

**ANDHRA PRADESH AND MADRAS  
(ALTERATION OF BOUNDARIES)  
BILL, 1959**

**PETITION**

Shri B. C. Majhi (Mayurbhanj)—  
Reserved—Sch. Tribes: I beg to pre-  
sent a petition signed by 574 peti-  
tioners relating to the Andhra Pra-  
desh and Madras (Alteration of  
Boundaries) Bill, 1959

12.18 hrs.

**OIL AND NATURAL GAS COMMIS-  
SION BILL—contd.**

Mr Speaker: The House will now  
take up the further consideration of  
the following motion moved by Shri  
K D Malaviya on the 12th August,  
1959, namely:—

“That the Bill to provide for the  
establishment of a Commission  
for the development of petro-  
leum resources and the produc-  
tion and sale of petroleum and  
petroleum products produced by  
it and for matters connected there-  
with, be taken into consideration”

Shri Braj Raj Singh (Firozabad)  
What is the time allotted for this  
Bill?

Mr. Speaker: The total time allot-  
ted for the Bill is 3 hours, time for  
general discussion, 40 minutes. The  
balance is 2 hours 20 minutes. Time  
allowed for clause-by-clause consi-  
deration is one hour. Deducting the  
time taken yesterday, 1 hour 20  
minutes remain. When shall I call  
upon the hon. Minister to reply?

The Minister of Steel, Mines and  
Fuel (Sardar Swaran Singh): There  
are hon Members yet to speak. If  
there are points to be replied to in the  
general discussion, I might require  
about half an hour or even less than  
that.

Shri Narayanankutty Menon (Mkun-  
dapuram): The discussion of this  
Bill may continue up to 3 o'clock.  
Only four hours have been allotted

and it is too short a time for this  
important Bill.

Mr. Speaker: Let us see. Shri Nal-  
durgkar.

He has already taken 9 minutes.  
May I know how many hon. Members  
want to take part in the discussion?  
I see eight hon. Members rising. If  
we carry on till 3 o'clock will it not  
be an extension by two hours?

Shri Narayanankutty Menon: Three  
hours were allotted for the general  
discussion. Yesterday an hour was  
taken and 2 hours and 20 minutes re-  
main. So, if we carry on till 3 o'clock,  
it will be an extension by only 20  
minutes.

Mr. Speaker: That is all right; I  
am sorry I understood differently. I  
thought hon Members wanted exten-  
sion of the consideration stage itself  
till 3 o'clock.

Shri Narayanankutty Menon: Even  
if the consideration stage is extended  
till 3 o'clock, it is only an extension  
by 20 minutes.

Sardar Hukam Singh (Bhatinda):  
2 hours and 20 minutes remain for  
the consideration today. That means  
it would go up to 2:40. Hon. Members  
are asking for 20 minutes more, in  
order that we may complete the con-  
sideration at 3 o'clock.

Mr. Speaker: The total time is  
hours?

Sardar Hukam Singh: Yes.

Mr. Speaker: That is all right.

Shri Naldurgkar (Osmanabad):  
Yesterday I was dealing with clause  
26. It says:

“The Commission may, by  
general or special order in writ-  
ing that all or any of the powers  
or duties... be exercised or dis-  
charged also by any person spe-  
cified in this behalf in the order.”

[Shri Naldurgkar]

All these words are tantamount to delegating legislative power to the Commission under clause 26. Therefore, this is in contrast with clause 2. The intrusion of an unauthorised person in the affairs of the Commission is undesirable. There will be various cases of contracts and other dealings in which question is involved as to the right to sue or the liability to be sued. In such circumstances, various complicated questions of law and fact will be involved. I am, therefore, of the opinion that clause 26 is ultra vires of the powers of this House.

In clause 2, it is stated that the Commission shall be a body corporate and in clause 4, it is stated that the Commission shall consist of a Chairman and not less than two other members. But the maximum number has not been mentioned here. There is also no clarification in this clause as to the appointment of the persons—whether these persons will be appointed from the shareholders or from other categories. This clause is silent on this point. I submit clause 4 is too vague.

Clause 6 says:

“A person shall be disqualified for being appointed or for continuing as a member, if he has, directly or indirectly, any interest in a subsisting contract made with, or in any work being done for, the Commission except as a shareholder (other than a director) in an incorporated company.”

The shareholder of an incorporated company is exempted. The only condition imposed upon him is that he has to disclose to the Central Government the nature and the extent of the shares held by him in such company. But what is to be done after disclosure of all these facts is studiously avoided or omitted in this clause. Suppose on the basis of the nature and extent of the shares if it is felt desirable then, he should be declared disqualified to continue as a member of the organisation; there is no such power vested in the Central Govern-

ment or any other body. I submit that in public interest, the Central Government must be vested with the power to declare a person as disqualified, after considering the nature and the extent of the shares held by him in any company. Otherwise, that person will exercise undue monetary influence and the ultimate result will be considerable losses to the Commission.

In clause 10 it has been mentioned that the Commission may associate with itself any person whose assistance or advice it may desire, but it is not stated whether such association may be with remuneration or whether his advice and services are free. Nothing has been mentioned about this point therein. If the question of remuneration arises, who should decide it? The whole clause is silent on this point. So, it requires more clarification.

In clause 15, the Commission has been vested with power for the creation of any post carrying a salary up to Rs 2,000, under sub-clause (b). The Commission is vested with power to incur expenditure up to Rs 30 lakhs. I am afraid that the Commission should not be vested with such large powers. A post carrying a salary of Rs 2,000 is not an ordinary post. So, all these powers should be curtailed.

In clause 16 it has been provided that:

“All non-recurring expenditure incurred by the Central Government for or in connection with the existing organisation up to the date of establishment of the Commission and declared to be capital expenditure by that Government shall be treated as capital expenditure by that Government, to the Commission, and shall be brought into the books of the Commission.”

From the financial memorandum, it is evident that the expenditure incurred by and for the Oil and Natural Gas Commission up to the end of 1958-59 amounts to about Rs. 562 lakhs. I would submit that all the statements of expenditure should be placed before

the House and the House should not be left in the dark as to on what matters expenditure has been incurred, because it is a considerable amount of Rs. 562 lakhs.

In clause 19, there are serious defects. In sub-clause (3) it is provided that the monies of the Commission shall be invested in such securities as may be approved by the Central Government. I am of the opinion that the policy of investment should be laid down by the Central Government and the policy enunciated should be laid before both Houses of Parliament, so that there will be full discussion and there will be no repetition of Mundhra deal again.

Clause 21 provides that the budget will be prepared by the Commission, and submitted for the approval of the Central Government. I feel that the budget should be submitted to the Central Government only for consideration; it should be submitted to the House for final approval.

Finally I want to say that though this Commission was organised in 1956 and though the hon. Minister has frankly admitted that there were no expected results, still we should not be oblivious of the services rendered by the Commission and the work done by them for discovering petroleum resources. As such, the Commission and the Oil Ministry must receive the appreciation of our country.

In conclusion, I appeal to the hon. Minister and the House to accept my motion for reference of this Bill to the Select Committee, because there are various defects in the various clauses to which I have already made reference and they relate to the fundamental aspects of the Bill. With these words, I conclude.

**Shri Raghubir Sahai (Budaun):** I welcome this Bill specially because the provisions of this Bill are more or less in accordance with the recommendations of the Estimates Committee that went into the working of the Oil and Natural Gas Commission very minutely recently. The Estimates Committee has stated:

"The Committee feel that if the O & N G. Commission is to function efficiently as an industrial body it must be armed with sufficient powers and given sufficient status so as to provide flexibility in administration as well as operation."

A little further it proceeds to say that they recommended that an early decision should be taken to convert the Oil and Natural Gas Commission into an autonomous body with suitable provisions for control by Parliament. I wish this decision should have been taken a little earlier by the Government.

So far as the work of the Commission is concerned, it is true that the Commission has done commendable work and I congratulate the Minister for the moderation of the language in which he described the work that was done by the Commission. But there is great scope for intensifying its work, specially in the future years. In regard to this the Estimates Committee remarked that while they welcomed the increasing expenditure on surveys and drilling they wondered whether at the present rate of expenditure and progress there is any reasonable prospect of fulfilling the targets within the Plan period. In this connection, I would invite the attention of the House to the reports issued by the O & N G Commission for 1956-57 and 1957-58. We find that in 1956-57 the allotment that was made in the budget was something like Rs. 1.56 crores, while the actual expenditure was only Rs. 79 lakhs, meaning thereby that only about half of the allotted money was spent during that year. In 1957-58 we find that something like Rs. 4.58 crores were sanctioned and provided in the budget out of which only Rs. 1.72 crores were spent, meaning thereby that only one-third of the allotted money was spent. We further find that the total expenditure incurred by this Commission up to the end of 1958-59 was to the tune of Rs. 5.62 crores, although the total expenditure on capital account approved by the Planning Commission for 1959-60 and 1960-61 is to the tune of Rs. 23 crores. Thus we find that

[Shri Raghuraj Sahai]

although the money allotted was much more the amount that was spent was very little. That raises a problem before us, and that raised a problem before the Estimates Committee as well as the Government. It is really very good that now the Government has come before this House with this Bill for converting the Commission into a statutory body with autonomous powers. It is really and eminently a reasonable proposal and we welcome it

In this connection the report of the Soviet experts will also have to be examined. These experts, who were called from Russia, made a survey of the entire country and they submitted a very valuable report. I am sorry that yesterday while the Minister was making his preliminary remarks he did not go into the details and tell the House as to what the actual recommendations of this Soviet expert committee were and what actually was the work done by the Commission in comparison to the task laid down by the experts committee. From the reports I have quoted it appears that the work done was not very good

I am glad that another proposal has been accepted in this Bill, and that is the recognition of the private sector. I for one have felt that the tardy progress that was made by the Commission in regard to this important work was due to the fact that the entire work was taken up by the governmental machinery in the public sector. It has got its strong points but, at the same time it has got its own limitations. Now, as has been remarked by the hon. Minister they are working under competition. It would have been much better if in the very beginning the private sector had been given sufficient scope for doing this work. As members of the Estimates Committee many of our friends were able to visit West Bengal as well as Jwalamukhi and from what we saw we felt that the work in West Bengal, which was being done by

foreign private agencies, was much more efficient than the work done at Jwalamukhi. Of course, I do not wish to deprecate the work that is done at Jwalamukhi. It is very valuable work and we all praise for it but I am just drawing a line of distinction or comparison with those private people who are doing it much more efficiently. So, it is really a good thing that this principle has been recognized in this Bill

We also feel that Indians as such are new to this work and we are indebted to the Russian and Rumanian experts who have come to this country to help us in oil exploration. But, at the same time, it is our bounden duty—and it is an obligation on us to see that these foreign experts are not retained in this country for a minute more than necessary. By this time we should see that our young men are trained in this specialised branch and we are able to stand on our own legs as early as possible so that the aid of these foreign experts is dispensed with at a very early date

I find from this Bill that although an attempt has been made to convert it into an autonomous body the qualifications of members have not been laid down. In this connection, I would invite the attention of this House to the very weighty observations of the Estimates Committee. They remarked:

"The proposed statutory commission should consist of experienced geologists and geo-physicists amongst its technical members so that the commission may have the benefit of technical advice from more than one member"

Now, such a thing should have been provided

The power of rule-making has been provided in one clause of the Bill. From there I find that the disqualifications will be laid down. Why not lay down the qualifications as well so that there may not be any misunderstanding about it and no mistake about the

composition of the commission. I also find that although the Estimates Committee laid sufficient stress on the inclusion of one or two non-official members in the commission, that has not been specifically provided in the provisions of the Bill. That is a lacuna and I would request the hon. Minister to fill up that lacuna as in the composition of the commission there should be provision for the inclusion of a qualified non-official member.

Another suggestion that I would like to advance is that, as already a standing committee on oil has been set up by Government, a provision should have been made in the Bill to the effect that it should be consulted by the Commission on all important matters relating to the oil industry in India, that is, exploration of oil and petroleum gas, exploitation, production, refining, collaboration with private concerns, agreements, prices, transport etc. The opinion of well-informed persons, who would constitute this committee, should be at the disposal of this Commission. That provision should have been made because that would have made the task of the Commission lighter in my humble opinion.

There is another proposal that I wish to make and that is that a consumers' council should have been formed and should have been advocated in this Bill. These two recommendations have been made by the Estimates Committee also. We find that there are so many grievances about high prices of kerosene oil and other petroleum products in the country. Unless and until a proper consumers' council has been set up and they are in a position to place their views before the Commission it would not be possible to remove the difficulties of the public very soon.

I wish that the targets that have been included in the Soviet experts' report should be fulfilled as early as possible. The other day the hon. Minister said that in the course of our experiments we found that some of

the items indicated in the Soviet experts' report had to be modified. I wish that a body should be set up who should be charged with the duty of examining the recommendations of the Soviet experts and adjusting those recommendations in the light of our up-to-date experiments and experience.

With these words I wish to accord my welcome to this Bill.

**Shri Morarka (Jhunjhunu):** Mr. Speaker, Sir, like the previous speaker, I also welcome this Bill which seeks to clothe the existing organisation of Oil and Natural Gas Commission with statutory power, and intends to confer a high degree of autonomy on its function. *At this stage I do not propose* to deal with the performance of this Commission during the last three years. Perhaps there would be another opportunity to go into those details. I wish to confine myself, at this stage, to examine whether the intentions for which the statutory body is being created now would be carried out or not.

This Bill has been brought before the House in pursuance of the recommendations of the Estimates Committee. The hon. Minister said yesterday that he has found a lot of difficulties and a lot of time is being wasted in the departmental administration of these oil exploration projects. Therefore this Commission has been considered necessary. Even in the statement of objects and reasons it stated that—

"Exploration work in the public sector has reached a stage where for efficient and expeditious progress much more autonomy and elasticity are required than would be possible if the Commission continued to work as a Government Department."

I do not think there is anybody in this House who disputes the necessity of creating this statutory body, but if you examine the provisions of this Bill as it is brought I think there are certain lacunae. There are certain defects in this Bill which would not

[Shri Morarka]

confer upon this Commission that degree of autonomy which the hon. Minister intends to have.

Before I go further, I would like to read what the hon. Minister said yesterday. He said:

"Recently there was a break-down in our Cambay drilling operations. Previously also once or twice there were certain break-downs in our work. We had to approach the Government for financial sanction of purchases in a big way. Obviously, it takes time for examinations, scrutiny by my colleague the Finance Minister, and it is not always easy to convince the Finance Minister that I am right. Perhaps, generally I have to admit my mistakes so far as rules and regulations are concerned."

Then, further he says:

"In order to get the sanction for a small sum of Rs. 50,000 which could save perhaps Rs. 50,000 by way of salaries a day, we have to wait for ten to twenty days. It is inevitable, because the rules bind us."

The valuable experience of the hon. Minister, which he narrated in the House yesterday, was that the financial rules of the Government are such that he cannot function effectively and, as a matter of fact, a lot of time and money is wasted in obtaining Government sanction. If you would kindly look at the provisions of this Bill, what would you find? The relevant provisions dealing with finances are clauses 16 and 17 and, if you like, clauses 18 and 19. Then there is the power of borrowing in clause 20 and budget provisions in clause 21.

In the first place—and that is my first criticism—this Commission is not going to have any amount. No amount has been earmarked for this Commission as self-contained finances. There

is no amount as capital given to this Commission to begin with. Any time or every time the Commission wants money or it would need money, it would still have to go to the Government with all its proposals.

Shri Nanshir Bharucha (East Khandedesh): Not every time but once a year.

Shri Morarka: No, Sir. My hon. friend says, "Not every time, but once a year." I will try to convince him as to why I say every time. Clause 16, sub-clause (1) refers only to non-recurring expenditure incurred by the Central Government so far and the expenditure which has already been incurred by this Government Department would be treated as expenditure incurred by this new statutory body and would be brought in the books of the new statutory body. That clause deals only with the amount already spent, and that is non-recurring amount.

An Hon. Member: Will you kindly read that clause?

Shri Morarka: If you would permit me, I would read this clause.

It says:

"All non-recurring expenditure incurred by the Central Government for or in connection with the existing organisation up to the date of establishment of the Commission and declared to be capital expenditure by that Government, shall be treated as capital expenditure provided by that Government to the Commission, and shall be brought into the books of the Commission."

What I wish to say is that this deals only with the amount already spent and does not at all deal with the amount which is lying with this Government Department and which has not been spent. So, this does not leave

any more amount with the Commission for spending in the remaining period.

If you come to sub-clause (2), it says

"The Central Government may, after due appropriation made by Parliament in this behalf, provide any further capital that may be required by the Commission for the carrying on of the business of the Commission or for any purpose connected therewith on such terms and conditions as that Government may determine."

Under this clause, this Commission may go to the Government any time the Commission wants money. I am not referring to the Budget. Under the Budget, you can go only once. Under this sub-clause (2), the Commission can go to the Government any time when there is need for further capital. But, before you go to the Government for further capital, you must have at least initial capital to carry on the business of the Commission. Today, this department has got some surplus money, cash which is already allotted to this department, but which it has not spent. I do not find any provision under which this surplus amount can be vested in this Commission. Sub-clause (2) talks only of the further capital.

At this stage, if I may draw your attention to the financial memorandum which is appended to this Bill, the financial memorandum talks of non-recurring and recurring expenditure. About recurring expenditure the memorandum says

"The Bill provides that each year the Central Government may pay to the Commission such sums as may be considered necessary for the performance of the functions of the Commission under the Bill."

At no place this Bill provides in these terms an obligation on the part of the Central Government to pay the amount annually. It provides for submission of the budget. It provides for exami-

nation of the budget by the Government. It provides for the contribution of further capital in sub-clause (2). But, it does not provide that the Central Government each year will pay to the Commission such sums as the Commission may require. If this Corporation had been registered under the Indian Companies Act, then, under the law, it would have been required to have its own capital structure. Even where you have incorporated other corporations under special statutes, you have provided the capital structure of each corporation. One of the main requirements of autonomy is that the Corporation must have self-contained finance, it must have its own finance. Here, what you have done is, you are transferring the existing assets and you transferring the expenditure to this new statutory body. You are not providing at all for any amount to be put at the disposal of this Commission. Whenever more money is required, whenever more amount is necessary, you will have to go to the Government and justify this. You know when companies are floated with capital and if more capital is required, you go to the shareholders. That happens very rarely, twice or thrice in the life time of a company. You do not do that every year, you do not do that every now and then. Here, though you are creating a statutory body, so far as the finances are concerned, you are keeping the position just as it existed hitherto. In other words, you will have every time to go to the Government to justify the financial needs and that for such and such things, you want this amount.

Clause 19 says

"The Commission shall have its own Fund and all receipts of the Commission shall be carried thereto and all payments by the Commission made therefrom."

This clause does not indicate at all wherefrom this fund could be created and what money would be credited to this.

**The Minister of Mines and Oil (Shri K. D. Malaviya):** Borrow money

**Shri Morarka:** They say, borrow money That is clause 20 Clause 20 says:

"The Commission may, with the previous approval of the Central Government, borrow money in the open market or otherwise for the purposes of carrying out its functions under this Act"

Again, they have to come to the Government for approval, and again they have to justify to the Government It is all right for them to say, borrow money Unless the Government guarantee the money, who would lend money to the Commission?

**Dr M S Aney (Nagpur)** Don't you think that when the Government will give you permission to borrow, it will be giving you the guarantee also?

**Shri Morarka:** What are the possibilities of this Commission raising money on its own credentials, on its own creditworthiness without the guarantee of the Central Government? Sanction to the department is one thing Giving guarantee to the lender is another thing Unless the Government gives guarantee to the lender, it would be difficult for the statutory commission in my opinion to borrow money I think the Corporation initially at least must be started with a definite amount, out of which the Commission must incur expenditure and if any receipts are made, they must be credited to that fund

The hon Minister said yesterday that they have got a definite programme and during the next two years, the Commission is going to spend Rs 12 crores if not more When things are definitely known and when programmes are sanctioned not only by the Planning Commission, but, I take it, even by the Government, certainly minimum provision of fund could have been made here That would have obviated the necessity of the hon. Minister going every now and then to the Finance Ministry to justify the various projects.

**Shri K D. Malaviya:** Not so frequently

**Shri Morarka:** I do hope that the hon. Minister would examine this point

While I do not support the motion made by my hon friend for reference to Select Committee, because the Minister told us yesterday that there are certain contracts he is in a hurry to enter into, I still feel that there are certain lacunae, not of a drafting nature, but of a substantial nature which deserve serious consideration of the hon Minister, if he really wants to bestow certain autonomy, both financial and administration on this corporation

I come to the next point and that is a small point comparatively which deals with the previous consent of the Central Government for doing certain things Under clause 10 sub-clause (1), the Commission has taken power to associate itself in such manner and for such purpose as may be provided by regulations made under this Act with any person whose assistance or advice it may desire in performing any of its functions under this Act Under this clause, this Commission may enter into partnership with any concern It may associate itself with any other body of individuals or foreign concerns That, according to me, is much more important than sanctioning a post on Rs 2000 or sanctioning a post having a salary of more than Rs 2000 a month If there are certain powers reserved for sanction of the Central Government, I think that this power under clause 10 sub-clause (1) is one of those important powers which must be reserved for sanction of the Central Government

About the Composition of the Commission

**Shri K. D. Malaviya:** Do you mean to say that every time that the Commission needs the assistance of expert advice from anybody, it has to wait for the sanction of the Government?



**Shri Morarka:** No. I am sorry; but I am grateful that the hon. Minister has raised this point. I do not say every time the Commission takes advice or opinion, it has to go to the Central Government. If the Commission associates itself with—what is the meaning of associating itself with? I take it, it is not merely taking advice or engaging some expert on a fee basis. That is certainly not associating with. You do not say when you hire an expert on a fee basis that you are associating with him.

**Shri K. D. Malaviya:** If you read the provisions of clause 2, the matter will be clear.

**Shri Morarka:** Sub-clause (2) says:

"A person associated with it by the Commission under sub-section (1) for any purpose shall have a right to take part in the discussions of the Commission relevant to that purpose, but shall not have a right to vote at a meeting of the Commission, and shall not be a member for any other purpose."

That is quite a different thing altogether. That does not answer my point.

18 hrs.

**Shri K. D. Malaviya:** That only clarifies what 'association' means. 'Association' is more or less defined here as seeking technical advice or co-operation in elucidation of certain points, either from an individual or from a group of people who are technically competent to do it. Such people who are technically competent to do it may or may not be associated temporarily in certain technical assessment of the Oil and Natural Gas Commission on payment of fees.

**Shri Morarka:** My reading of clause 10 (1) is that it has a wider meaning than what the hon. Minister intends to give to it. If the intention of that sub-clause is only limited to what the hon. Minister says, I have

no quarrel. But clause 10 does not mention anything about this technical advice only. It clearly says:

"The Commission may associate with itself in such manner and for such purposes, as may be provided by regulations made under this Act, any person whose assistance or advice it may desire in performing any of its functions under this Act."

And we know what the functions under this Act are. Therefore, I think the scope of this clause as it exists in the Bill is a little wider than what the hon. Minister has in mind.

**Shri Narasimhan (Krishnagiri):** But there is the regulating power.

**Shri Nathwani (Sorath):** It refers only to 'associate' and not 'employee'.

**Shri Morarka:** According to me the word 'associate' has a different connotation. It does not mean 'employee'.

**Shri Narasimhan:** Association is to be regulated under the rules.

**Shri Morarka:** May I inform my hon. friend that the hon. Minister is inclined to accept my view?

**Shri K. D. Malaviya:** Not inclined to accept, but the hon. Member is entitled to have his say.

**Shri Morarka:** The title of this Bill reads

"A Bill to provide for the establishment of a Commission for the development of petroleum resources and the production and sale of petroleum and petroleum products produced by it and for matters connected therewith."

If we turn to clause 14 which deals with the functions, the function of marketing the petroleum products is mentioned only in sub-clause (1) in a general way, but the particular

[Shri Morarka]

items which are mentioned in sub-clause (2) do not contain this marketing of petroleum products. I think that since one of the main purpose of this Commission is to market the petroleum products also, it should find its place in sub-clause (2) which particularly describes the functions of this Commission

There is a particular drafting point which I want to mention here, and that is in regard to sub-clause 3 (a) of clause 21, which reads thus

"no re-appropriation from the head 'loan' to another head of expenditure and vice versa in the budget shall be sanctioned by the Commission,"

"The wording here is from the head 'loan' to another head of expenditure and vice versa. I do not know how in this Commission, the head 'loan' can be on the expenditure side. This Commission would only receive loans from Government. So, the head 'loan' can come only on the receipts side and not on the expenditure side. Only if this Commission intends to give loans to other bodies can the head 'loan' come on the expenditure side. But nowhere in the Bill is it mentioned as to what this word 'loan' in inverted commas means. I take it that it means that when Government make loan to this Commission, then out of that loan, when appropriations are made, those appropriations will be sanctioned by the Central Government. If that is so, then again, I would say that the financial autonomy is impaired, and we do not give the financial autonomy which must necessarily be there in a body like this. I cannot think of any other meaning which this sub-clause 3 (a) can impart, unless it be said that it is going to be one of the functions of the statutory commission to give loans to others in the near or distant future.

Then, the Bill provides for the placing of the reports and the audited

accounts before both Houses of Parliament. But there is no time-limit prescribed. I think it is very necessary that a definite time-limit should be prescribed, firstly, for the Commission to make their report to Government, and then, for Government to lay those reports on the Table of the House. That can easily be done by amending sub-clauses (3) and (4) of clause 22.

This Bill, as it has been pointed out already by the hon. Member from Badaun, is a very important Bill. It is going to entrust the exploration of oil, its refining and marketing, to this body. Oil has a special significance in the world in the present context. Even in America, 76 per cent of the energy is derived from oil. Therefore, in view of such importance and in this context, it is all the more necessary that this body be clothed with powers which are essential for performing its functions properly.

I want to make only one more point, and that is about the refineries. The Bill provides as one of the functions of this Commission the refining of oil. Now, Government have set up two refineries, one in Assam and another in Bihar. I would like to know from the hon. Minister what the relationship between those refineries and this statutory commission will be. I was hoping yesterday that in his speech, the hon. Minister would make a mention of that. Also, the hon. Minister has in his mind the idea of creating another corporation for the marketing of the petroleum products. Marketing is also one of the functions under this Bill. So, I would like to know what type of relationship the hon. Minister envisages between the different bodies that he wants to create.

**Shri Narayanankutty Menon:** Before I say something on the Bill proper, I should like to congratulate, without the fear of contradiction from a large section of this House, the commendable work that has been done

by the Oil and Natural Gas Commission during the short term of its existence. But if we look into the provisions of this Bill, it is only with a feeling of profound depression and sorrow that this House could watch the halting policies of Government as far as petroleum is concerned. For the last three years, whenever the question of petroleum came up before this House, Government had taken the consistent stand of refusing to disclose positively what the policy of Government would be with regard to the relationship between the public sector and the private sector in this industry, and they have avoided purposely on every occasion disclosing their own commitments with the private sector in this industry. But not only from the actions of this particular Ministry but also from the varying actions of the different Ministries, we were able to understand at times that they had got a consistent policy, and that policy has been categorically disclosed by means of this legislation. That policy is disclosed when Government have decided that the proposed autonomous body, namely, the Oil and Natural Gas Commission, should confine itself to exploration, and that too not exclusively, of petroleum products in India and also distribution of petroleum produced by the public sector. This largely means that a sort of co-existence is to be arranged between the public and the private sector. As has been said many times by the hon. Minister, the whole *modus operandi* of dealing with this industry in the public sector is by starting a mild competition with the foreign oil monopolies in the country. I should like to tell the hon. Minister that at least now he should try to learn a lesson from similar experiences that other Governments have got by trying this *modus operandi* of nationalising the oil industry in competition with the oil monopolies of the world. In many countries, governments similar to the hon. Minister's own—and similar Ministers like him—tried such a method with the oil

monopolies by starting a mild competition by and large, but that co-existence proved to be the co-existence of a lion and a lamb. The nucleus of that mild competition that had been built up has been devoured by the foreign oil monopolies, in whichever country it has been tried.

I should like to remind the hon. Minister of the sorrowful and shameful experience that Asian countries had when in Iran Dr. Mossadeq tried the bold step of nationalising the entire oil industry. Within about 30 days of that decision, unanimously accepted by the Iranian Parliament, Dr. Mossadeq, the Prime Minister of Iran, was running in the public streets followed by ruffians. There was a coup d'état and he was ejected, and the Anglo-Iranian Oil Company succeeded over the sovereignty of Iran.

More or less the same thing happened in modern Egypt under Col. Nasser. The hon. Minister will find that under the initiative of Col. Nasser, after three years of discussion, there was an Arab Petroleum Congress a few months back. There was an honest effort made by the new governments of the Middle East to evolve a new national oil policy. But unfortunately that Arab Petroleum Congress could not even pass a resolution because the whole Congress was overshadowed by the imperialist oil industry.

The truth that prevailed in respect of oil for centuries prevails even now; oil is mingled with the question of imperialism, and this sort of dilly-dallying and starting a mild competition with the oil magnates and then step by step trying to win them over will not work here, because experience everywhere has shown that such sort of mild competition will only end in miserable failures. If you carry on with this halting and doubting policy, this will undoubtedly be the result.

[Shri Narayanankutty Menon.]

Now, I seek a clarification from the hon. Minister. I want to know whether it is a drafting mistake or lack of understanding of English, as it is understood by everybody else, that is responsible for this sentence in the Statement of Objects and Reasons:

"Oil industry being a highly integrated one, exploration work and exploitation should more appropriately be entrusted to an agency which can function more or less as a commercial agency in the private sector"

I take it for granted that the hon. Minister does not mean what this particular sentence means. If it is a mistake in the English used in that sentence, it should be corrected so that the misunderstanding could be very easily removed.

Very good objects have been set as far as this particular Bill is concerned. We well know that the Bill is confined only to exploration work in India. But as far as the real oil policy is concerned, the question is not one of exploration alone, because while exploration is going on one side, the question of imports, the question of distribution and that of the functioning of the foreign oil monopolies are very relevant and important questions in India. The Commission leaves these out from its jurisdiction. I do not know how Government decided that way without any reference to any control or even an influencing effect upon the large chunk of real oil business in India, that is, both the refineries in the public sector and imports as also the much-debated pricing question.

I should like to ask the hon. Minister when he decided to come before this House to have an autonomous corporation involving the entire oil business and the oil policy of India, what prevented him from giving authority and jurisdiction to this Commission to deal with the whole oil

question so that an integrated and uniform policy in regard to oil could be evolved and the Commission could have control over that policy? I am quite sure that the Minister will not agree that such a provision should be incorporated in this Bill whereby the Commission could get the entire control over the oil policy, because the oil policy is not decided by the hon. Minister alone.

I will come to certain points when I can point out to the House that the Government have been bungling for the last three years as far as the oil policy is concerned. On 20th May, 1958, the hon. Finance Minister entered into an agreement with the oil companies concerning the pricing question. This House was told that an interim agreement was reached, because it would take some more time to look into the companies' accounts and arrive at a formula whereby the pricing question could be solved and prices could be reduced. Since then one year and four months have gone by and still Government have not come before the House to tell us what is the real state of affairs concerning the pricing question, and regarding the examination of the accounts of the companies. I could very well tell the House that the Government were not able to look into even a small sheet, a paper, real paper, concerning the real accounts of the companies, because those accounts are kept either in London or in New York. What they got was only vouchers not signed by anyone. Our auditors—I could very well assert—were not able to get even a small glimpse of the real state of affairs of the accounts of the oil companies. I should like the hon. Minister to tell the House now what is the real position at present as far as the pricing question is concerned. Every month India is losing on account of overprofits made by these oil companies being taken away from this country, because there is no solution of the pricing question. If the hon. Finance

Minister—who is, unfortunately, not here—is directly concerned with the problem, this House, in all humility, expected that such an important question would be discussed here and the House would be given a chance to know what the real state of affairs regarding the pricing question was.

13.16 hrs.

[SRI MATI RENU CHAKRAVARTY in the Chair]

I saw a photograph in one of the U.S. magazines, the *Chemical and Engineering News* of the U.S.A. which was referred to in some other connection in this House, showing the hon. Finance Minister, during his visit to the U.S.A. last year, having a congenial discussion with the managing director of the U.S. Mercks. Another man was also involved in the conversation. I tried to find out who that smiling guy was. I could identify him as the top boss of the Californian Texas. From newspaper reports, I find that the hon. Finance Minister spent about a full day having discussions with the boss of the Californian Texas. The Californian Texas, in the name of Caltex here, is also involved in the pricing question. We cannot for a moment think that the Finance Minister of India spending a full day in the United States of America with an oil boss was talking shop. He must have talked of oil alone and nothing else. I also understand from newspaper reports that early this year, a very big boss of Californian Texas from America visited this country. The purpose of the visit was quite unknown both to Parliament and the people of India. But I understand he visited India at the invitation of the hon. Finance Minister. We would like to know why the hon. Finance Minister did have consultations with the Californian Texas. Were they regarding the pricing question or the imports question? Why are oil magnates invited to India at the instance of the hon. Finance Minister?

Yesterday, when moving the Bill for consideration, the hon. Minister was telling us that at every stage, because the Commission was not autonomous enough, there was difficulty with the Finance Ministry. He was just telling honestly the truth. I assert that there are bound to be more difficulties with the Finance Ministry even if this Bill is passed and the Commission made autonomous. I can tell this House that the Finance Ministry for the last one year has taken a consistent policy, a policy of sabotaging the honest attempts of the people of this country and Parliament to arrive at a decent settlement with the oil companies so that at least a small chunk of the profits that have been made by these oil companies, the money that is being taken away from this country, may be received by us. That is exactly why the pricing question has not yet been settled.

It is reported that the profit made by the three oil companies in India is no way coming down. Last year, the Burmah Oil Co., a subsidiary of the Shell Oil Co., made a profit of £6.7 million. In no way is it a comparatively low figure. Everybody knows that if we can arrive at a decent settlement with these oil companies as far as the pricing question is concerned—certainly on the basis of the formula which is accepted internationally now—we will be able to get about Rs 25 crores more. This delay is causing serious concern as far as Parliament and the people are concerned. The hon. Minister should tell us when and where a settlement is going to be effected. If at all there are serious difficulties, what are those difficulties? From that we may know what further difficulties are there and when a settlement could be reached.

The second question is regarding the excise duty concessions. It is true that when an agreement was arrived at in 1951 and the excise duty concessions were granted to all the three oil refining companies, we were

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told more or less that the understanding was that at a very early date these companies would voluntarily forego these excise duties or concessions that have been granted to them. Some time ago, the excise duty concessions granted for gasoline have been surrendered. Now, I find that they surrendered. Now, I find that the Burmah Shell Co., have come down with a voluntary surrender of the excise duty concessions as far as furnace oil, light diesel oil and high-speed diesel oil are concerned. But, unfortunately, the Caltex Co., and the Stanvac Co., both of them American companies, have refused to budge an inch and they have not shown an indication whether they are going to surrender the excise duty concession or not.

Shri Achar (Mangalore): May I just point that the companies have budged an inch and we have...

Mr. Chairman: Order, order I do not think that this interruption is right at this stage. The hon Member may ask for a chance to speak. But, I think, it is not right on his part to interrupt like this.

Shri Achar: I only tried to clinch the point.

Shri Narayanankutty Menon: I am very glad to learn from my hon. friend a very good piece of information which the hon Minister has refused to give on the floor of the House till yesterday. In the wake of the revelations made by Shri Achar, the hon. Minister will tell us whether both the Stanvac Oil Co., and Caltex have budged not an inch but a foot.

When the Burmah Shell have surrendered this excise duty concession, the magnitude of that should be seen by the House. The excise duty concession granted to them is roughly as follows: As far as furnace oil is concerned, it was Rs. 14.4 per ton; light diesel oil, Rs. 25.6 per ton and high-speed diesel oil Rs. 0.2 per gallon. You can very well imagine from the

total business done by the Stanvac and the Caltex companies the magnitude of the sum that they ought to surrender in the wake of the voluntary surrender made by Burmah Shell.

I submit that the hon. Minister should not rest content with taking such steps as he has taken—and also the Finance Minister has taken or has not taken during the last two years as far as this particular surrender is concerned. All possible steps that the Government of India can take should be taken against these oil companies so that they also voluntarily surrender and come in line with the Burmah Shell.

Oil exploration has been included within the scope of this Bill. We are not told whether the oil exploration in India is going to be the State's exclusive business or whether the State intends to take a monopoly. The Past practice and the policy declarations have shown that they want to share this oil exploration with the private sector and especially with foreign companies. A notorious example of such sharing in the spoils of oil in India is the now disgraceful India-Stanvac agreement. Crores of rupees of our money, which we share with that Stanvac Oil Co., have been wasted and without any reason at all.

Many wells have been drilled and they have declared many a well dry. They go on hopping from place to place. As far as the Oil and Natural Gas Commission is concerned, I understand that not even the valuable data which we could get after spending this money have been made available to them. Certainly the Stanvac Co., and the Foreign oil companies are not in the habit of sharing the results of their investigations with any free government which wants to have its own oil exploration.

Therefore, I should like to know from the hon. Minister also whether Government propose to do anything so far as this India-Stanvac project

is concerned, in view of the fact that the project has thoroughly failed to find even a trace of oil. They have not made an earnest attempt to find out oil in the Bengal basin. I can repeat what I have said here many times that whenever we enter into an agreement with foreign oil companies, the foreign oil companies are not interested in finding oil here. Their main interest in spending their own and Indian money is not to find out oil. It is always far more profitable for these oil companies to spend crores and crores of rupees and not find oil than in investing money to find oil. Because, you know when they spend money to find out oil they are killing the business they are doing in India by importing oil and by taking huge chunks of money as profit. After a few years they have not been able to find out oil in the Bengal basin. They are interested in selling here the oil that they import. This is excluded from the scope of this Bill.

**Mr. Chairman:** The hon. Member must conclude in two minutes.

**Shri Narayanankutty Menon:** Now, a large amount of the products that we require are to be imported and that importing is exclusively done by the oil companies. The hon. Minister will understand that in 1951 when we signed an agreement, nobody was there to look into the general pattern of our requirements and now we are in a quandary because these oil refineries have been modelled in such a way that we are producing surplus gasoline and the kerosene oil which we require for consumption in this country could not be produced. I say that the blunder we made in 1951 should not be repeated. The Commission should get the authority to determine the pattern of production in this industry. The Commission should gradually get the exclusive right to import oil from foreign countries. The hon. Minister knows and the Parliament also knows that as far as import is concerned, we will have to

take different patterns of import with regard to different countries.

The other day the hon. Minister said that he is now contemplating the import of kerosene oil from Rumania. That will have a salutary effect as far as kerosene oil price and foreign exchange position are concerned. But I think the main difficulty of distributing remains. We should have the distribution in the public sector. Unless Government reverses the policy of distribution, having it confined to its own products, this policy of importing kerosene oil and having competition will not succeed.

My only appeal to the hon. Minister is that the whole policy involved in this Bill should undergo a change. The Commission should get the entire hold upon the oil business in India and then only will we be able to establish a free oil and petroleum policy in India. Otherwise, we will be completely devoured by the foreign oil manufacturers and I hope the hon. Minister will be pleased to give a reply to these points. If that cannot be included in this Bill by means of amendments, he will please come before this House with a different Bill with such a pattern of oil trade for India.

**Shri A. C. Guha (Barasat):** As others have done, I also welcome this Bill as far as the purpose and aims of this Bill are concerned but I had expected the Minister to present to this House before the discussion on the Bill started some report about the working of the Commission during the last three years. There might have been something casually mentioned in this House or in the annual report of the department, still, I think an integrated note about the working of the Oil and Natural Gas Commission for the last three years could have been supplied. That would have helped a proper discussion on this Bill. Moreover, Government also could have indicated the future policy as regards exploration and exploitation of the petroleum as also its

and the House will be concerned with the question of the nationalisation of the coal industry. However desirable that may be from the ultimate economic and theoretical point of view, apparently there are some practical difficulties for implementing that policy at least for sometime to come. But for oil I think the commitments in the country are not so big as to prevent a definite policy declaration on the part of the Government as to the future regarding the oil exploration, exploitation and distribution. The hon. Minister should have taken sometime in his introductory speech to indicate the future policy of the Government in this regard. Shri Menon in his speech has also particularly stressed this point and I feel that every section of the House will ask the Minister to indicate the future policy and the policy should be that the monopoly should be preserved by the public sector. Gradually we can buy the only company that is exploiting oil in India—the Assam Oil Company—and for the refineries also, under the terms of the agreement, certain arrangements may be made.

Yesterday, Shri K. D. Malaviya has mentioned why this Bill has been introduced. During the course of these three years, the department has found it difficult to work within the framework of the Government rules and financial regulations and to do things expeditiously as it would like to. He has said that a Commission that will be entrusted with the task of searching oil must have full powers to change and modify its programme in such a way that leads to the expeditious discovery of oil and gas, these are his words. I am doubtful whether this Bill will give the necessary autonomy and flexibility to the Commission that is going to be set up. There are still several clauses in this Bill which would restrict the autonomy of this Commission in many important and significant matters. Shri Morarka referred to proviso (a) to clause 21. I would draw the attention

of the House to proviso (b). There it has been stated that re-appropriation will be allowed within a limit of ten per cent or five lakhs of rupees, whichever is less for augmenting the provision under any head of expenditure as approved by the Central Government.

I think that this power is even now enjoyed by the Ministries. Even now, the Ministries have some power over re-appropriation within the main budgeted heads. I am not sure but I think that under the present arrangement they can do re-appropriation within the main heads of the Budget sanctions by even more than ten per cent. I am afraid that this proviso is rather more restrictive than the power already enjoyed by the Ministries. This will not improve the position very much.

Under this Bill no amount is sanctioned to this Commission at the initial stage. The National Coal Board Act of U.K. mentions definitely that within the next five years £150 million would be given to the National Coal Board. This sum is specifically mentioned and after five years, as and when necessary, Parliament may sanction any amount. Here also the Commission should have been given an initial amount but that has not been given. This would also act as a handicap for the proper functioning of the Commission. There are several other clauses according to which the Commission will have to refer matters to the Government for appropriate sanction, for instance, the implementation of any scheme or proposal which will involve a capital expenditure exceeding Rs. 30 lakhs. It may appear to be a very big amount. For any scheme exceeding that the Commission will have to go up to Government for sanction. But in oil exploration I think it is not a very big amount. Many of these schemes may run into crores of rupees. I will not mind this reference to the Central Government provided I am satisfied that the Central Government would act promptly and expeditiously, as soon as a reference is made to them.



As has been the experience of the department, it takes a long time for the Central Government or the Ministry to accord sanction for a particular proposal. Under proviso (b) to clause 15, many of the schemes of this Commission may get stuck up with the Central Government. There is also another provision in the Bill the purpose of which I cannot understand. No industry which will use this gas as a raw material shall be set up by the Commission without the previous approval of the Central Government.

This Bill is authorising this Commission not only to explore but also fully to exploit the petroleum resources of the country including the natural gas. I cannot understand why an embargo of any industry using natural gas as a raw material should be put. There are two other corporations, I think, for the exploitation and extraction of oil and also refining and distribution of oil. This Commission also has, among its functions, got this commercial aspect: the sale of petroleum and petroleum products and also distribution. I do not know what is the intention of the Government in this regard. Perhaps, they have put all these things just as they do in the article and memorandum of a company. They put so many relevant and irrelevant things as part of the business in which the company may indulge. Here also, I think, it is placed just in that loose manner. If really it is the intention of the Government that this Commission should also indulge in these commercial ventures, then, what would be the relation of this Commission with similar other bodies set up particularly for the extraction, refining and distribution of oil in India?

Nothing has been said in this Bill about the nature and composition of this Commission. It is said that the Commission shall consist of a Chairman and not less than two other members. Nothing has been mentioned as to how the members of the Commission will be selected, except that a whole-time finance member in charge of financial matters relating to

the Commission shall be there. I think it should also have been mentioned that the members of the Commission would be selected only from those who have some experience in similar matters, industrial, financial or other matters. The practice of the Government so long has been to fill up these commissions and corporations with members from the permanent service. The result so long has not been very satisfactory, and I expect that the hon. Minister will see that this Commission is not also staffed only with permanent servicemen; I should say, rather, that the permanent serviceman should be excluded from all these commercial ventures. Men who have some experience of doing business of a similar nature or men who have some experience of business organisation should only be taken to run these ventures. If somebody engaged in some department of the Government of India here for years is suddenly taken to run a steel factory, a fertiliser factory or this Oil and Natural Gas Commission, that will not be the proper way to run the public sector.

There is also another clause, clause 19, for the investment of its funds in such securities as may be approved by the Central Government. I cannot understand what can be the occasion for a Commission like this to invest its funds in any security or any other thing. This Commission should draw its money as and when necessary from the Government within the sanctioned budgeted amount. In the budget provision there should not be any provision for investing its funds in any securities or other things. In fact, the Commission should not have in its hands any large amount of money, which may remain either with the Reserve Bank or with the Government and only when the Commission will require such amount that amount may be drawn. This clause 19(3) has a dangerous potentiality. I think it may not be possible to amend the Bill so as to exclude this provision, but I hope that by administrative steps the

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Minister will see that no such investment is made by this Commission in any security or in any other body.

Then I would like to go to the first clause. The hon. Minister mentioned yesterday that this Oil and Natural Gas Commission has also been conducting some exploration in Jammu and Kashmir. But under the provisions of this Bill, as it is now placed before the House, this Commission cannot operate in Jammu and Kashmir. He expects that by persuasion and consent it may be possible for this Commission to operate. If that is so, I think it might have been possible also to persuade the Kashmir Government to agree that Jammu and Kashmir may be included within the provisions of this Bill.

Lastly, I should say something about the prospects in the recent oil explorations. Some high hopes were given on different occasions. I do not say that those hopes have mostly been belied, but as yet, I think nothing very definite has come out of those hopes. Yesterday the hon. Minister stated that exploration in Hoshiarpur in Punjab has practically proved fruitless. The exploration in West Bengal also has not proved to be very much of a success. Therefore, at least for West Bengal I can say—I made this demand on two or three other occasions—that exploration for oil in West Bengal should be done through this Oil and Natural Gas Commission and not through any foreign company. Here I agree with what Shri Menon said, that it is not in the interests of these foreign oil companies to find oil in India; they can well afford to spend Rs 2 crores or Rs 3 crores rather than find oil in India and thereby lose the Indian market for their oil.

So, after the establishment of this Oil and Natural Gas Commission I think the exploration for oil in any portion of India should be done exclusively through this Commission

and that should not be given to any foreign company. I also expect that this Commission will undertake a fresh exploration for oil in West Bengal, because from other scientific data it was expected that oil would be found in West Bengal and the Gangetic Valley and I hope that this Oil and Natural Gas Commission will fulfil the expectations of this House and make the country self-sufficient as regards oil, which is so very essential not only for the industrial development but also for defence and the economic development of the country.

Shri Hem Barua (Gauhati). This Oil and Natural Gas Commission first came into existence in August, 1956, and now it is in August, 1959 that there is a proposal to give this Commission a statutory status. I welcome this Bill wholeheartedly, and I just want to congratulate Shri Malaviya for introducing this Bill in Parliament. Though it is a fact what the suggestion was mooted out a fairly long time back and it is a belated move yet it is a very welcome and commendable move.

I think Shri Malaviya is lucky, lucky in the sense that he is presiding over a department that is ultimately going to decide the destiny, to a large extent of our country. Shri Malaviya is important because oil is important; that is how I feel.

Then, it is a pity that, as the Minister has pointed out yesterday, this Oil and Natural Gas Commission was so long functioning only as a subordinate office or a department of the Government. It did not have any powers. It did not have the power to draw up programmes and execute them. It did not have the power to administer its own programmes. It did not have the initiative to execute its own programmes. It was working like that, and the Minister was, particularly, very straightforward yesterday when he pinpointed the difficulties

which the Oil and Natural Gas Commission had to experience during the operation work in Cambay. The operation work in Cambay had to be held up on several occasions, because it took time for the Oil and Natural Gas Commission to cut through the red-tape of the Government. It was functioning only as a subordinate office of the Government and there was difficulty. I feel that this exploration of oil is a very complicated matter. It needs a very strenuous and a very steady effort no doubt. It is always a slow process and then at times hopes are raised, as Shri Guha said, and indeed high hopes were being raised. These hopes are not realised. But then this is such a complicated process that there can be expectations and the fulfilment of expectations depends upon many other factors and forces. Some of these forces are beyond the control of men also. That is why possibly it is said that the geophysicist is the most optimistic of men that the world has. He has a strong heart and a strong mind and also faith. But then, this is a slow process, as I have said.

Yet, there are occasions, as have happened in Cambay, when it could not be a slow process and had to be geared up on a war footing. When we found it difficult to execute the programmes because of financial difficulties and because of the control that the Government exercised on it, steps could not be taken and all that sense of urgency was lost. It is against that background that the proposal to give a 'statutory' status to the Oil and Natural Gas Commission is a very commendable one.

In this connection, if I do not pay a compliment or a tribute to the Oil and Natural Gas Commission I think I would be failing in my duty. The Minister himself said yesterday that it has not succeeded in achieving the target. It might be true, but, at the same time, there is no denying the fact that this Commission has all along been very sincere in its efforts, and it

is trying to do its best. Even a cursory glance at the report of the Ministry of Steel, Mines and Fuel for 1958-59 would convince anyone of the efforts that the Oil and Natural Gas Commission has been making in spite of the natural difficulties and other things.

For the exploration of oil there are difficulties, as I have said, and this is always a gamble. If I can use the language of sports, I will call it a gamble of bagatelle. It is all so uncertain and in spite of this, this report convinces me that it has been trying to do commendable work and it has been doing commendable work, and I want to pay a compliment to the Oil and Natural Gas Commission.

This is rightly described as the oil age. The world demand for oil is increasing at the rate of six per cent per year, as against the Indian demand for oil which I think is approximately seven per cent. At present, our demands, at a modest computation, I think, are put at six million tons and by 1965 there is a likelihood of this amount increasing to 10 million tons. What about our country? We are launching on five year plans. We are serious about our economic development and all that, but, at the same time, this is a country where 180 million tons of animal dung are consumed. If we compute this by petroleum standards, it comes to 60 million tons of petrol. What about our needs regarding petroleum? We have been meeting our needs by imports from abroad by at least 90 per cent. That is how our petroleum consumption is met. Of course, we are going to have two oil refineries. They are going to be on steam in the course of two or three years. But even then, the import will be about 70 per cent. or something like that. The situation is not going to improve. That is why I say that this is an urgent problem. There might be people who may say that this is a strategic problem. It is no doubt a strategic problem, but, at the same time, this is an urgent problem from the standpoint of national development and from the standpoint

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of our standard of living. It is a strategic material no doubt, because it is oil that decides the fate of the world. Bertrand Russell was possibly right when he said that the second world war was decided not by the atom bomb but by oil, steel and uranium. I find that there is too much of intelligent thinking by Bertrand Russell when he said like this. But what about us? Our intentions are peaceful and we do not talk of the strategic problems. But then there are things to be remembered. We want oil in order to uphold civilisation as well, because oil moves not only the wheels of war but also the wheels of civilisation, and from that standpoint we want oil. That is why the proposal giving in the shape of this Bill to give more powers to the Oil and Natural Gas Commission as an autonomous body is a very welcome one and a welcome decision on the part of the Government.

This suggestion was made by the Malaviya delegation in 1955 after it visited the foreign countries and this particular suggestion was also made by the Soviet experts in their report of 1956. The Statement of Objects and Reasons says:

"Exploration work in the public sector has reached a stage where for efficient and expeditious progress much more autonomy and elasticity are required than would be possible if the Commission continued to work as a Government department."

The Soviet experts visualised an autonomous body and they have given an idea of an autonomous body. In the Statement of Objects and Reasons also there is the picture of an autonomous body so that it might have more elasticity.

Now, I want to mention one thing. The Commission may be autonomous to a certain extent so far as the financial aspect is concerned, because

it is said that it will have a Fund. But, as Shri Morarka said, wherefrom it could be made available is difficult to say. At the same time, the Commission will have its own Fund and it will borrow money at the open market. There is a provision like that in the Bill. It has power to sanction reappropriation, etc. These financial powers are granted to the Commission and this is a welcome thing, because, everytime the Commission wanted to launch on a programme of its own, the Finance Ministry's axe fell on it. Now, since it is going to be an autonomous body with financial powers and a Fund of its own, I think it will be able to do things better.

When we speak of autonomy of this body we must note this. There are provisions in the Bill which suggest that instead of launching on the autonomy of this Commission we are clipping its wings. That is what I wish to point out because oil exploration is an integrated process and Clause 14 of the Bill enumerates the functions of the Commission. They have mentioned the responsibilities, and from a very casual glance at the Bill it appears that they are only elementary responsibilities. For instance it is given the right to explore oil and petroleum in this country but there are various companies operating in this country—foreign world monopolists like Stanvac and the rest. There are other world monopolists also who have their eyes on the virgin soil of oil in this country. This was brought out by Mr. Underhill of Stanvac when he spoke in Calcutta at the Rotary Club. He said a very significant thing. May I quote from his speech? He said

"The lack of active interest on the part of established foreign oil companies in searching for oil in India is due to unattractive terms now offered by Government."

He is having the terms all right, and he is trying to find oil and is exploring for oil in West Bengal where he has failed. But then he lives in hopes and that is what he said. At the same time he said that the terms offered by the Government are unattractive. If the terms were attractive enough possibly there would have been more world monopolists. I do not want to dilate on the world monopolists capturing our markets, because that is too well known. But I would like the Commission entirely to be attached to all the functions rather than to divide the responsibilities between the public sector and the private sector. That is my formulation.

There might be an argument and that is a right argument too, namely, that the Government does not have the necessary finances to accelerate its programme. That is a very welcome argument. Yet, it is also true that the Oil and Natural Gas Commission as it is today is getting the co-operation of some foreign countries including West Germany. When we can have the co-operation of the foreign countries like that on their own and maintain the autonomy of the Commission in that case there is no meaning in trying to divide the responsibility between the Commission in the public sector and the agencies in the private sector.

14 hrs

There is another thing. It is given the responsibility of the sale of petroleum and petroleum products. At the same time, there is the responsibility of distribution also here. We have just started a Company called the Indian Oil Company. In reply to a supplementary here, the hon. Minister said that this company will be selling the oil products produced in the two refineries at Gauhati and Barauni. There are other selling agencies in the private sector selling oil in this country. Then, the Oil and Natural Gas Commission also will be engaged in the sale of petroleum, maybe by impor-

ting petroleum into our country or producing petroleum in this country.

Thus, the selling function is distributed between three agencies—the Oil and Natural Gas Commission, the Indian Oil Company and other monopolist selling agents. I feel that if it would have been possible to give this entire function to this Oil and Natural Gas Commission, possibly it would have saved much time, energy and money and duplication of efforts as well. It gets some autonomy so far as the financial aspect is concerned, but so far as the business aspect, the professional and industrial aspect of it, is concerned, it does not enjoy much of autonomy.

When I read the Soviet experts' report a picture of the autonomous Commission emerged before my eyes and that was a comprehensive and consolidated picture since the operation in the oil field or the oil industry is itself a comprehensive and consolidated thing. But that picture which emerged before my eyes is damaged in this Commission and we get a torso of it rather than a complete picture.

I welcome this Commission because it is going to render yeoman service to our country. I have congratulated Shri Malaviya about it, because he is so serious about it and that is going down in history. But at the same time I think if a little more care is taken and a little more thought is given possibly in course of time, this Commission would come to gain more autonomy and that autonomy will be fruitful for our country.

**Shri Narasimhan (Krishnagiri)**  
Shri Malaviya's is no mean achievement. The Bill before the House is no doubt an achievement, but the biggest achievement to his credit is that he has made our Government, the Parliament and the country oil-minded.

**Shri Hem Barua:** He has made it combustible.

**Shri Narasimhan:** The drills that have been driven in various corners of the country are not such an engineering feat; he has drilled the idea into the head of the Cabinet and therefore, he has every right to expect our thanks.

Coming to the Bill itself, Shri Raghunath Sahai did very well in referring to the Estimates Committee's recommendations. He welcomed this as a further implementation of the committee's recommendations, but it is no use for the Government just to be benefited by one portion of the committee's report and neglect the other portion. While recommending a step like this, the committee had also recommended how the composition of the Commission should be. That should not be lost sight of by the Government. The Estimates Committee has strongly recommended that the Commission should be manned by a good number of experts. That should not be forgotten.

Merely forming the Commission does not give the autonomy all of us aspire for. It is quite possible for commissions and corporations to get overwhelmed by personnel, either in the Cabinet or in the Secretariat. To expect that mere organisation alone would bring about an independent outlook is too fond a hope. The behaviour from the secretariat or ministerial side should also be conducive to the autonomous functioning of these institutions. Ministries, Secretaries and Parliament—all of us have to help in the autonomous functioning of these institutions. A mere piece of legislation is not going to do it. A proper atmosphere has to be created for the autonomous functioning of these institutions.

Of course, we are all very convinced about the utility of this kind of institution, but the other side of it should also be remembered. I hope you will permit me to quote from a brochure issued by the Lok Sabha Secretariat:

"While the public corporation has eliminated many weaknesses

characteristic of traditional governmental organisation, it has given rise to new and equally difficult problems. At the outset, the reaction to excessive bureaucratic controls was to abandon controls altogether."

This also should be remembered. Then, it is said here:

"Existing controls to assure responsiveness to direction by politically responsible officials have often been abandoned without providing adequate substitutes. Public corporations do not function in a political vacuum. Removal from so-called political pressures may mean, in fact, that significant political power is being placed in the hands of a small, unrepresentative, and in extreme cases possibly even a self-perpetuating group controlling the public corporation. Public corporations are created to serve a public purpose, and their so-called business decisions are likely to have important political repercussions."

This is the other side of the picture, which should also be remembered, while, promoting such institutions. This should also be remembered by those who are going to function in this institution.

As pointed out by someone else, Shri Malaviya in his opening remarks mentioned about the Soviet experts' report. They have mentioned about the possibilities of striking oil in the various parts of the country. They have also mentioned areas in Madras. I hope when the Commission comes into being, the tempo of investigation in that part of the country will receive more impetus.

The main expenditure, I imagine, is the cost of drills and operating them. I hope some attempt will be made to manufacture these drills in our own country. I wish the Commission every success and we expect that as a result

of this measure; we will all be very lucky in having more and more oil.

**Shri Supakar (Sambalpur):** I associate myself in congratulating the hon Minister in making up his mind to give a statutory status to the Oil and Natural Gas Commission. But I wish to know, as the House would like to know, the reason for the delay in making up their mind by the Government for such a long period. Yesterday in his speech the hon Minister explained and enumerated some of the difficulties which they felt on account of the fact that the Commission was not a statutory body, and this difficulty was felt, according to him, as long ago as July 1958, if not earlier. Therefore, one fails to understand why this Bill did not come before this House at least one year earlier. As long ago as April 1958 the Estimates Committee recommended that the Oil and Natural Gas Commission, unless it is given statutory power, would be faced with many difficulties. At the time of submission of the Report in April 1958, the Committee said on page 4 of the report

"The Committee have since been informed by the Ministry of Steel, Mines and Fuel that the Oil and Natural Gas Commission have since suggested that the question of conversion of ONGC into statutory organisation should be held in abeyance and the question of delegation of additional powers need not be pursued at this stage as they intend to formulate proposals for reorganisation of the ONGC on the lines of the Atomic Energy Commission recently constituted."

Even at that time they had the Atomic Energy Commission as their model. They did not adopt it and, unfortunately, the Commission itself

**Shri K. D. Malaviya:** Where is the hon Member quoting from?

**Shri Supakar:** Page 4 of the Report of the Estimates Committee

It is unfortunate that the Commission itself resisted at that time the proposal of giving additional power to it and the conversion of that Commission into a statutory body.

We have experienced certain difficulties and we could guess the difficulties which were felt by the Government. Whenever an oil find is discovered and whenever there is a big gushing of oil in Cambay oil field or some other oil field, the hon Minister at once comes to the House and makes a declaration that we are now in a very fortunate position and the House congratulates him and applauds him at that time. In such a case even at that time we were told that on expert advice the oil wells have been sealed, and we found after that that even the mouth of the hon Minister used to be sealed from that time. We made a shrewd guess that the difficulty that was faced by the Government was due to the fact that the Commission was not converted into a statutory body and it had not sufficient powers to function as any private concern used to function. Therefore, I feel that after the conversion of the Commission into a statutory body after the Bill is passed there will be no impediments in the proper functioning of this Commission.

We find that even after granting statutory powers to these public sector organisations—we have experienced it in our deliberations in the Estimates Committee—sometimes—even after giving them a lot of power, these public sector concerns are still tied down to the apron strings of the Central Government even in small matters. They are very much dependent on the Secretaries and the departmental heads and they have to follow certain financial rules in meticulous details. They have not the freedom of action which the private concerns usually have. Therefore, I would like to have an assurance from the hon. Minister that although this Commission will be a government

[Shri Supakar]

controlled body, it will have sufficient freedom to function properly so as to develop our oil resources within the minimum possible time and to make up for the delay which has occurred during the past three years, after the establishment of this Commission.

Regarding the details of the Bill, I would like to draw your attention to one or two points in which I have certain doubts. When the Commission was established in the year 1956, the scope of its function was wider than what the statutory commission is going to have now. I wish to understand the difference and why there is an apparent curtailment of the rights and functions of this organisation in the present Bill. You will see that one of the functions of the Oil and Natural Gas Commission when it was originally set up in the year 1956 was "administering and implementing agreements with oil companies, inspecting oil drills held by private oil concerns to ensure that there is no wastage and introducing improved methods of recovery". In short, the Oil and Natural Gas Commission, as originally constituted, was supposed to be some sort of guardian, an overall controlling body, of the oil economy of India. It had not only to explore and work out oil fields of its own, but it had to see that the private sector concerns, which have nothing to do with the Government functioned properly in the best interests of the economy of the country as a whole. Now I wish to know why this whole-some clause in the function of the Commission, which was there as early as 1956, has been dropped and whether this function of looking into the functioning of other concerns, even private companies, is going to be looked after by the Government departments themselves or this idea has been dropped altogether. I feel that if this clause were there it would have given the Commission an additional authority to look into the functioning of these private concerns

against which much criticism has been levelled by some of the hon. Members who have spoken before me. That would have given the Commission a proper perspective as to how things have to be worked out. I wish to know if there is any legal or constitutional difficulty in this aspect for the proper functioning of the Commission which makes it difficult or impossible to incorporate this clause in this Bill.

These are some of the points which I wish to make and I hope that the Government, though they have not included any of these provisions in the Bill itself, may think of incorporating this important clause at a later stage when they seek to amend the Act.

Mr. Chairman: Before we proceed further I should like to know as to how much time the hon. Minister is going to take to reply to the first reading.

Shri K. D. Malaviya: I am entirely in your hands. Perhaps I would take about half an hour. I was given to understand that it will continue . . .

Mr. Chairman: I was not in the Chair then but I have looked into the Hansard and I find that what was decided was that the consideration stage has to conclude by 3 P.M., which means . . .

Shri Naushrir Bharucha: After all, one hour is within the discretion of the Chair. If you exercise . . .

Mr. Chairman: Shri Bharucha will bear with me a little. The matter was re-opened just before we began consideration today. The matter was discussed and finally it was decided by this House that the consideration of the Bill would be concluded at 3 p.m. Now, if again after about 1½ or 2 hours' discussion, you feel that you want to extend the time, I am quite prepared to do it provided that again



we should be clear in our minds. There are not a large number of hon. Members left to speak. I think one or more hon. Members want to speak. Some of them have asked for only five minutes and I think we might be able to finish the work within the programme set out by this House. How long would Shri Bharucha like to take?

**Shri Naushir Bharucha:** Fifteen minutes.

**Mr. Chairman:** If it is the opinion of the House that possibly the hon. Minister may be asked to speak on Monday, we can extend the time a little more. It is within my discretion. So, I would request hon. Members to be as brief as possible and just emphasise points which have not yet been made. Then, we may be able to give everybody a chance.

**Shri Nathwani:** Mr. Chairman, I like to welcome this Bill. The change by way of converting this organisation into a statutory one was long overdue. It was long felt that this body should be given an autonomous character and unless it has been given that kind of independence it could not function well. But when we come to examine some of the provisions we find that some provisions are such as not to lead to independence or autonomous character of this Body. If we look to clause 4 we find that it is provided that the Commission is to consist of a chairman and not less than two other members. Whereas the minimum is prescribed, the maximum is not laid down. Generally, it is usual to have an upper limit also fixed because it may operate otherwise to weaken the independence of members. They may live under an apprehension or fear that the size of the Commission may be increased. It may be swamped by the Government by its nominees or who take a particular point of view. Therefore such a provision is not calculated to lead to the spirit of independence.

Government could have easily come forward with a ceiling because there are other ample powers otherwise, even under this Bill, with the Government. For instance, in clause 14, sub-clause (3) power has been given to the Government to give direction to the Commission and it must be carried out by the Commission. So, the first thing that I wanted to emphasise was as regards the maximum number of members.

Then the second point is as regards the composition of this Commission, that is, about including technical men or scientists among the members of this Commission. I could not follow the hon. Minister when this morning he referred to clause 10 and tried to explain that it was meant to cover a situation in which technical men were to be associated with the Commission. By resorting to clause 10 power was given to the Commission to invite technical men to join the Commission. But why should technical men be delegated to an inferior position? Whereas in clause 4, the Bill provides that one of the members shall be a whole-time finance member in charge of the financial matters relating to the Commission, nothing is said as regards any one or more members being technical men or scientists or experts. I do not want to minimise the importance of finances in this connection, but certainly the importance of including amongst the members of the Commission.

**Shri K. D. Malaviya:** They are mahajans.

**Shri Nathwani:** I beg your pardon. I want to know . . .

**Mr. Chairman:** The hon. Minister will reply to his points on Monday.

**Shri Nathwani:** There was a remark and I want to meet it if I can. I attach great importance to technical men being given the status of being a whole-time member and particularly

[Shri Nathwani]  
when the Estimates Committee had recommended that more than one technical member should be a member of the proposed statutory commission. Nothing has been said about this.

Then the third point that I wish to emphasise is about the term of office. In order to give a sense of complete independence to the members, the period ought to have been laid down in this Bill itself because Government has got ample powers with them otherwise. As I have already said, clause 14, sub-clause (3) gives power to the Government to issue directives. I find that this is something which I do not find anywhere else. Then clause 5 says:

"Provided that the Central Government may, if it thinks fit, terminate the appointment of any member before the expiry of his term of office, after giving him a reasonable opportunity of showing cause against the same."

So, if Government thinks fit, his services can be terminated. He ceases to be member. I do not think that it is calculated to enhance the dignity or the position of a member—to include a provision like this in a Bill. At least such a provision, if Government was keen about retaining it, should have been delegated under the rule-making powers. Instead, it is thrust in the forefront. I am opposed to have such a power at all being given to the Government.

14.29 hrs.

[MR. DEPUTY-SPEAKER in the Chair]

Then about disqualification, clause 6 says:

"if he has, directly or indirectly, any interest in a subsisting contract made with, or in any work being done for, the Commission except as a shareholder (other than a director) in an incorporated company".

he will be disqualified. I am referring to clause 6 and personally, I think, that it should have been worded more widely so as to include any kind of interest whatsoever, and not interested merely in a subsisting contract or any work which is being done for the Commission.

Shri K. D. Malaviya: Illustration

Shri Nathwani: I am thankful to you. I will cite from another Act. I have got an Act of 1952 with me. There also the qualifications of members are defined. There it is stated as follows. Section 3 refers to the constitution of Forward Markets Commission. Sub-clause 3 says:

"No person shall be qualified for appointment as or for continuing to be a member of the Commission if he has directly or indirectly any such financial or other interest as is likely to affect prejudicially his functioning as a member of the Commission."

In my opinion, this wording is wider than what is provided for here in clause 6. We could have profitably incorporated this provision here also. My grievance is that we are getting several statutory corporations, but so far as the composition, terms of office and qualifications of members are concerned we are not trying to evolve any pattern. Of course, according to the exigencies of the circumstances, we may make departures therefrom. Without rhyme or reason, as it suits, we go on putting down certain provisions. If we keep in mind what is already provided for in other similar statutes, perhaps, it would lead to greater clarity both in thinking and expression.

This also brings me to my last point. That was a point raised by the hon. Member from Osmanabad. He, of course, argued that clause 26 which deals with delegation is unconstitutional or illegal. I did not follow him.

fully. But, my grievance is that it is so widely worded as to stultify certain previous clauses. Why should we bother at all for composition, for qualifications, etc., when by another clause in the Bill, you empower the Commission to delegate all its powers to any person it likes. I do not find any precedent. I know that a general power of delegation is given to a statutory corporation. You know under the Indian Companies Act, the rules are there, Table A is there wherein the board of directors are given power to delegate. But, the power to delegate is given only in favour of members of the board and not in favour of any person. If the hon. Minister is interested in following any previous precedent, I will cite one.

Shri K. D. Malaviya: Yes.

Shri Nathwani: For instance, we have the Air Corporations Act, passed in 1953. There also, both the Corporations are given power to delegate. Section 40 provides for it. It is very interesting to compare its phraseology with the one which we have got in this Bill. Whereas all powers can be delegated to any person it thinks fit—this is the provision in the existing Bill—, when we come to section 40 of the Air Corporation Act, this is what we find:

“Each of the corporations may appoint a committee or committees consisting of some or any of its members with or without the addition of any officer or employee of the corporation and delegate any of the functions and powers to such committee or committees, and may limit the exercise—”.

What I am trying to emphasise is that power can be delegated only to one or more of its members or officers or employees. Therefore, the power sought to be given under this Bill for delegation is very wide, is unwarranted, unjustified and does not fit it with the pattern of the Bill itself which tries to lay down

qualification, membership and so on. That is all I have to say.

Shri Khadilkar (Ahmednagar): Mr. Deputy-Speaker, I also join in the chorus of congratulations showered from all sections of the House on the hon. Minister sponsoring this measure.

But, I must, at the very outset, express this. The object of the Bill as it is given is to provide for the establishment of a Commission for the development of petroleum resources and the production and sale of petroleum and petroleum products produced by it and for matters connected therewith. If we take this Title of the Bill and another clause giving the *functions, clause 14, sub-clauses (1) and (2)*, we find that there is more restriction in scope so far as this Commission is concerned.

As several hon. Members have pointed out, certain recommendations in this regard were made by the Estimates Committee. Therein, it was clearly stated that, for the purpose of oil, instead of having a sort of a body run as a department, we must have an autonomous corporation. Why this conclusion was reached, unfortunately, was not taken into consideration while bringing forward this Bill.

Before coming to some of the provisions of the Bill if I find time, I would like to point out certain aspects of the economics of oil. As the hon. Minister knows fully well, exploration of oil which is more or less primarily entrusted to this autonomous body which has been constituted, is the least important part of oil economics, as I have tried to understand it. Marketing, distribution, transport—what they call the taker service—are really the parts where the price factor is determined. Therefore, if we, at this late stage, try to set up a body more or less to explore in different fields with the aid of geologists and geo-physicists and find oil wherever possible, I think the purpose for which this Commission is set up will not be served. I would like to know,

[Shri Khadilkar]

are we going to set up another Commission for marketing or distribution or for tanker service? Because, in determining the price, these are the factors which really count much more than crude oil itself. This is what my research in this field has led me to believe. Therefore, it is not quite clear to me so far as this Commission is concerned, why its scope is restricted in the Bill.

The hon. Member who opened the debate suggested and I would like to endorse that suggestion that looking to the nature of this industry at this stage, this autonomous body should have much more wider functions than it has taken under that clause. This is my first submission.

Another aspect that was touched and which is equally important when we discuss oil is, some hon. Members asked whether we should take foreign collaboration and at what stage. At the present stage of development and looking to the different processes through which oil has got to go, as I said, exploration of oil is a big gamble as everybody admits. We have very limited resources at our command. We cannot afford as the French did in Sahara and ultimately succeeded and other big concerns did in the Sinai area where a couple of hundred wells were drilled with no results, to take this deep gamble. Another aspect is that our technical know-how is very limited: let us admit it plainly. Today, I know that a 10,000-foot well is completed in a week or ten days by those concerns who have advanced in the field. Our performance is, nearly three months we take and then too, we do not complete the work. I would like to request the hon. Minister, so far as exploration is concerned at different levels, to take it up if foreign collaboration is available. The Soviet Union and Rumania, I know, have made tremendous advance in the field of exploration. So also Western Germany. In Italy also, they have made considerable advance, so far as this part is concerned. Why

not collaborate with these concerns wherein keeping a dominant position, so far as exploration is concerned, so that the country might not be put to a disadvantage? This policy aspect must be very clearly laid down.

My study leads me to the conclusion that because the contract for the rupee company took a long time, we have wasted nearly Rs. 20 crores. If we go this way, then in the coming seven years, we are going to waste another Rs. 100 crores as we did—let me remind my hon. friend in the case of steel. We have wasted money because we have started very late. When we start late, the cost of production of the materials which are absolutely vital for its development goes up, and we are at a disadvantage. At this present juncture when our foreign exchange resources are very limited and technical know-how is very scarce, I do feel that with the help of the Soviet and the Rumanian experts, we could break the international oil monopoly ring, and we could make some headway and definitely proceed further with a little more self-confidence.

I know what is happening in Jwalamukhi. I have tried to understand what the position of oil is from the geophysicists and geologists in this country who have some experience. We should not do a thing merely for the sake of prestige. As I said, we are not here to explore oil in uncharted regions like Kashmir or elsewhere, let us be firm where we have got better potentialities, for instance, in the Bengal Gangetic belt—on all hands it is admitted—or Assam or Cambay. Why not make a concentrated effort in a particular field expeditiously instead of wasting money in regions where results are not likely to be very helpful or where the present position is not very optimistic? This point must also be explained to this House. That is my next submission.

The third thing which is equally important is this. Some hon. Member had said just a little while ago that

we were short of petrol. Perhaps, that statement was due to ignorance. Today, we are in need of crude oil products of a different variety, and we are exporting petrol. Petrol, from the point of view of consumption, even internationally, today, is going down because of the jet age. That apart, in India, our main requirements are crude and kerosene. For this, we have got to spend crores of rupees of foreign exchange. Therefore, while deciding upon priorities and having foreign collaboration, we should consider at what stage we should have it.

In this connection, I would like to point out that—some Members may not like it, but—in economic development, we have got to be objective. My study leads me to this conclusion—and let the hon. Minister also say whatever he has got to say—that because of political reasons, Government decided to have a refinery at Gauhati with a limited capacity. Oil technology, at the present juncture, however, means a certain optimum capacity where you get the maximum results. But Government are having one refinery at Gauhati and another in Bihar. This has resulted in immense loss, so far as the production point of view is concerned. Are we going to determine the location of these things from the point of view of politics, or are we going to look to the needs of the country as a whole? This is another aspect that has to be borne in mind.

**Shri K. D. Malaviya:** I hope Shri Hem Barua is not listening to what the hon. Member says.

**Shri Khadilkar:** I have told him already; he said that he would smash me. But I cannot help it. This is the position. I would like to know what the hon. Minister's opinion about it is.

**Shri Narayanankutty Menon:** This opinion came a year before.

**Shri Khadilkar:** So far as foreign collaboration is concerned, if at the stage of marketing or at the stage of distribution, we could get even a small share, then the main headache about price reduction would have been solved and the hon. Minister would have been able to solve that riddle with which he has been struggling for a very long time. Therefore, the suggestion that I have made should be examined, not with an ultra-patriotic attitude, because we cannot afford to take it, if we want quicker development and avoid waste.

So far as these autonomous bodies are concerned, my experience has led me to this conclusion. One hon. Member opposite had pointed out by referring to a Lok Sabha Secretariat report how these autonomous bodies function, and several things were mentioned earlier by him. But, for want of time I could not go into them in detail. My experience is that they are new princely States where the managing directors and the bureaucrats who are controlling the organisation do not even give enough latitude to the technical staff, and that hinders production. I am sure the hon. Minister must have seen the method that is followed in the Soviet Union, where they are making big strides in technological development. If he wants to have a similar development here, he must avoid, while setting up this commission, this kind of a state of affairs where bureaucratisation is rampant and the managing director functions as if he is a dewan of an old State which fortunately we have not got now, but of which we have got the memories.

There is just one last word and I shall finish. So far as technological development is concerned, we have given some attention to it, and we have given some emphasis to it in our Estimates Committee's reports. We need a central institute where we shall be able to train people and

[Shri Khadilkar]

where oil technological research would be carried on.

I would again appeal to the hon. Minister that he has made a good beginning, but if he wants to reap the benefit of it, then this Bill should be referred to a Select Committee, and the base of this Bill and the functions of this commission should be broadened to meet the requirements of the situation.

**Shri Ajit Singh Sarhadi (Ludhiana):** I shall confine my observations to just three points, that too, very briefly.

The first point that I would like to make is that there seems to be a slight confusion about the Bill, to which there has been some reference by my hon friend who spoke earlier. We find from the preamble of the Bill that one of the functions of this commission would be sale of petroleum and petroleum products produced by it. But if we look into the functions as laid down in the Bill, we find that it has not been provided that one of the functions of the commission will be to sell the products that it will be producing from the reservoirs, after exploration. Happily, the Deputy Minister of Law is here, and I would like to point out to him that I do not think that items (e) and (h) of clause 14 which deal with transport and disposal of natural gas and refinery gases produced by the commission or with the performance of any other function which is supplemental, incidental or consequential to any of the functions aforesaid or which may be prescribed, would cover this. The term 'which may be prescribed' would also not cover this, because 'prescribed' must go with the previous items.

There is really a confusion as to how this work of the sale of the products which the commission will be producing from the reservoirs which it would have after prospecting first be done. Would it be entrusted to any agency? That is my second point.

This has also been dealt with by the previous speaker. This should be clarified in the Bill.

The second point to which I should like to draw the attention of the hon. Minister is one which pertains to the policy of Government as reflected in the provisions of this Bill. Government have to be congratulated...

**Shri K. D. Malaviya:** May I point out to the hon. Member that nothing prevents us from making any specific arrangement for sale, although it has not been specifically provided for in items (a) to (h) of clause 14 (2)?

**Shri Ajit Singh Sarhadi:** I am sorry. I would respectfully submit again that when the functions are specifically provided in the clause that deals with the functions, then the last clause which deals with what the Government should prescribe should be read in conjunction with the previous items.

**Shri K. D. Malaviya:** "In particular and without prejudice to the generality of the foregoing provision"—does this not give us complete freedom to make those provisions?

**Shri Ajit Singh Sarhadi:** I would respectfully submit again that when in the preamble itself where one of the objects is mentioned as sale, and nowhere do we find any provision giving power to the Commission for sale, there is a difficulty. The title is not a part of the Act; it would not be a part of the Act thereto.

**The Deputy Minister of Law (Shri Hajarnavis):** Is it not contained in clause 14(1)? I am sure Shri Ajit Singh Sarhadi is quite familiar with the decision of the Privy Council overruling the Federal Court. The Federal Court proceeded to interpret a similar clause in the manner in which the hon. Member views this clause. But the Privy Council said that what you have got to see is the content of the general clause. Here sub-clause (2) merely gives particular instances of the general power which

has been given I think the decision of the Privy Council was in Shivrath Banerjee's case

Shri Ajit Singh Sarhadi: Time is short and so I cannot argue this point. But I wish to draw the attention of the hon Minister to this. My feeling is that this needs looking into. It would have been much better if these powers had been entrusted to the Commission specifically and clearly in the provisions

The second point, to which I was just referring, is about the policy of Government as reflected in the provisions of the Bill. The functions of the Government are not limited to exploration, production and functions incidental of this Commission alone. I would draw attention to the fact that we have already a wholly government-owned and governmentally managed private limited company known as the Indian Refineries Limited with an authorised capital of Rs 30 crores incorporated on 20th August 1958. That is running two refineries. One of the functions of this commission too is refining. How is there to be co-ordination and co-operation? Would it not have been better if the ambit and purview of the Commission had been enlarged at least to bring the two refineries in the public sector within the supervision of the Commission?

I believe the Estimates Committee have recommended a statutory corporation for the purpose of removing those bottlenecks which were being found in the working of the Oil and Natural Gas Commission. Certainly that was the objective. But when a Bill is being brought here, it should be in a consolidated form taking a long range view of things. Particularly, we have already got certain refineries run by Government in the public sector dealing with exploration. We have got the Indo-Stanvac project where we have made a contribution of about Rs 12 crores. Of course, it has failed upto the fifth test. All the same, it has got an area

of about 10,000 square miles as concession area for exploration. For the purpose of co-operation and supervision, the Bill should have been enlarged to cover the Indo-Stanvac project also where we have got an investment of nearly Rs 12 crores. Then again, we have existing refineries where there has been some assistance and some concessions given. So my submission is that we should have a long range policy in a Bill of this kind. I hope Government will look into this.

My third point relates to the working of the Commission. I congratulate Government on the facts and figures given and the progress which the Commission has made, particularly in the Jwalamukhi area in the Kangra district where the operations have been very successful. As regards Hoshiarpur, I have been told that it has not been successful. It was the expectation of people round about that it would be successful because of the indication of oil seepage there. I would beg of the Minister to look into it and see if there is no possibility of further exploration without wastage of money.

I am glad the Oil and Natural Gas Commission is doing a lot in those areas. It has started a training school for technicians, where 20 students are being trained. It has sent many people for training outside. It has sent trainees to the French Petroleum Company. It has sent some people to the Assam Oil Company also for training. The area where Jwalamukhi is situated, the Kangra area, is the most backward area in Punjab or, for that matter, northern India. I would only say that some encouragement should be given to the local backward people in this matter. Not one—I am subject to correction—has been taken from that area either for training here or for being sent abroad. I would suggest that that point should be considered. You will appreciate, and the House will appreciate, how much heart-burning it creates in the area when there is such a good development taking place but the

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local inhabitants are not participants thereof. They are only working as ordinary labourers—no more and no further. I hope Government and the Commission that would be set up will give consideration to the claims of the people who are there so that they will not feel that their area is being exploited and the country is being benefited but they are not being benefited. They feel that they should be benefited immediately and not ultimately alone.

Shri Naushir Bharucha: I think by now it has emerged very clearly that the general principle of establishing a corporation for speedy and vigorous exploration and exploitation of the nation's oil resources is acceptable. I am also inclined to believe that it is very necessary for the purpose of the corporation that there should be a plan prepared well in advance for the purposes of survey, drilling and production and that red-tape should, as far as possible, be eliminated.

A Commission which frames its own budget lays down its own plans of exploration and exploitation and has a budget not dependent upon political vicissitudes is generally likely to make good its aim. Definite responsibility will be fixed on such a corporation. While we readily give the status of a corporation to his Commission, I might as well give a friendly warning to the hon. Minister that this House would be very jealously watching the performance of this body and will call it to account at any time it likes.

I am not, however, quite satisfied with the composition of the Commission. It has been laid down that not less than three members shall constitute the Commission. Of course, that means the maximum number is not prescribed. I think it should have been laid down that not less than seven members should constitute the Commission. Of these, one should be the Chairman. Then there should

be a technical member who should be a geologist, then another technical member in exclusive charges of equipment, then a third technical member in charge of operations only, then a fourth member in charge of finances, a fifth in charge of administration and personnel and there should be a sort of vice-Chairman or any other member who will look after what is the most important side of the Commission, namely, the commercial side, where it deals with fixing prices, laying down the price structure, dealing with distribution etc.

I think unless the Commission divides its functions in this manner, there is likelihood of one member being handicapped by overwork and not being able to look to the major and important details of his office. If there are only three members and if one is absent on inspection and the other is ill, I do not see how the Commission can function with one member only. The functions, as you will see, have been laid down in the Bill. They are of a wide and variegated character including geological survey. Exploration of petroleum in itself is a huge task requiring to be done by a huge department. That is one function of the Commission. I think unless it is placed in charge of a separate member, sufficient justice may not be done to it. Then drilling operations are a very major function. That again requires to be placed in the exclusive charge of another technical member. With regard to the sale of petroleum, I do not know whether any policy has been so far prescribed, but that also requires the entire attention of one member.

15 hrs.

As to research programme I am sure this Commission will not have sufficient resources to spend much on research. It is a very important part of exploration. But I submit that the Commission of 3 is far too small. And I do not know whether the hon. Minister-in-charge has done so simply with a view to economy. A sum of a few



thousand rupees spent on the salary of a few more members is likely to yield very handsome returns

There is one point about expenditure. It is said that capital expenditure involving more than Rs 30 lakhs should not be undertaken by the Commission of its own accord. I am inclined to give the Commission greater latitude in this matter because in a matter of oil exploration Rs 30 lakhs is not such a big figure, but there is a possibility that the Commission will be wise enough to split its one scheme into 3 or 4 schemes and see that each scheme does not exceed Rs 30 lakhs. That way this particular provision can well be circumvented. I would, therefore, favour a straightway authority being given to the Commission that no scheme which is under Rs 1 crore should require further sanction or further formalities from the Government or from the House.

May I point out that so far as the Electricity Act is concerned, there is a figure of Rs 1 crore has been laid down. Any project which involves capital expenditure exceeding Rs 1 crore only requires additional sanction. The same formula might be applied here.

With regard to capital structure, the question of allocation that is how all capital expenditure already incurred by the existing Commission is to be passed on to the new statutory body is very important. May I point out that this thing is going to raise a controversy. When the State Electricity Boards were formed, similar provisions were also incorporated in the Electricity (Supply) Act, 1948. Today we find that the Bombay State Electricity Board is quarrelling with the State Government because the Government wants to pass off as capital and assets such items as have been found to be useless. There is a quarrel as to what part of the capital structure will be treated as loan and what part will be treated as capital.

and on what part there will be interest charged

All these things remain indefinite even in this Bill. If greater attention were paid to this, it would have been possible to evolve a formula as a result of which the capital structure of the Commission could have been placed on a more equitable basis and the danger of friction could have been avoided between the Commission and the Central Government.

So far as the borrowing powers of the Commission are concerned, I am not in favour of permitting the Commission to step into the money market independently and try to borrow. Without Government guarantee it is bound to borrow at higher rates of interest and its loans are likely to be of a sizable magnitude. In fact, it may go in for a loan of as much as Rs 5 crores. That is likely to spoil the money market because without Government guarantee they would have to quote a higher rate of interest and the pitch will be queered for Central and State Governments when they enter the money market. Therefore, I would have liked that the Central Government should borrow on behalf of the Commission and pass on the necessary amount to it.

No ceiling is prescribed on the borrowing powers of the Commission. In all such cases where Corporations are authorised to enter the money market, a ceiling is prescribed. That is done in the case of the Bombay Municipal Corporation that it cannot borrow more than so many times its revenue. It is also done in England by the State Electricity Council where, of course, the ceiling prescribed is fantastic, round about £1000 million. Apart from that, some ceiling should have been prescribed here.

With regard to the Budget it has to be presented to the Central Government. There are safeguards and clauses regarding reappropriation.

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think these clauses regarding reappropriation are going to hamper in a free use of surplus balances under one head for the purposes of a different head. I think this also requires to be more carefully looked into.

There is also an obligation for the preparation of annual accounts, the balance-sheet and the profit and loss account. But a very important thing in which we are very much interested is the question of parliamentary control. It is a very wide issue which intrigues us all. A balance has to be struck between crippling supervision of Parliament and no supervision at all. Under the Bill, only the annual report is to be placed before Parliament. I ask why should not the annual financial statement also? Why should it be only the annual report which may contain only a great many photographs of the hon. Minister performing the opening ceremony of the drilling operations or something like that? No real substance may be passed on to us. I have seen such reports.

As has been done in the case of the Electricity Act, it should be provided that when this report is placed on the Table, there should also be an establishment schedule along with it and there should be a financial statement, and the proposed plans of the Commission for the ensuing year should be placed. In the Electricity Act it has been provided that the State Government shall place these things before the House and that the Electricity Board shall take into consideration any comments made on the said statements in the State Legislature. On the same lines, why can we not incorporate here also that the said Commission shall also take account of the comments made by Parliament? This is a very important thing which imposes an obligatory duty on the Commission to take note of the comments of the Members of this House.

One last point. Of course, the liability of the Commission to pay taxes is there. But I should like to know whether the Commission intends at any future time to make any contribution to the general revenues such as the Railways do. I am inclined to think that we should accept the principle that whenever we create a statutory corporation, not only it should pay taxes but, like the Railways, it should make a contribution to the general revenues.

Apart from that, I am also inclined to believe that the House should accept the principle that this Commission should be treated as a utility concern and the prices of products and services which they sell should be prescribed by the House or limited under some sort of arrangement.

It is not also clear as to what will be the control on prices which this House will exercise. These are things which require to be considered.

I understand that this Bill is in the nature of an experiment. It is all right so far as the main principle is concerned. But there are many other clauses which may require to be amended in the light of the experience that we gain.

Why I welcome this Bill is that we are not only short of kerosene oil and other products for domestic consumption, but, far more important to my mind is the question of oil for purposes of national defence. If this Commission is in a position to expand our oil resources and give us what we want, I think, history will record that today was a red-letter day in the annals of our nation and also a great stage in the history of the Oil and Natural Gas Commission.

Shri Jaipal Singh: Sir, before we proceed with the next business—I think this comes to an end now—may I plead that in view of the importance of the subject—I am sorry I could

not bring it to your notice earlier because I was on duty elsewhere, on House duty and not private duty—we would like the Chair to extend the general consideration stage, when it comes up again at a later stage?

Mr. Deputy-Speaker: I am sorry. The hon. Member was not....

Shri Jaipal Singh: At a later stage, not now, I desire that this House should have a wider and greater opportunity to have a general discussion on this Bill.

Mr. Deputy-Speaker: It has been extended once and then again a second time. Therefore, it would not be possible for me to extend it.

Shri Jaipal Singh: Now, I am not asking you to extend it now, but when it comes again.

Shri K. D. Malaviya: Mr. Deputy-Speaker, I am most grateful to the House for having warmly accepted the ideas and principles behind this Bill.

Mr. Deputy-Speaker: He may continue on Monday. We will now take up the other discussion

15-16 hrs.

# MOTION RE: REPORT OF NATIONAL COAL DEVELOPMENT CORPORATION

Shri Rameshwar Tandia (Sikar): Sir, I beg to move:

"That this House takes note of the Annual Report of the National Coal Development Corporation for the year 1957-58, laid on the Table of the House on the 17th February, 1959."

Mr. Deputy-Speaker, Sir, I want to congratulate the Minister of Steel, Mines and Fuel as well as the Chairman and the managing director of the National Coal Development Corporation for bringing out their report for the year 1957-58 in

which they have mentioned all the problems. They have also stated frankly about the drawbacks and difficulties in the past year. This Corporation was set up as a private limited company in September 1956 and this is its second report. The progress made in these one and a half years is not bad. In 1955-56 the coal output in these 11 collieries taken over by the Corporation was 29 lakh tons. It rose to 31.6 lakh tons in 1956-57 and 33.57 lakh tons in 1957-58. From the working of the first six months of 1958-59, it seems that the production will go up to 35 lakh tons in that year. It is not bad. Apart from this they are planning to raise up their production by investigating new coal mines for which they are working at present and when all that comes it seems that they will approach the target of 10 million tons.

But it is not very encouraging to look at the profit and loss account and the balance sheet. The total amount of gross capital is about Rs. 8 crores. Apart from that there is a reserve of about one crore of rupees. So, it all comes to Rs. 9 crores. The total profit is shown as Rs. 30 lakhs and the net profit, Rs. 11 lakhs. A development rebate of Rs. 10 lakhs has been given and so the profit remains at about a lakh of rupees. If we calculate interest at the rate of six per cent that will come to about Rs. 54 lakhs. So, actually it is a loss of about Rs. 53 lakhs. Why is the profit so low? They have given some reasons that on account of the four bad collieries—two are very bad—they could not make much profit. But for them, there would have been a profit of another Rs. 35 lakhs—that is what they say. Two collieries in Giridih have lost over Rs. 5.64 crores in about 20 years. This is a big loss to the Exchequer. A report on these collieries shows that there might be some difficult mines. But it would appear that the output per man shift is less than half of what is in the private collieries in Jharia, both good and bad colliery fields. It is about