within a reasonable time. They should streamline their own procedures first. It is only by cooperation of Ministry on one side and ONGC on the other, these procedures can be simplified. We are telling ONGC how to reduce their delays. They have also got to do some tightening up of procedures. It is all a cooperative effort."

2.31 In order to avoid delay in clearing the projects, ONGC made the following suggestions:—

- (i) Once the Five Year/Yearly Plan allocations are approved, the Commission should be authorised to approve individual projects. The Secretaries to the Government of India should be on the Commission so that the Commission can act as an empowered Committee for the purpose.
- (ii) The Commission should be vested with full powers to approve purchase proposals to avoid delays. The Government officers are members of the Steering Committee and once proposals are cleared by this Committee there should be no need for further Government scrutiny.
- (iii) The Commission should be made an allocation of Rs. 200 crores from foreign exchange.

2.32 Asked about the Ministry's views in respect of each of the above suggestions of the ONGC, the Ministry of Petroleum and Natural Gas stated in written reply as follows:—

- (i) Approval of the plan allocation by the Planning Commission cannot be considered as investment approvals since the Planning Commission only decides the availability of resources. In most of the cases the feasibility studies are not over at this stage but are taken up only later. Once the resources for the five year plan are allocated the ONGC can get all the necessary investment approvals in the initial years of the Plan and proceed with the procurement and other action, thereafter as per the annual allocations available.
- (ii) The Ministry of Petroleum and Natural Gas is of the opinion that the present system is adequate and the various process can be speeded up with greater delegation of powers.
- (iii) The Ministry of Petroleum and Natural Gas agrees that more foreign exchange should be made available to the ONGC and it is in this spirit that the annual limit has been raised, over the years from Rs. 10 crores in 1980 to Rs. 50 crores in 1982 and now upto 70 crores since January, 1986.

2.33 During evidence the Committee pointed out that the delays involved in PIB clearance of ONGC projects needed to be eliminated and the situation had to be rectified. To this the Secretary, Petroleum replied:

"What I venture to submit for the consideration of this august Committee is that there is a great case for larger delegation of powers. For instance, today the ONGC has powers only upto Rs. 10 crores. You would agree that powers to ONGC can be raised to Rs. 20 crores. Between the ONGC and the Government there is no other ministerial delegation of power.

If it is above Rs. 10 crores, it is outside the power of ONGC and the Ministry. My suggestion was that, ONGC could have powers to sanction projects upto Rs. 20 crores and the Ministry between Rs. 20 crores, and Rs. 50 crores.

If the Ministry has been delegated powers to sanction projects upto Rs. 50 crores, it would eliminate delay. We have our Financial Advisers who are officers of the Finance Ministry

with us. The third step is, if the project is between Rs. 50 crores and Rs. 150 crores, that may be cleared by a small group of Secretaries. Only three Secretaries are concerned Planning Secretary, Expenditure Secretary and the administrative Secretary—in this. This will also speed up without having to go to the stage of Pre-PIB and PIB. If it is up to Rs. 50 crores, we can get the project prepared by the ONGC and the Ministry would sanction it, of course, with the approval of the Minister. If it is between Rs. 50 crores and Rs. 150 crores, then the Committee of Secretaries could clear it. Three of them sit, formally and they can meet as often as required and clear the project. If the project costs above Rs. 150 crores, it will require Government approval and then we can go through the procedure of pre-PIB and PIB by compressing the time as much as possible. The total time can be compressed by half.

This is a suggestion really not applicable only to ONGC. It is a general suggestion and a committee like yours can take a broad view of all undertakings."

2.34 When asked about the steps other than delegation of financial powers, Secretary stated as follows:—

"We have now worked out a system by which we will have an annual performance plan of the ONGC and other public sector undertakings.

We are trying to put down their responsibilities and to give what all help can be given in terms of finances. The total performance of the undertaking may be judged with reference to the annual action plan. This is the system which we are following. It will be made effective during 1986-87. In this action plan, we are not only saying what ONGC should do but we are also saying what time should be taken by the management. This timing is put down in the performance plan only according to the existing Government instructions. The time that is taken in the Ministry for clearance is one component. There are lot of other processes that take place outside the Ministry. The PIB meetings. Thereafter the Cabinet Committee clearance, are all matters where we have to depend on clearance. The point is very well taken that procedures has to be speeded up. It would be possible to speed up procedures in two ways, by delegation and by speeding up procedures even within the greater delegation."

2.35. Under the present budgetary process, since the approval of the Government is for one year, ONGC has to work on a year to year allocation basis. According to ONGC this was a major constraint. In a written note it has been stated by ONGC that unlike processing industry where input and output ratio is pre-determined and can be planned on a year to year basis no such ratios can operate in the oil industry. According to ONGC the planning for exploration has to cover a longer period because exploration in an area requires specialised equipment for survey, equipment for drilling, obtaining of exploration licence, construction of approach road, logistic support, construction of drill site foundation. If exploratory drilling proves successful than facilities are created for actual production besides trained personnel is to be recruited. Time element inherent in this process is between 12 to 24 months, in some cases even 36 months. In view of this ONGC have sought approval for longer periods so that all preparatory actions could be taken in a manner that actual execution of plan takes place as scheduled. ONGC has also suggested:—

"In addition to the yearly budget, the Commission must have approved work plan for the next 2 years i.e. besides 1986-87, the Commission must have a work plan for 1987-88 and 1988-89 with approved plan outlays so that it can take preparatory action well in advance to achieve the target laid down in its 5 year plan. This must be a part of the Memorandum of Understanding ONGC is required to execute with the Government."

2.36 During the course of examination of the Ministry the Committee wanted to know the views of the Ministry in this regard. Secretary, Ministry of Petroleum and Natural Gas stated as follows:—

"It is a genuine difficulty. We ourselves have pointed it out to Planning Commission. But we say that the 7th Plan and its annual plans show what expenditure can be incurred in the five year period, and during the year. So, for any organization to incur that expenditure, a lot of advance preparatory action has to be taken. The project has to be cleared, contracts approved, and orders placed. We fully agree with ONGC; we have supported them, and taken up the matter with Planning Commission, and said that the annual plan only represented expenditure during that Plan. It does not represent the approvals which have to be given much earlier, so that the Plan itself provides for expenditure on continuing schemes, and on new schemes.

Both together form the total expenditure. If ONGC has to function and incur that expenditure in that period, it should have enough approved, continuing projects, and prior approval for projects during the year. So, project approvals have to be given ahead of the plans. We have taken up this point with Planning Commission."

D. Allocation of funds for Seventh Five Year Plan

2.37 The following table shows the plan outlay for 7th Five Year Plan in respect of ONGC:

	As proposed in sub-group report (Rs. in crores)	Recommended by the planning Commission (Rs. in crores)	Financial appoval by Govt. (Rs. in crores)
Surveys	280.76	280.76	280.76
Exploratory Drilling	3314.37	2727.94	2209.41
Development Drilling	1675.91	1525.86	1262.49
Capital acquisition	9134.93	6580.96	4840.01
R & D Institutes	280.00	230.00	160.00
Allocation new areas	2923.09	750.00	—
	17609.06	12095.52	8752.67

Projected achievements of 7th Plan as per working group report as well as those approved by the Government are as follows:—

Survey (party years)	391	391	391
S L K. ('000)	140	140	140
Exploratory Drilling;			
Rig years	459.86	380.4	331.87
Meterage ('000)	3065.74	2413.4	2098.96
Development Drilling :			
Rig years	205.64	192.69	165.86
Meterage ('000)	2563.60	2441.6	2029.08

Production								
— Crude Oil (MMT)	· · · · ·				146.4	143.64	138.39	
— Gas (Billion M ³)	· · · · ·				58.62	58.69	54.64	
LPG ('000 tonnes)	· · · · ·				2621	2621	2621	
Terminal Production :								
— Crude Oil (MMT)	· · · · ·				31.75	31.15	29.00	
— Gas (Billion M ³)	· · · · ·				13.77	13.55	12.82	
—LPG ('000 tonnes)	· · · · ·				738	738	738	

(The demand projection of crude oil during the terminal year of the 7th Five Year Plan—as per Planning Commission, estimates—is 55.21 MMT.)

It is seen that as against the outlay of Rs. 17609 crores which was recommended by Working Group, the Government have finally allocated only Rs. 8752 crores for the 7th Five Year Plan. The Planning Commission has, however, informed ONGC that they should maintain the work programme in accordance with the outlay of Rs. 12095 crores and for that Government would provide funds on year to year basis.

2.38 Reacting to the plan allocation made for ONGC for 7th Five Year Plan. Chairman, ONGC stated during evidence:

"We have given three variants. The first variant is Rs. 17,609 crores, which was approved by a working group which was created by the Government including the Members of the Planning Commission. When this plan was finally scrutinised by the Planning Commission, they reduced certain work programmes and reduced the Plan outlay to Rs. 12,095 crores. After subsequent discussions they said, 'We will give you Rs. 8,752 crores with a proviso that we would be allowed to give you funds on year-to-year basis and you are advised to maintain the work programme which was approved by the Planning Commission in terms of Rs. 12,095 crores.' This is rather a stringent sort of proviso. We need at least two or three years to plan ahead. We have got to have a rolling plan to make sure that we take right actions ahead of time. So, the year-to-year approvals are not going to give us the desired results. We are going to have a discussion with the Planning Commission to quantify the total finance that would be made available to ONGC. Certain targets have been brought down. In addition, we have also told the Government that we can increase the production to 40 million tonnes provided additional investments are given to us."

2.39 The Committee pointed out that the Planning Commission had agreed to give funds on yearly basis and there was possibility for ONGC to get Rs. 12,095 crores during the 7th Five Year Plan. Chairman, ONGC stated:

"The point is that we cannot start action unless the money is allocated."

2.40 The Committee further pointed out that ONGC could not utilise the allocated funds during 5th and 6th Five Year Plans and wanted to know whether that was the reason for curtailing the 7th Plan outlay of ONGC by Planning Commission. Chairman, ONGC stated as follows:—

"There is a minimum period which has to be given to utilise your funds. Projects ought to be cleared in time. If timely allocation is not made how can you achieve anything."

He added:

"They said (Planning Commission) they have resource constraints. They have to provide money to other sectors equally. The whole economy gets accelerated by ONGC's performance. We have saved lot of foreign exchange. If you do not provide money for exploration, it will have its adverse effects on 8th, 9th and 10th Plans. Oil is a game where you keep on working till you find oil. It is a cyclical activity. Your exploration activity must be accelerated quickly; for that you need resource."

2.41 The Committee wanted to know as to how much of the sanctioned outlay for 7th Plan would be provided by the Commission out of its own internal generated resources and how much would be financed by the Government. ONGC stated in a written reply as follows:—

"Total internal resources to be generated during the 7th Plan period work out to Rs. 8820 crores. The net deficit works out to Rs. 33 crores only with reference to approved plan outlay. The deficit is proposed to be met out of borrowings. No part of the plan expenditure would be financed directly by the Government."

2.42 The Committee further enquired whether ONGC could arrange the funds in case their plan outlay was approved at Rs. 12,096

crores or Rs. 17,609 crores. A representative of ONGC stated as follows:—

"I have asked a few bankers the other day. The said, ONGC can get a billion dollars in the world market in the next three years, without even Government guarantee."

In this connection, Chairman, ONGC also informed the Committee as follows:—

"For extra money, we have the capability to get money within the country and outside. We have very good name in the international market and Government sometimes does use our name for the bids also. So, we have talked to many people. But we cannot independently go because there is a restriction from the Finance Ministry that we cannot deal directly for financing with anybody. Even, if you want to purchase, you can make use of suppliers' credit, buyers' credit, EXIM Bank and commercial borrowings are also available in plenty today. If the Government gives the green signal, we will go ahead with getting money much below 10 per cent rate, particularly from Indians settled abroad. We were told, lot of money was available from Swiss Bank."

2.43 During the course of examination of the Ministry, the Committee wanted to know whether the Ministry could not help ONGC in getting the required funds for their 7th Five Year Plan Programme. The Ministry of Petroleum and Natural Gas stated in a written reply that the reduction in outlay was on account of overall resource constraints. This Ministry spelt out in detail implications of such drastic reductions in Plan outlays. The loss of production in the 7th Plan and for creation of reserves was indicated. However, despite these efforts the requirements of ONGC could not be met.

2.44 When pointed out that ONGC had capability to finance their plan programmes, the Ministry of Petroleum and Natural Gas informed the Committee in a written note as follows:—

"The Working Group under the Ministry of Petroleum had recommended a plan size of Rs. 17609 crores for the ONGC in the 7th Plan taking into account the requirements and the internal resources. The Planning Commission in consultation with the Finance Ministry, however, considered the total resources (internal and external) available for plan before finalising the plan size for individual Under-

taking. Keeping in view the overall resources and their deployment according to national priorities."

2.45 Explaining the position regarding availability of funds for ONGC during 7th Five Year Plan, Secretary, Ministry of Petroleum and Natural Gas also stated during evidence as follows:—

"For the 7th Plan, Rs. 180,000 crores is provided for the entire public sector plans. All the sectors have to be fitted in that. There is a sectoral priority as to whether a cut should be on development programmes or oil exploration, power development, coal development or agriculture. It is a very large question involving national priorities."

2.46 On being pointed out by the Committee that ONGC had capability to raise the funds from domestic as well as foreign market, Secretary replied:

"It is again dependent on the priorities given by the Planning Commission for different agencies to tap the same domestic capital market. Secondly, in terms of external resources, it depends upon the overall indebtedness—whether the country wants to borrow more. Whether ONGC borrows or government borrows, it is the external debt of the country and whether they can be allowed to borrow more is a question dependent on the overall foreign exchange situation. ONGC gets a foreign exchange allocation of Rs. 1600 to 1700 crores a year. Over and above that, if it is allowed to raise resources abroad, it is an additional burden on the foreign exchange position. A view has to be taken whether the Ministry of Finance is prepared to permit them to borrow from abroad and add to the external indebtedness of the country. They are all large questions and it is a much broader issue of the overall deployment of the national resources and the external indebtedness of the country, which is a point which the Planning Commission and Finance have to consider."

2.47 The Committee further pointed out that during 7th Plan ONGC could generate internal resource over Rs. 8,000 crores and the approved outlay was only Rs. 8752 crores and ONGC was not to get anything from Government. To this Secretary the Ministry stated as follows:—

"It is a fact that the ONGC can raise resources to the tune of Rs. 8,000 crores. That is why their approved plan outlay

is Rs. 8752 crores. They can raise most of it from their internal resources."

2.48 The Committee also wanted to know whether the reduced outlay would not have adverse effect on the production and exploration programme of ONGC. Secretary of the Ministry stated:—

"We have pointed out to the Planning Commission that as a result of a cut in the plan outlay, there is reduced exploration. The chances of getting oil have also correspondingly reduced."

2.49 On being pointed out by the Committee that Oil companies should get priority in the matter of allocation of funds, the Secretary stated:—

"We have been pleading for priority. But we are not getting."

2.50 The Committee find that ONGC's plan outlay for the Sixth Five Year Plan initially envisaged at Rs. 3370 crores was increased to Rs. 7143 crores in the mid-term review. However, the total plan expenditure of ONGC during the Sixth Plan was Rs. 6206.61 crores against the sanctioned outlay of Rs. 7143 crores. Thus at the end of the plan period a large sum amounting to more than Rs. 900 crores remained unutilised. This is to say the least a totally undesirable state of affairs. When considered in the context of the most elaborate drill through which a Department/Undertaking has to pass to get its plan allocations approved by the Planning Commission, any non-utilisation of funds can only be indicative of poor planning. This also reflects that our planners have to appreciate that in certain fields like oil exploration things have to be planned much in advance and non-allocation of funds in time cannot bring about the desired achievement even when more funds than asked for are made available subsequently. It is the firm view of the Committee that there is need for further refining of the planning process and adequate monitoring of plan expenditure particularly in the context of long-term projects.

2.51 It is seen that the main reason for non-utilisation of funds during the Sixth Plan was that against a provision of Rs. 5154 crores, the actual expenditure on capital account was only Rs. 3841 crores. The shortfalls in acquisition of capital items has been attributed to delay in supply of equipment by indigenous companies and some projects having been deferred or delayed due to procedural constraints. Both these reasons raise serious issues which need to be tackled urgently in order to obviate recurrence in future.

2.52 With a view to encourage the manufacture of oil exploration and oil production equipment indigenously, a number of public undertakings such as BHEL, Mazagon Docks Ltd. (MDL), Burn Standards Ltd., Hindustan Shipyard Ltd. (HSL) and Bharat Pumps and Compressors Ltd. (BPCL) are engaged in the manufacture of equipment and machinery for ONGC. From the information made available to the Committee it is seen that there have been considerable delays on the part of these public undertakings in executing the contracts of ONGC. The performance of some of the public undertakings is particularly utterly dismal. For example, out of 14 items of equipments supplied by BPCL, 11 items were supplied late and the delay ranged between one month and 48 months. In the case of MDL, delays in deliveries of most of the items ranged between 20 months and 36 months of the delivery schedule. Similarly there was delay of 8 to 20 months in the items of equipment supplied by BSCL. According to ONGC these delays have in turn affected their plans, schedule performance and utilisation of plan outlay. The Committee are sure that there cannot be two opinions on the need for encouraging indigenisation in vital sectors of economy and that the indigenous capacity created should be exploited to the maximum extent possible. However, before placing big orders on the indigenous suppliers, their capabilities should be carefully looked into and it should be ensured that they are capable of adhering to the delivery schedules they offer and there is no slackening in their efforts to adhere to the schedules. For this purpose inter-ministerial monitoring group should be set up to ensure that the supplier obtains all the necessary approvals speedily and ensures delivery as per schedule. Any slippage in the delivery schedule should not be at the cost of the undertaking that places orders of purchase from domestic sources. In the contracts for supply of equipment by the indigenous manufacturers stiff penalties may be provided for non-compliance with the pre-determined delivery schedules.

2.53 The primary idea behind any indigenous manufacturing effort is to develop local capability and the saving in foreign exchange which is undoubtedly a scarce resource. However, if the indigenous manufacturer is not able to deliver as per schedule and the indenting organisation has ultimately to resort to imports or defer its project implementation, the savings in foreign exchange may prove only to be illusory. A fool proof method must therefore be devised to ensure that there is no delay whatsoever under any circumstances.

2.54 Besides the question of delay in delivery schedules, the other important aspect to be considered in case of domestic procurement

is the question of price to be paid for indigenous product. It has been brought out by ONGC, that in some cases the price paid for the indigenous products are more than 100 per cent of the international price. The Committee wish that this is not wholly correct. At the same time it is a fact that under the existing price preference formula in respect of degrees of indigenisation, the difference of prices of foreign suppliers and the domestic suppliers can be as high as 35 per cent. This extra payment for purchases from indigenous suppliers tantamounts to giving them a subsidy to meet the international competition and should legitimately be borne by the national exchequer and not by a commercial organisation like ONGC, which is otherwise accountable for its costs. The Committee, therefore, desire that as suggested by ONGC and concurred in by the Ministry of Petroleum & Natural Gas, Government may consider creation of a national subsidy fund through which the indigenous manufacturers could be subsidised to make them internationally competitive. The Committee would like that this matter may be taken up at the highest level for an early decision.

2.55 Another reason given by ONGC for non-utilisation of plan funds was that some of the projects had to be referred or were delayed because of the long procedure involved in getting clearance from the Government. The Committee find that there are delays inherent in the present system of clearance of project proposals since these have to be seen by a number of Government agencies. The Committee feel that the present procedures in the Central Government for approving projects need to be reviewed and streamlined. The Committee are of the view that the total time of 5 to 6 months being allowed for PIB clearance of projects should be further compressed and the project clearance should not take more than 2 to 3 months at the most.

2.56 Since delays in processing could contribute to slippages in project schedules, the question to be considered is whether the Government should examine each and every project. It has been stated by ONGC that when an investment proposal of anything beyond Rs. 10 crores is submitted, then the Planning Commission, BPE, Finance Ministry, Industry Ministry and other appraising agencies get involved. Even if in none of these agencies may have any worthwhile contribution to make, the proposal will require to be routed through different agencies as per the set procedure and at each stage some minimum time will be needed for clearance. It is interesting to note from the analysis of time taken by Government in clearing various proposals of ONGC between 1980-81 and 1983-84, that the actual time taken for clearance ranged between 3 months and 2 years

and 5 months. Similarly, in the case of contract proposals involving foreign exchange, out of 6 proposals submitted by ONGC, Government took from 24 days to 208 days for giving their clearance. It may be difficult to apportion blame for the delay on any particular agency but the cumulative effect of a proposal undergoing scrutiny at different levels is that there is avoidable delay in clearing a project. This only underlines the need for streamlining the procedures with a view to reduce the time taken in clearance. Delays are taking place not only at the Ministry's level but there are procedural delays even in ONGC. As pointed out by the Secretary, Petroleum, if quotations are received by ONGC in October, 1985 final orders thereon should not be held up till March, or April, 1986. This emphasises the need for simplification and tightening up of procedures at the undertaking level also.

2.57 With a view to getting over the problems involved in clearing the projects, ONGC has made the following suggestions:—

- (1) Once the Five Year/Yearly Plan allocations are approved, the Commission should be authorised to approve individual projects.
- (2) The Commission should be vested with full powers to approve purchase proposals to avoid delays.
- (3) The Commission should be made an allocation of Rs. 200 crores from foreign exchange.

Prima facie these suggestions appear reasonable to the Committee and merit consideration. The Committee desire that the issues involved should be examined in depth and suitable changes wherever called for may be brought about to streamline the existing procedures. Since the points raised in these suggestions do not relate only to ONGC or the Ministry of Petroleum & Natural Gas but also have implications for all other public sector undertakings and their administrative Ministries, these need to be considered at the highest level of Government so that broad guidelines can be laid down for all.

2.58 In this context the Ministry of Petroleum has expressed the view that there is undoubtedly a great case for larger delegation of financial powers, down the line. With reference to ONGC it has been pointed out that it has powers only upto Rs. 10 crores. Between ONGC and the Government there is no other ministerial delegation of power. Ministry's powers are thus also limited. In order to facilitate quick decision-making it has been suggested that the limit of Rs. 10 crores applicable to ONGC can be raised to Rs. 20 crores and

further the Ministry can also be delegated financial powers to sanction projects upto Rs. 50 crores. Further if the project is between Rs. 50 and 150 crores, it may be subjected to a clearance by a Group of three Secretaries, which may include the Planning Secretary, the Expenditure Secretary and the administrative Secretary concerned. Only other projects which are thus beyond the powers of the three Secretaries should be considered for Government approval through the procedure of pre-PIB and PIB clearance. Even further refinements to such a proposal can be worked out. The Committee cannot but comment that the refinements in the procedure for delegation of financial powers as suggested by the Ministry of Petroleum & Natural Gas may be suitably placed before the Cabinet immediately for arriving at an early decision. It is needless to point out that any decision taken in the matter should be made applicable to all Departments/Ministries.

2.59 The Committee note that against a total outlay of Rs. 17609 crores, which was recommended by the Working Group on 7th Five Year Plan, the Government have finally allocated only Rs. 8752 crores for the 7th Plan of ONGC. The Planning Commission has, however, informed ONGC that they should maintain the work programme in accordance with the outlay of Rs. 12095 crores and for that Government would provide funds on year to year basis. The Committee are in agreement with the view expressed by ONGC that this is "rather a stringent sort of proviso" inasmuch as it is clear that the ONGC projects which require a lead time of two to three years cannot be initiated unless the allocations for a year are known well in advance. By telling ONGC that they could plan an investment of upto Rs. 12,095 crores during the 7th Plan, it has no doubt been conceded that the ONGC deserves that much of allocation to carry on its planned activities. But the placing of limitations of getting the approvals on year-to-year basis puts an avoidable curb on ONGC. The Committee are of the view that keeping in view the importance of petroleum products in the economic environments of the country, it has to be recognised that the petroleum is a key sector which we cannot afford to overlook or underestimate. If the overall importance of this sector is realised there can be no justification whatsoever in treating it on par with other sectors of economy. Hence, there is need for allocation of adequate funds in so far as ONGC is concerned and making their availability known sufficiently in advance so that there is no impediment in planning and execution of projects by ONGC.

2.60. The Secretary, Ministry of Petroleum deposed before the Committee that for ONGC project approvals have to be given ahead of the plans and that this point had been taken up with the Planning Commission. The Committee would like the Ministry of Petroleum to vigorously pursue this matter and intimate the outcome thereof to the Committee in due course.

2.61 It was pleaded by Chairman, ONGC that ONGC could on its own arrange enough funds for its plan needs. Such funds could be arranged even at lower interest rates from Indians settled abroad. However, there is a restriction imposed by the Finance Ministry under which no undertaking can deal directly with anybody for financing. The Committee desire that the matter may be taken up with the Finance Ministry through the Ministry of Petroleum and ONGC should be allowed to raise necessary funds for financing its plan projects.

NEW DELHI;

April 25, 1986

Vaisakha 5, 1908 (Saka)

K. RAMAMURTHY

Chairman,

Committee on Public Undertakings.

APPENDIX

Statement of Conclusions/Recommendations of the Committee on Public Undertakings Contained in the Report

S. No.	Reference to Para No. in the Report	Conclusions/Recommendations
1	2	3
1	1.42 to 1.44	<p>Oil & Natural Gas Commission was set up as a statutory body under the ONGC Act, 1959. The composition, powers and functions of the Commission have been specified in the Act. The Committee find that owing to certain provisions in the Act, constraints have been experienced in the smooth and speedy commercial working of the Commission. The Committee on Public Undertakings which examined the working of ONGC first in 1964-65 and again in 1971-72, <i>inter alia</i> found that the Act, under which ONGC had been constituted, did not provide for appointment of the Chairman of the Commission as its Chief Executive Officer. It was also noted that other non-statutory public undertakings like Indian Oil Corporation etc. which had been set up under the Indian Companies Act enjoyed comparatively greater autonomy in exercise of their powers. The Committee had also 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 high powered Committee set up in 1971 under the chairmanship of Shri K. D. Malaviya, M. P. to review the functioning of the ONGC also came to more or less the same conclusion when it observed that "In a large measure the present ineffectiveness and loss of purpose was inherent in the Act which placed the statutory body in a position of subordination to the Government Secretariat".</p>

This Committee had also observed that "It (ONGC) has neither the status of a Commission nor the flexibility of a Corporation. In fact, it has the disadvantages of both".

Following the recommendations of the Committee on Public Undertakings and those made by the Malaviya Committee, the Ministry of Petroleum and Chemicals stated on 14-11-1972 that Government was examining the future pattern of structure, organisation and financing of ONGC in the light of the recommendations made by those Committees and that statutory changes that would be necessary to give greater autonomy to ONGC would be brought about when the amendment of ONGC Act was undertaken. The Committee have been informed that arising out of the Malaviya Committee's recommendations, the composition of the Commission was modified from 1974 onwards and the status of the Chairman was raised to that of a Chief Executive. In addition, Government made some changes in the internal management of the Commission. However, the basic problem of modifying the provisions of the Act with a view to confer a greater degree of autonomy in its day-to-day functioning still persists. The Chairman, ONGC deposed before the Committee that within the existing framework of the Act the Commission did not have the powers of a normal public undertaking. After reviewing the provisions of the ONGC Act vis-a-vis the corresponding provisions of some other public undertakings, ONGC made certain suggestions to the Government as far back as 1963. A meeting was reportedly held on 15 January, 1985 to discuss the suggestions for amendments in the ONGC Act but no final decision could be arrived at. The Ministry have informed the Committee that fresh proposals for amendment to ONGC Act were furnished by ONGC in January, 1985 and those were under consideration.

The facts narrated above do not at all make a pleasant reading. It is indeed a matter of regret that even after lapse of several years it has not been possible for the Government to bring forward a comprehensive piece of legislation with a view to modify such provisions of the ONGC Act, 1959 which have been found to come in the way of proper functioning of ONGC. The Committee have not gone into the merits of various amendments to the ONGC Act suggested by ONGC. They, however, feel that since the efficient and smooth functioning of ONGC is of vital importance for the country to achieve expeditiously the goal of self sufficiency in oil, a thorough review of the provisions of ONGC Act directly related to the smooth working of ONGC, is called for at the earliest. The Committee, therefore, recommend that the Ministry of Petroleum may, after discussing the proposals for amendments of the Act with ONGC, initiate necessary action in the matter. The Committee also wish to emphasize that any piecemeal approach of having a change or two introduced in the provisions of the Act and then watch the impact may not bring about quick results. In Committee's view what is needed is a comprehensive in depth review of the entire framework of the Act, so that the lacunae which inhibit the smooth functioning of ONGC are removed once for all. The Committee hope that Government will take positive steps in this direction and concrete action taken in this behalf will be intimated to the Committee.

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Apart from the need for amendment of certain sections of ONGC Act, 1959, the question of reorganisation of the structure and working of ONGC with a view to increasing its efficiency and speed up its activities for exploration and exploitation of oil and gas resources in the country has been considered from time to time. The Malaviya Committee had in 1972 recommended "certain

radical and far-reaching changes in the structure and organisation of ONGC as presently constituted." These recommendations were considered by the Government but were not found acceptable as stated by the Minister of Petroleum, Chemicals and Fertilizers in reply to a question answered on 2-3-1981 in Rajya Sabha. The Secretary, Ministry of Petroleum and Natural Gas informed the Committee during evidence that in view of the rapid growth of ONGC, its organisational structure had been restructured many a time in the past viz. in 1974, 1976, 1978 and in 1981, before the changes were made in 1984 and again in 1985. The Committee do not see any logic behind making such frequent changes in the organisational structure of ONGC unless these changes impart some further autonomy and freedom of action which is so vitally needed for the optimal functioning of a commercial giant like ONGC. The Committee have a feeling that the changes made in the past have not been brought about after conducting any scientific indepth study because if it were so, such frequent changes would not have been necessary in the organisational structure of ONGC.

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The Committee find that a reorganisation scheme which seeks to fully implement the concept of centralised policy making and decentralised administration was introduced in the Commission in July, 1984. This scheme was introduced after carrying out a SWOT analysis by ONGC. According to ONGC the reorganisational structure which came into operation from July, 1984 had positive impact on the working of the Commission and had already started giving desired results and the operational efficiency was on the increase in every area. The Ministry of Petroleum had strangely enough a different assessment of the scheme. It has been

stated by the Ministry that after one and a half years of this reorganisation, the Government reviewed the position and found several weaknesses in the system. According to Ministry it was found that the different functional Groups had not yet been able to organise themselves as Business Groups acting as cost and profit centres and the ONGC had been functioning essentially as a centralised unit with a common budget. As a result a new re-organisation scheme which was to be effective from 1st April, 1986 was being introduced to bring about improvement in the changes already made.

The Committee find that in fact the scheme of reorganisation introduced by ONGC is sought to be improved although Ministry have claimed that it was a new reorganisation scheme. On the one hand, the Secretary of Ministry deposed before the Committee that too frequent changes should be avoided, on the other hand Ministry themselves are bringing about changes within one and a half year of the introduction of reorganisation by ONGC. The Committee are not able to appreciate this situation. The Committee hope that Ministry had discussed the changes in reorganisation with the ONGC before introducing them. The Committee will like the Ministry to clarify this and inform the Committee after six months of the results achieved by the new reorganised set up.

Despite close liaison and inter-action with the respective State Governments, ONGC is facing problems in the matter of acquisition of land for exploration/operational activities. The main difficulty appears to be that acquisition of land under the Land Acquisition Act in different States is a complicated and time consuming process. The problem has become more complex after the enactment of Forest (Conservation) Act,

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Act 1980, under which, besides the State Governments, prior clearance of Central Government is also needed for acquiring land under reserved forests. It has been stated that at the instance of the Petroleum Ministry procedures for acquisition of land have been simplified to some extent. Much more, however, need to be done in the matter to overcome the difficulties faced by ONGC in so far as acquisition of land is concerned. The Committee desire that the Ministry of Petroleum & Natural Gas should vigorously pursue the matter with all the concerned agencies of the Central and the State Governments sort out the problems being faced by ONGC in acquiring land for exploration purposes. In view of the peculiar difficulties being faced by ONGC in acquiring land for exploration activities in Nagaland, the Committee would like the Government to give a serious consideration to the suggestion of the ONGC about the need for amending ONGC Act to enable ONGC to acquire land in Nagaland State through bilateral negotiations with the State Government. The Committee desire that to bring about quick decisions this matter be taken up with the State Government at a higher level and the Committee informed of the final outcome at an early date.

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The Committee find that ONGC's plan outlay for the Sixth Five Year Plan initially envisaged at Rs. 3370 crores was increased to Rs. 7143 crores in the mid-term review. However, the total plan expenditure of ONGC during the Sixth Plan was Rs. 6206.61 crores against the sanctioned outlay of Rs. 7143 crores. Thus at the end of the plan period a large sum amounting to more than Rs. 900 crores remained unutilised. This is to say the least a totally undesirable state of affairs. When considered in the context of the most elaborate drill through which a Department/Undertaking has to pass to get its plan allocations approved by the Planning Commission, any non-utilisation of

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funds can only be indicative of poor planning. This also reflects that our planners have to appreciate that in certain fields like oil exploration things have to be planned much in advance and non-allocation of funds in time cannot bring about the desired achievement even when more funds than asked for are made available subsequently. It is the firm view of the Committee that there is need for further refining of the planning process and adequate monitoring of plan expenditure particularly in the context of long-term projects.

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It is seen that the main reason for non-utilisation of funds during the Sixth Plan was that against a provision of Rs. 5154 crores, the actual expenditure on capital account was only Rs. 3841 crores. The shortfalls in acquisition of capital items has been attributed to delay in supply of equipment by indigenous companies and some projects having been deferred or delayed due to procedural constraints. Both these reasons raise serious issues which need to be tackled urgently in order to obviate recurrence in future.

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With a view to encourage the manufacture of oil exploration and oil production equipment indigenously, a number of public undertakings such as BHEL, Mazagon Docks Ltd. (MDL), Burn Standards Ltd., Hindustan Shipyard Ltd. (HSL) and Bharat Pumps and Compressors Ltd. (BPCL) are engaged in the manufacture of equipment and machinery for ONGC. From the information made available to the Committee it is seen that there have been considerable delays on the part of these public undertakings in executing the contracts of ONGC. The performance of some of the public undertakings is particularly utterly dismal. For example, out of 14 items of equipments supplied by BPCL, 11 items were supplied late and the delay ranged between one month and 48 months. In the case of MDL, delays in deliveries of most of the items ranged between

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20 months and 36 months of the delivery schedule. Similarly there was delay of 8 to 20 months in the items of equipment supplied by BSCL. According to ONGC these delays have in turn affected their plans, schedule performance and utilisation of plan outlay. The Committee are sure that there cannot be two opinions on the need for encouraging indigenisation in vital sectors of economy and that the indigenous capacity created should be exploited to the maximum extent possible. However, before placing big orders on the indigenous suppliers, their capabilities should be carefully looked into and it should be ensured that they are capable of adhering to the delivery schedules they offer and there is no slackening in their efforts to adhere to the schedules. For this purpose inter-ministerial monitoring group should be set up to ensure that the supplier obtains all the necessary approvals speedily and ensures delivery as per schedule. Any slippage in the delivery schedule should not be at the cost of the undertaking that places orders of purchase from domestic sources. In the contracts for supply of equipment by the indigenous manufacturers stiff penalties may be provided for non-compliance with the pre-determined delivery schedules.

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The primary idea behind any indigenous manufacturing effort is to develop local capability and the saving in foreign exchange which is undoubtedly a scarce resource. However, if the indigenous manufacturer is not able to deliver as per schedule and the indenting organisation has ultimately to resort to imports or defer its project implementation, the savings in foreign exchange may prove only to be illusory. A foolproof method must therefore be devised to ensure that there is no delay whatsoever under any circumstances.

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Besides the question of delay in delivery schedules, the other important aspect to be considered in case of domestic procurement is the question of price to be paid for indigenous product. It has been brought out by ONGC, that in some cases the price paid for the indigenous products are more than 100 per cent of the international price. The Committee wish that this is not wholly correct. At the same time it is a fact that under the existing price preference formula in respect of degrees of indigenisation, the difference of prices of foreign suppliers and the domestic suppliers can be as high as 35 per cent. This extra payment for purchases from indigenous suppliers amounts to giving them a subsidy to meet the international competition and should legitimately be borne by the national exchequer and not by a commercial organisation like ONGC, which is otherwise accountable for its costs. The Committee, therefore, desire that as suggested by ONGC and concurred in by the Ministry of Petroleum & Natural Gas, Government may consider creation of a national subsidy fund through which the indigenous manufacturers could be subsidised to make them internationally competitive. The Committee would like that this matter may be taken up at the highest level for an early decision.

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Another reason given by ONGC for non-utilisation of plan funds was that some of the projects had to be deferred or were delayed because of the long procedure involved in getting clearance from the Government. The Committee find that there are delays inherent in the present system of clearance of project proposals since these have to be seen by a number of Government agencies. The Committee feel that the present procedures in the Central Government for approving projects need to be reviewed and streamlined. The Committee are of the view that the total time of 5 to 6 months

being allowed for PIB clearance of projects should be further compressed and the project clearance should not take more than 2 to 3 months at the most.

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Since delays in processing could contribute to slippages in project schedules, the question to be considered is whether the Government should examine each and every project. It has been stated by ONGC that when an investment proposal of anything beyond Rs. 10 crores is submitted, then the Planning Commission, BPE, Finance Ministry, Industry Ministry and other appraising agencies get involved. Even if none of these agencies may have any worthwhile contribution to make, the proposal will require to be routed through different agencies as per the set procedure and at each stage some minimum time will be needed for clearance. It is interesting to note from the analysis of time taken by Government in clearing various proposals of ONGC between 1980-81 and 1983-84, that the actual time taken for clearance ranged between 3 months and 2 years and 5 months. Similarly, in the case of contract proposals involving foreign exchange, out of 6 proposals submitted by ONGC, Government took from 24 days to 208 days for giving their clearance. It may be difficult to apportion blame for the delay on any particular agency but the cumulative effect of a proposal undergoing scrutiny at different levels is that there is avoidable delay in clearing a project. This only underlines the need for streamlining the procedures with a view to reduce the time taken in clearance. Delays are taking place not only at the Ministry's levels but there are procedural delays even in ONGC. As pointed out by the Secretary, Petroleum, if quotations are received by ONGC in October, 1985 final orders thereon should not be held up till March, or April, 1986. This emphasises the need for simplification

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and tightening up of procedures at the undertaking level also.

12 2.57 With a view to getting over the problems involved in clearing the projects, ONGC has made the following suggestions:—

- (1) Once the Five Year/Yearly Plan allocations are approved, the Commission should be authorised to approve individual projects.
- (2) The Commission should be vested with full powers to approve purchase proposals to avoid delays.
- (3) The Commission should be made an allocation of Rs. 200 crores from foreign exchange.

Prima facie these suggestions appear reasonable to the Committee and merit consideration. The Committee desire that the issues involved should be examined in depth and suitable changes wherever called for may be brought about to streamline the existing procedures. Since the points raised in these suggestions do not relate only to ONGC or the Ministry of Petroleum & Natural Gas but also have implications for all other public sector undertakings and their administrative Ministries, these need to be considered at the highest level of Government so that broad guidelines can be laid down for all.

13 2.58 In this context the Ministry of Petroleum has expressed the view that there is undoubtedly a great case for larger delegation of financial powers down the line. With reference to ONGC it has been pointed out that it has powers only upto Rs. 10 crores. Between ONGC and the Government there is no other ministerial delegation of power. Ministry's powers are thus also limited. In order to facilitate quick deci-

sion-making it has been suggested that the limit of Rs. 10 crores applicable to ONGC can be raised to Rs. 20 crores and further the Ministry can also be delegated financial powers to sanction projects upto Rs. 50 crores. Further if the project is between Rs. 50 and 150 crores, it may be subjected to a clearance by a Group of three Secretaries, which may include the Planning Secretary, the Expenditure Secretary and the administrative Secretary concerned. Only other projects which are thus beyond the powers of the three Secretaries should be considered for Government approval through the procedure of pre-PIB and PIB clearance. Even further refinements to such a proposal can be worked out. The Committee cannot but comment that the refinements in the procedure for delegation of financial powers as suggested by the Ministry of Petroleum & Natural Gas may be suitably placed before the Cabinet immediately for arriving at an early decision. It is needless to point out that any decision taken in the matter should be made applicable to all Departments/Ministries.

The Committee note that against a total outlay of Rs. 17609 crores, which was recommended by the Working Group on 7th Five Year Plan, the Government have finally allocated only Rs. 8752 crores for the 7th Plan of ONGC. The Planning Commission has, however, informed ONGC that they should maintain the work programme in accordance with the outlay of Rs. 12095 crores and for that Government would provide funds on year to year basis. The Committee are in agreement with the view expressed by ONGC that this is "rather a stringent sort of proviso" in as much as it is clear that the ONGC projects which require a lead time of two to three years cannot be initiated unless the allocations for a year are known well in advance. By telling ONGC that they could plan

an investment of upto Rs. 12,095 crores during the 7th Plan, it has no doubt been conceded that the ONGC deserves that much of allocation to carry on its planned activities. But the placing of limitations of getting the approvals on year-to year basis puts an avoidable curb on ONGC. The Committee are of the view that keeping in view the importance of petroleum products in the economic environments of the country, it has to be recognised that the petroleum is a key sector which we cannot afford to overlook or underestimate. If the overall importance of this sector is realised there can be no justification whatsoever in treating it on par with other sectors of economy. Hence, there is need for allocation of adequate funds in so far as ONGC is concerned and making their availability known sufficiently in advance so that there is no impediment in planning and execution of projects by ONGC.

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The Secretary, Ministry of Petroleum deposed before the Committee that for ONGC project approvals have to be given ahead of the plans and that this point had been taken up with the Planning Commission. The Committee would like the Ministry of Petroleum to vigorously pursue this matter and intimate the outcome thereof to the Committee in due course.

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It was pleaded by Chairman, ONGC that ONGC could on its own arrange enough funds for its plan needs. Such funds could be arranged even at lower interest rates from Indians settled abroad. However, there is a restriction imposed by the Finance Ministry under which no undertaking can deal directly with anybody for financing. The Committee desire that the matter may be taken up with the Finance Ministry through the Ministry of Petroleum and ONGC should be allowed to raise necessary funds for financing its plan projects.