

[Mr. Speaker]

small importance and does not make a statement, hon. Members who are aware of it may table an adjournment motion, as they do in a number of cases, or may table a calling attention notice and I will ask the hon. Minister to reply. This is the general rule. Nothing prevents hon. Members from tabling calling attention notices. I will call upon the hon. Minister to make a statement in proper cases.

STATEMENT RE: IMPORT OF  
PETROLEUM PRODUCTS

Mr. Speaker: Shri Malaviya.

**The Minister of Mines and Oil (Shri K. D. Malaviya):** Sir, the statement that I have to make in connection with the oil prices and the controversy that has arisen about it is lengthy; if I am permitted, I would like to cut out certain paragraphs for the sake of reading.

**Mr. Speaker:** He may give the substance of it and place the statement on the Table of the House.

**Shri K. D. Malaviya:** If you permit me I will read out one or two paragraphs.

**Shri T. B. Vittal Rao (Khammam):** This is a very important statement and it may be read out in full.

**Mr. Speaker:** It goes over 7 pages. By the time we come to the last page one cannot remember what is given in the first page.

**Shri D. C. Sharma (Gurdaspur):** The whole should be circulated to us. He should not read only paragraphs. We cannot follow one paragraph divorced from the rest of the statement.

**Mr. Speaker:** The hon. Minister knows how to make it effective.

**Shri K. D. Malaviya:** Sir, I wish to explain to the House the implications

of the situation that has unexpectedly developed between Government and the oil companies over the last few days in regard to the import of petroleum products for consumption in this country and other connected matters.

Paragraphs 2, 3, 4 and 5 explain the historical facts and all that we have done in order to arrive at a formula for a price.

With a view to evolving a long-term pricing formula, we constituted on 2-8-60, the Oil Price Enquiry Committee, under the chairmanship of Shri K. R. Damle, a former Chairman of the Tariff Commission, one of the other members of the Committee being Shri P. N. Sapru, who resigned from the Committee on 14-3-61, on grounds of ill-health and was replaced by Shri C. P. Sinha, retired Chief Justice of Assam High Court. I have considered it necessary to state these details to convince the House that we had entrusted the enquiry to an impartial and independent tribunal, unconnected with the administrative Ministry concerned.

The Report of this Committee was submitted to Government in July last.

The prices evolved by the Committee show that there will be reductions from the ceiling selling prices, in force heretofore, of the order of Rs. 13.78 crores on the basis of 1962 sales of the three major oil companies—of which the Bulk Refined Products account for Rs. 12.41 crores and Bitumen for Rs. 1.37 crores. The amount of Rs. 12.41 crores is made up as follows:—

- (i) Rs. 4.89 crores on account of the actual difference between the posted prices as on 24-5-61 and 1-11-59.
- (ii) Rs. 6.64 crores on account of discounts recommended by the Committee on the posted prices of Bulk Refined Products.

- (iii) Rs. 3.34 crores on account of reductions proposed by the Committee in the distribution and marketing charges and the profit margin of the Companies.

The next para is important because there I deal with these three items.

I would now wish to bring out, as clearly as possible, the true significance of the reductions proposed by the Committee. The reduction of Rs. 4.89 crores is on account of fall in C. & F. value of products which is a normal feature of the pricing of petroleum products and is invariably conceded by the oil companies. This advantage may disappear if the C&F value moves in the upward direction. The reduction of Rs. 3.34 crores in the distribution and marketing charges and the profit of the oil companies has been arrived at by the Committee on the basis of anticipated increase in trade projected in the proportion of the past three years' volume of trade of the major oil companies themselves after allowing for all legitimate charges of the companies permitted in such cases by the various bodies concerned with price fixation and, above all, after ensuring a return of 12% on capital employed. I wonder what more liberal treatment could the oil companies expect in this regard.

The reduction of Rs. 6.54 crores represents the discounts on products. The Damle Committee, while determining the quantum of discounts on certain products, was, *inter alia*, guided by concrete evidence to the effect that discounts on products are available and have been availed of by at least two companies—one in the private sector in India and the other the Indian Oil Company—operating in India. On the basis of their own calculations, Burmah Shell Oil Storage and Distributing Company, and the Standard Vacuum Oil Company have admitted that, in so far as supplies

from the refineries in India are concerned, the quantum of discounts on products is equivalent in monetary value to the discount on crude oil, which these companies have themselves admitted are currently available to them at about 8½% on the C&F value. If discounts on crude oil are available to the refineries in India, they are undoubtedly also available in equivalent—if not in higher—measure to their associated refineries in the Middle East. Product yields from crude of the same gravity being almost identical, one can assume that the monetary effect of crude discounts is reflected in equivalent measure in the value of the products of their associated refineries in the Middle East, which are no other than their own associates." Then, I come to our own dissatisfaction with certain aspects of the Damle Committee's report.

Frankly speaking, Government was not satisfied with the quantum of discounts recommended by the Damle Committee, because in the admission of the Committee itself, and to the knowledge of all conversant with the petroleum trade, discounts on crude oil are available in the Middle East and elsewhere, and are known to be allowed by the very same companies on exports to Western Europe to meet competition at rates much higher than 8½%. Moreover, even on posted prices of products, discounts are known to be available at considerably higher rates.

I have got certain figures but I need not quote them.

On our own imports from rupee sources, discounts are available to us at much higher rates. In spite of our disagreement with the Committee on such basic matters as the quantum of discounts and certain notional elements included in the price formula, we accepted the Committee's recommendation as if it were the award of

[Shri K. D. Malaviya]

a judicial forum. Government follows similar procedure in regard to the recommendations of other price fixation bodies like the Tariff Commission.

Accordingly, the recommendations of the Committee were implemented with effect with 1-10-61. Prior consultation with the oil companies was not considered necessary, evidently because they had had ample opportunity to explain their point of view to the Committee, and because also previous experience had shown that negotiations tend to be long drawn out. I commend for the perusal of the Honourable Members, paragraphs 5.8 to 5.16 and 6.6 to 6.13 of the Report of the Damle Committee.

Two of the Oil Companies have suggested increased throughput of crude oil for their refineries in order to relieve the present foreign exchange position. I may inform the hon. members that already the companies' throughput has been increased over the past few years by about 44%. The companies' further demand for increased throughput is a matter quite distinct from the issue of the implementation of the Damle Committee's recommendations, to which the Government is committed. It has also several other implications and consequences which will have to be carefully considered keeping in view the overall national welfare and oil economy. However, the Government is prepared separately to consider these demands on their merits, as it has been doing in the past.

Government have noted with great concern the threat, which is implicit in the Companies' stand, to the line of supply of such an essential commodity. We are prepared to meet the companies' legitimate difficulties, if any, in regard to physical arrangements to be made by them for supplies. We, however, hope that the companies will not take any unreasonable position, but will co-operate with the Government which has

always viewed things objectively and fairly and which has proved to be very good customers. After careful consideration we now propose to communicate to them Government's decisions as follows:—

(a) the reductions in prices proposed by the Damle Committee and implemented by Government by imposition of additional non-recoverable duties, must be adhered to for all petroleum products, including imported and indigenously refined products.

(b) Having regard to the possibility that the companies may face difficulty in arranging for supplies at the discount determined by the Damle Committee with immediate effect, Government will have no objection to their utilising foreign exchange allocations for the current half-year period, i.e. October 1961-March, 1962, to purchase their supplies at the most favourable prices which they can obtain either from their traditional sources or any other sources.

(c) Government trust that with this flexibility the companies will be able to arrange for the expected level of supplies of the deficit products. If, however, there is any apprehension of a shortage of any product the companies will give timely notice of this to Government so that alternative possibilities of meeting this situation can be considered.

(d) The companies' proposal to increase the throughput of crude in their refineries gives rise to many other issues and will need separate consideration along with other possible alternatives for meeting the shortage, if any.

I must emphasise, at the end, that in the event of any danger to the supplies of petroleum products arising, Government must—and, in fact is—taking steps to make alternative arrangements, so that the economic life of the community is maintained.

Sir, I beg to lay the full statement on the Table of the House. [Placed in Library. See No. LT-3285|61].

### EXTRADITION BILL

**Sardar Hukam Singh (Bhatinda):** Sir, I beg to move that the time appointed for the presentation of the Report of the Joint Committee on the Bill to consolidate and amend the law relating to the extradition of fugitive criminals be extended upto the 30th November, 1961.

**Mr. Speaker:** The question is:

"That the time appointed for the presentation of the Report of the Joint Committee on the Bill to consolidate and amend the law relating to the extradition of fugitive criminals, be extended upto the 30th November, 1961."

*The motion was adopted.*

### SUGAR (REGULATION OF PRODUCTION) BILL\*

**The Minister of Food and Agriculture (Shri S. K. Patil):** Sir, I beg to move for leave to introduce a Bill to provide for the regulation of production of sugar in the interests of the general public and for the levy and collection of a special excise duty on sugar produced by a factory in excess of the quota fixed for the purpose.

**Mr. Speaker:** The question is:

"That leave be granted to introduce a Bill to provide for the regulation of production of sugar in the interests of the general public and for the levy and collection of a special excise duty on sugar produced by a factory in excess of the quota fixed for the purpose."

*The motion was adopted.*

**Shri S. K. Patil:** Sir, I beg to introduce the Bill.

### STATEMENT RE: SUGAR (REGULATION OF PRODUCTION) ORDINANCE

**The Deputy Minister of Food and Agriculture (Shri A. M. Thomas):** Sir, I beg to lay on the Table a copy of the explanatory statement giving reasons for immediate legislation by the Sugar (Regulation of Production) Ordinance, 1961, as required under Rule 71(1) of the Rules of Procedure and Conduct of Business in Lok Sabha. [Placed in Library. See No. LT-3286|61].

13.45 hrs.

### MATERNITY BENEFIT BILL—contd.

**Mr. Speaker:** The House would take up further consideration of the following motion moved by Shri Abid Ali on the 10th August, 1961, namely:

"That the Bill to regulate the employment of women in certain establishments for certain periods before and after childbirth and to provide for maternity benefit and certain other benefits, as reported by the Joint Committee, be taken into consideration."

The time allotted is three hours; one hour and twenty minutes have been taken already and what remains is one hour and forty minutes. How shall we distribute it?

**Shri Tangamani (Madurai):** One hour more for consideration.

**Mr. Speaker:** Shall we be able to finish it within this time? Are there many amendments? I find that there are no amendments.

**Shri Tangamani:** I have already sent my amendments during the last session when the Bill was taken up on the 10th August. The same amendments may be taken as amendments to this Bill now.

\*Published in the Gazette of India, Part II, Section 2, dated 20-11-61.

†Introduced with the recommendation of the President.