

12.52 hrs.

**STATUTORY RESOLUTION RE  
 MINERAL OILS (ADDITIONAL  
 DUTIES OF EXCISE AND CUS-  
 TOMS) ORDINANCE**

And

**MINERAL OILS (ADDITIONAL  
 DUTIES OF EXCISE AND CUS-  
 TOMS) BILL**

**Mr. Deputy-Speaker:** The House will now take up discussion on Shri Naushir Bharucha's resolution regarding disapproval of Mineral Oils (Additional Duties of Excise and Customs) Ordinance, 1958 and the Mineral Oils (Additional Duties of Excise and Customs) Bill, 1958

The resolution and motion for consideration of the Bill will be discussed together after which the resolution will be put to the vote of the House first and, if negatived, the motion for consideration of the Bill will be put to the House

As the House is aware, four hours have been allotted for both the items

**Shri Naushir Bharucha (East Khandedesh):** Mr. Deputy-Speaker, I beg to move

"This House disapproves of the Mineral Oils (Additional Duties of Excise and Customs) Ordinance 1958 (Ordinance No 6 of 1958) promulgated by the President on the 30th June, 1958"

In this connection, I desire to invite the attention of the House to this fact it is an unfortunate practice, particularly in questions of such great importance, that Ordinances are issued first and the House is presented with a *fait accompli*. It becomes exceedingly difficult for the House later on to change the decisions on which the Ordinance has been promulgated, with the result that virtually the House

has to accept executive action in matters which are purely fiscal and of vast interest to the people of the country. Therefore, my first protest against the Ordinance is that it has been promulgated so as to make it virtually impossible for this House to change the contents of the Ordinance as that virtually amounts to a censure on the Government. If, instead of promulgating an Ordinance, ordinarily the prices of petroleum products had been reduced to the extent that concession had been obtained from the Oil companies, and if an ordinary Bill had been presented to this House and the House had taken a decision on it, I am sure heavens would not have fallen

The question of oil and petroleum products is of very great importance to the country. Apart from the question of defence requirements, the industrial requirements of a fast developing economy make it obligatory on us to proceed with great care and caution in this matter. The question of domestic consumption is also there. This country consumes roughly oil and petroleum products to the extent of 5½ million tons which, in terms of money on the basis of landed cost, comes to Rs 95 crores. In terms of foreign exchange, it imposes a very severe demand which may well exceed Rs 100 crores. It is this situation against the background of which we have got to judge the implications of the agreement which this Government have arrived at with the Oil companies on 20th May—its implication and how it will affect the consumers

We are fully at one with the policy of the Government in the matter of oil exploration, the intention being to tap indigenous resources in West Bengal, Assam, Punjab, and Rajasthan. I do not think any hon. Member in this House will differ from the point

of view which the Government has, namely, exploitation of the country's oil resources at the earliest possible moment. Side by side, it became inevitable, having regard to our historical association and our connection with the oil companies, to carry on negotiation with them which has finally fructified in the agreement of 20th of May. This is the background against which we have got to judge the contents of the Ordinance and the policy which the Government has adopted of mopping up the reduction in oil prices instead of passing them on to the consumer.

Before coming to the Ordinance proper, if I may divert for a moment to the question of the pattern of consumption of the major petroleum products, it will help us to understand the precise implication, to which I shall refer later on, of the imposition of certain duties, particularly on motor spirits. As I have said, our total consumption is 5½ million tons. India's resources currently estimated are 2½ million tons plus 40 to 50 million cubic feet of gas per day which is equivalent roughly to 6 lakh tons of fuel. As against this demand of 5½ million tons, the four oil refineries are producing a little over 4 million tons. We have to import crude for the three coastal oil refineries. In addition to that, we have to import huge quantities of kerosene and high speed diesel oil. Side by side, we have also to remember that India's demand for oil consumption increases at the rate of nearly 9 per cent per annum.

Also when we consider the pattern of consumption, we may as well divert our attention for a moment to our pattern of production. In the matter of production, it may surprise some hon. Members that we are surplus in the matter of producing motor spirits and to smaller extent in the matter of

production of furnace oil. The significance of this also I shall bring out in the latter part of my speech.

Our dependence abroad for these products naturally lays a heavy burden not only on our foreign exchange, but the prices which the consumer has to pay.

This brings me to the question of an analysis of the price structure. How the prices of oil or petroleum products sold to the consumer are calculated, nobody knows; not even the Government. That has been a secret with the oil companies. The prices are not statutorily controlled; but they are fixed in accordance with what is known as the Valued Stock Account procedure formula. This was agreed to by the Government as far back as 1950. This formula includes the f.o.b. prices, ocean freight, post-c.i.f. charges and remuneration at a fixed percentage of certain charges. This, in reality, means nothing. Though we speak of f.o.b. prices, we do not know actually what constituents have gone into making the f.o.b. price at a particular port. If anything, the so-called Valued Stock Account procedure is that the accounts are maintained by the Burmah Shell Oil company and the other companies follow suit. Not only we do not know what these accounts are, but up till now we did not have any access to them whatsoever, and I doubt, notwithstanding the agreement of 20th May, 1958, to what extent we shall have any insight into these accounts. These accounts are audited by the company's auditors and the other oil companies adopt them because they know that these accounts retain a very large percentage of profit. Also, Sir, if we analyse further it will be found that the landed cost of our annual requirements of 5½ million tons is round about Rs. 95 crores. But what the consumer actually pays is round about Rs. 190

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crores, that is to say on the landed cost we actually pay as much as Rs. 95 crores more. Of this additional Rs. 95 crores Rs. 45 crores are made up of income-tax, Central excise duty, etc., and the remaining Rs. 50 crores include what I believe an extraordinarily top-heavy expenditure in the matter of distribution of oil by the companies and the huge profits of these companies.

As I said, there is absolutely no indication as to how the prices are calculated. What we have so far been given to understand is that these prices are regulated according to what is known as international price parity which is a totally meaningless phrase. Ordinarily it would mean c.i.f. ex-Abadan. Even then it has got no meaning, because we do not know what this c.i.f. price includes. Therefore we are told that the prices which the consumer in India has to pay for his kerosene and other petroleum requirements are not related to the cost of production, but are related to certain international parity having regard to the prices prevailing in the world markets. Therefore, we are actually paying a great deal more than what was necessary for us to pay.

It is rather significant that in fixing this so-called international parity price, discrimination of a most glaring character has been made against India. Take for instance the prices of motor spirit in Karachi and take them in any place in India, Delhi or Bombay. So far as motor spirit is concerned, there is a difference of one anna per gallon. Pakistan is getting it at one anna cheaper than India. In the matter of aviation spirit, Pakistan is getting ten and a half annas cheaper than India. It is a very important thing, because this discrimination in itself runs into crores of rupees.

Now coming to the agreement of 20th May 1958, if the oil companies have so far been excessively secretive, I am afraid our own Government is not less so. Our Government is observing excessive secrecy. The agreement was concluded on the 20th May 1958, but so far I have never seen anywhere the text of the agreement. In fact, I wrote to the hon. Minister in charge of the Oil Division to let me have a text of the agreement. So far the text is not available. We do not know what the contents of the agreement are. But there are certain broad features on which I should like to make comments because it is on that agreement the ordinance has been based.

This agreement, in the first place, provides for an *ad hoc* reduction in prices by 10 per cent, c.i.f. prices, of the total petroleum products consumed by India. Ten per cent. reduction means a difference of Rs. 10 crores. What is more, the Burmah-Shell Oil Storage and Distribution Company has agreed to write off a deficit in their account, a deficit which they could have recovered legitimately under the agreement. The still more important part of the agreement is that the Valued Stock Account formula is scrapped, and now it has been agreed that our government cost accountant will examine the accounts and then there will be some different formula evolved.

The main point to be noted is that under the ordinance, the Rs. 10 crores reduction which normally should have been passed on to the consumer is not being passed on, but has been mopped up by Government in the form of levy of additional excise duties as has been mentioned in the ordinance. The ordinance provides for levy of maximum duties for certain categories of petroleum products but there has been

a notification issued levying actual duties to which I shall presently refer.

Now, Sir, with regard to the implications of the agreement, or such parts of it as the public is permitted to know by this Government, it will be seen that it is too early yet to pronounce whether that it is a victory for the Government or whether it would be a flop, as much will depend upon the extent to which our cost accountants are permitted an insight into the peculiarities of accounts of the petroleum companies. I am not one of those who would grudge to the various oil companies their legitimate profits. They are certainly entitled to a measure of reasonable profits; what we are worried about is the excessive prices of kerosene, motor spirit, diesel oil, etc., which the consumer in his domestic consumption and for industrial requirements, has been paying year after year. That drain and the heavy incidence of taxation on the consumer has got to be eased.

As I said, much will depend upon the fact whether after scrapping the so-called Valued Stock Account formula we are capable of replacing it with anything better and what that thing will be. I am glad the hon. Minister in charge of the Oil Division has at least condescended to come even at this belated stage

**Shri Narayanakutty Menon** (Mukundapuram): He has abdicated already.

**Shri Nanshir Bharucha:** May I also point out this fact that it is no use telling us, representatives of the people, in this House, that we are going to evolve some new formula. What is that formula? Is it going to be cost plus reasonable margin of profit? Even if that formula is evolved, it would be nothing, because we do not know what ingredients would go

to make up cost or what would be the reasonable margin of profit. What I feel is that Government in the matter of fixing prices or fixing formulae is observing an attitude not only of secrecy but of aloofness and ignoring the consumers. The consumers' interests are never consulted, and the time has come now that the consumer must be represented or associated with the Government in evolving a price policy or any particular formula.

Sir, the consumer has been paying, in addition to the landed cost of the oil, as much as Rs. 95 crores and surely that is one of the reasons why I claim now that this Rs. 10 crores should not be mopped up by the Government, but should be passed on to the consumer. So far as the ordinance is concerned, it imposes a maximum duty on kerosene of 12 naye paise, on motor spirit of 25 naye paise, on refined diesel oil 15 naye paise, on diesel oil not otherwise specified Rs. 20 per ton and furnace oil Rs. 20 per ton. In this connection the notification issued imposes a duty of 6 naye paise per gallon on kerosene, and 14 naye paise on motor spirit. Probably Government have this in view that later on when as a result of negotiations or as a result of fall in prices of petroleum products in the world markets more benefits are passed on to them, they need not come to this House to raise the limit of the schedule in the ordinance. They can easily step them up by means of another notification and deprive the consumer of the additional benefit to which he would be otherwise entitled. Under the ordinance the higher limits of excise duties on petroleum products are fixed. At the moment, by a notification, a lower limit is fixed, and then we are told that the advantage that we are getting now is so meagre that it is not worth while passing it on the country. Later on something more will be added and

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again it will be said that this also is not worth while passing it on to the consumer.

Take this case of the imposition of a duty of 14 *naye* paise on motor spirit. That would require us to look into the price of a gallon of motor spirit, how it has been made up. In Bombay the ex-pump delivery costs Rs. 2.95. Out of that, the Central excise duty comes to Rs. 1.39 plus 37 *naye* paise for sales tax. In other words, 60 per cent is the Government's share out of each gallon of petrol price. I am not making any distinction between the Centre and the States, because, after all, whosoever gets the money, the consumer pays. Sixty per cent of the petrol price today is made of Government levies. The hon. Minister says in his Statement of Objects and Reasons that it is not worth while passing on to the consumer this petty amount. Let us take the case of diesel oil. The BEST, for instance, on which I served for six years, consumes round about 6,000 gallons of diesel oil per day. The estimated benefit to a concern like that would run into lakhs. This concern today is fighting whether one anna rate should now be five *naye* paise or seven *naye* paise. Surely, if reliefs like that come, then the consumer does benefit. The drain of several lakhs per annum, with a prospective further drain as a result of declining world prices, is not to be treated as not substantially benefiting the consumer.

Take similarly another case, motor spirit. Fourteen *naye* paise is being imposed. It is a very bad imposition for another reason. As I have mentioned earlier in my speech, we are in surplus with our production in motor spirit. If we have got surplus, the obvious course is to export, but we

cannot export because the world position in motor spirit is in surplus. Therefore, the wiser course would be to reduce the price of motor spirit, so that there will be greater consumption and offtake. Instead of that, the Government imposes an extra levy and increases the consumer's resistance to the consumption of motor spirit. In other words, in a commodity where you have got a surplus, instead of lowering the price and encouraging consumption, the Government increases the price and lowers consumption.

It is not as if—in the case of petroleum products it is not so—the refineries can switch on from one commodity to another. It cannot be done, because the crude that you obtain, out of which you manufacture either motor spirit or any other petroleum product, is of a particular quality. The machinery constructed is of a particular nature and design which will feed only on that particular quality, and therefore if your imbalance, as I may call it, in the matter of refining is that you are in surplus in motor spirits, you will continue to remain in surplus. Therefore, the wise course would have been to give concession in the matter of motor spirit so that there will be greater take off. On the contrary, the ordinance imposes 14 *naye* paise a gallon and then the Government say it is a small benefit which the consumer may not even feel. It is not so.

In the matter of motor spirit, may I point out that it has been calculated that it is consumed to the extent of something like 73 per cent by public transport and 27 per cent by private transport. Out of the 73 per cent, of course, taxis are there, the trucks are there, the buses are there. Is it contended that when motor spirit consumption is of such a high order, the

various transport companies which run on petrol will not appreciate the benefit? What is this argument which underlies the Government's ordinance that they are mopping up this reduction in price for their benefit and not passing it on because it is not worth while passing on? Ten crores not worth while passing on? I should like to know which consumer would turn his face against it. The ordinance is merely an excuse for withholding from the consumer the reduction in price which he badly needs, and in certain categories of petroleum products it is wise for the Government. That is not being done. That is my major objection to this ordinance.

I may incidentally refer further to another point. It may be contended that motor spirit is used for pleasure driving. Actually that percentage is less than seven as it has been calculated. Therefore to penalise 95 per cent of the consumers and in the bargain to have excessive surplus of motor spirit is not a wise policy at all.

When I plead for this reduction to be passed on to the consumer I am not alone in this respect. I have got cuttings from papers here. Each and every paper, even those which are absolutely pro-Congress, has criticised this ordinance, rather the idea of the Government taking away this Rs. 10 crores.

*The Hindusthan Standard of 25th May, 1958 says:*

"That the saving is not being passed on to the consumer will surprise few. The consumer has forgotten when anything was done for his benefit last by producers or the Government."

*The Statesman says:*

"There is also prospect of further saving if world prices conti-

nue to fall. Less reassuring, however, is a reported tendency in Delhi to regard this as purely governmental windfall and a reluctance to pass on any benefit to the consumer."

*The Statesman* further says:

"Some reduction in the price of diesel fuel might mean the difference between profit and loss to several State transport undertakings."

*The Hindustan Times of 26th May says:*

"Having benefited by this, the Government will now find it hard to convince the consumer about his exclusion from the purview of the price advantage, especially because the estimated annual saving is about Rs 10 crores."

Then, the *Indian Express* which by no means can be regarded as anti-Government, says:

"The temptation which the Government might feel to merge the amount in general revenues may be as strong as the claim of the consumer to relief, considering the fact that motorists and industrial users of petroleum products have so long been a handy victim of impesunious Finance Ministers."

They also say:

"But, whatever may be done ultimately, the Centre should be on guard against looking on the money as a windfall for itself."

*The Times of India says:*

"So far as the consumer is concerned, it is to be hoped that he

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will not for long be denied the benefits of the agreement. New Delhi should lose no time in relieving him of the heavy burden of high prices of petrol and other oil products by an appropriate allocation of the Rs. 10 crores that have been saved."

*The Hindu* of 22nd May 1958 says:

"Except for any temporary advantage that the authorities may seek to derive, it should be agreed that the benefit of a readjustment in selling prices, on the basis of any formula that may be evolved, should be passed on to the consumer."

I have given extracts from the editorials of various newspapers because they reflect public opinion. Not a single newspaper has said that the Government acted wisely in mopping up this money—not a single newspaper. I would ask the hon. Minister to point out to me any one, apart from any Government publication.

That brings me to the final part of my speech, namely, what is going to be done.

**Mr. Deputy-Speaker:** The final part will not be very long, I suppose, because already about half an hour has been taken.

**Shri Naushir Bharucha:** It will be only three or four minutes.

In this case, while we are at one with the Government, that every effort must be made to secure further reduction in price and to replace the so-called Valued Stock Account procedure with a new formula, it is very necessary that the House and the public must be taken into confidence at all stages. It is highly desirable, in

the first place, that the imposition of these additional excise duties should be scrapped altogether, and the benefit of these Rs. 10 crores must go to the consumer straightway.

It has been stated that the consumption of motor spirit has remained stationary because of numerous Central levies. I do not know whether Government want to do something which will virtually reduce this consumption.

I would, therefore, suggest that the ordinance must be scrapped altogether, and the consumer must have not only these Rs. 10 crores but an increasing share, if as a result of fall in world prices we get more benefit or if a result of the replacement of this formula, this country becomes entitled to petroleum products at lower cost.

I hope the Minister will answer the various points which I have made.

**Mr. Deputy-Speaker:** Resolution moved:

"This House disapproves of the Mineral Oils (Additional Duties of Excise and Customs) Ordinance, 1958 (Ordinance No. 6 of 1958) promulgated by the President on the 30th June, 1958."

Now, the hon. Minister may make the motion for consideration.

13-21 hrs.

**The Minister of Finance (Shri Morarji Desai):** I beg to move:

"That the Bill to provide for the levy and collection of additional duties of excise and customs on certain mineral oils be taken into consideration."

**Mr. Deputy-Speaker:** He may make his speech also.

**Shri Morarji Desai:** This Bill seeks to replace the Ordinance that was promulgated on 30th June, 1958 for levying certain additional duties of Central excise and customs on mineral oil products with effect from the 20th May, 1958.

For some time past, Government have been having discussions with the private companies distributing mineral oil products in India for a reduction in the prices of petroleum products. As a result, the companies agreed to a reduction of prices in respect of certain categories of mineral oils effective from 20th May, 1958. These reductions are different for different items of petroleum products, and vary from 15 nP per gallon in the case of aviation spirit to 6 nP per gallon in the case of kerosene

The important point about these reductions is that they are at the moment provisional. The companies have agreed to an examination being made of their cost structure, and dependent on the results of this examination these reductions now made will have to be re-negotiated and finalised.

The reductions now given should no doubt have been passed on to the consumers, as has been argued by the hon. Member Shri Naushir Bharucha. There were, however, several considerations against such action. Firstly, these are at the moment only provisional, and if, as a result of the cost examination, adjustments have to be made upwards for certain items and downwards in others, there would be no means of recovering the excess payments due in the case of those items in which there might be upward adjustments. Secondly, the price reductions are not of a magnitude which even if passed on to the consumer would be reflected to any significant extent in the consumer prices.

To make the point clearer, we can take the example of kerosene. The reduction agreed to is 6 nP per gallon, which works out to 1 nP per bottle. Thus, in terms of the retail units in which this oil is ordinarily bought by the bulk of the consumers, the effect of the price reduction is almost negligible. Indeed, considering the large number of middlemen and retail dealers through which kerosene passes before it reaches the actual consumer, it is doubtful whether even the small benefit of the reductions would, in fact, have been passed on wholly to the consumers, especially when they have already been accustomed to the prices prevailing at present.

Any arrangement with the companies to transfer to the Government sums to the extent of the price reductions might have created legal difficulties in computing their business income for the purposes of income-tax. It might have also been open to objection on the ground that the amount paid was in effect a tax, and, therefore, required a law to support it. It was, therefore, decided that the amount should be collected in the form of additional duties of customs and excise. At the time of the original negotiations with the oil companies it had been agreed that the price reductions would be re-examined in the light of the report of the cost accountant who has to go into the price structure. As this would be a convenient time for review and readjustment, certain procedural and other points which arose at the time of finalising the Ordinance were also held over for settlement at the time of dealing with the cost accountant's report. Since it had already been agreed that the price reductions would be effective from 20th May, 1958, it was felt that it will not be desirable to defer any longer the accrual to Government of the financial benefit of the reductions, and as Parliament was



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not in session, the legislation necessary for the purpose could be achieved only by means of an Ordinance. The Ordinance was accordingly promulgated by the President on 30th June, 1958.

For the interregnum between 20th May, 1958 and the date of promulgation of the Ordinance, an alternative system of adjustment by compounding was considered necessary for administrative reasons, as direct levies of excise and customs were not free from practical difficulties in respect of the quantities already cleared during this period; provision for this has, therefore, been made in the Ordinance and in the Bill. Ceiling rates for the additional excise duties have also been prescribed, again for administrative convenience, as minor adjustments in prices, implicit in the agreement with the oil companies could be made without having to take the time of Parliament every time such adjustment was necessary. The operative rates of duties which would suffice to mop up the price reductions would, however, be fixed by notifications issued under clause 3 of the Bill which seeks to replace clause 3 of the Ordinance. In the case of all categories of oil, except kerosene, affected by the Ordinance and the Bill, the Indian Tariff Act, which already provides for the levy of countervailing duties equivalent to the excise duties for the time being in force, is sufficient authority for the levy of countervailing customs duties equal to the additional excise duties imposed by this Bill. In the case of kerosene, provision has been specifically made in the Bill for the levy, as an additional countervailing customs duty, of the additional excise duty, levied on this article by this Bill. At present, the additional duties have been fixed at about the same level as the price reductions, minor adjustments being made in the rates on ATF

and aviation spirit for administrative reasons, to equate them to the rates on kerosene and motor spirit respectively.

There is only one other point on which I want to say a word, and that is how much Government expect to accrue to the exchequer from these additional duties. It is not easy to make a correct estimate in view of the possible readjustments consequent on the cost accountant's report to which I alluded earlier. On a rough basis, assuming that the present price reductions agreed to by the companies will not call for any substantial readjustment, we hope to realise about Rs. 8 to 9 crores in a full year. In the current year, we expect to get about Rs. 6½ to Rs. 7½ crores.

I hope that in view of what I have stated, hon. Members will have no hesitation in accepting this measure.

**Mr. Deputy-Speaker:** Motion moved:

"That the Bill to provide for the levy and collection of additional duties of excise and customs on certain mineral oils be taken into consideration."

Both the resolution and the motion are before the House for discussion. They will be discussed together.

**Shri M. R. Masani (Ranchi-East):** I would like to support the resolution moved by the hon. Member Shri Naushir Bharucha. I listened to the Honourable Minister's reasons for the action that has been taken, and I must confess that they appear to me to be altogether too technical and not adequate in the general light of the considerations that should apply in a situation of this kind.

It is obvious that when a price reduction is brought about by Government negotiations with the Companies concerned, there is only one genuine or real beneficiary and that should be the man who paid the price. A very strong case would need to be made out to divert the benefit of the price reduction from the pocket of the consumer to the exchequer of Government, and I do not think that the reasons given by the Hon Minister make out such a case.

The plea that the relief would be too minimal and can be ignored is not altogether a fair one. The example of kerosene given by the Minister is not perhaps altogether a representative one but, even so, to suggest that over a period of a year or so a reduction of one *naya paisa* per bottle is something that the poorest people in our villages need not benefit by is not, I think, something that the House can accept. Shri Naushir Bharuch\* was quite right in giving better examples because, in the case of many other consumers of motor spirit and otherwise, the amount of benefit would be quite sizeable, and the fact remains that Government are diverting to their own pockets Rs. 8 or Rs. 9 or Rs. 10 crores which really belongs to those who have been paying a rather high price all these years, and also a price a great deal of which, as Shri Bharucha pointed out, is based on taxation and not on what goes to the seller.

The reasons given in the Statement of Objects and Reasons of the Bill refer to the need to fulfil Plan targets. I do not know which targets are being referred to. But I can think of one target which needs to be fulfilled from the revenues of oil taxation or oil prices more than any other, and that is the development of our road system and of road transport. If for some reason Government did not

want the common people of the country who are our consumers to benefit from this relief, I could have perhaps understood their diverting the money, provided it had been earmarked for that source which is heavily mulcted by over-taxation—excessive taxation—of mineral and oil products. It has been stated that the taxation on road transport in this country, of which petroleum and oil duties are a very major component, exceeds per ton mile the entire cost of operations and price charged by the railway for carrying materials—the taxes on road transport exceed the entire cost of transportation by railways. That shows the inequitous burden of taxation that road users have had to endure for many years now. Therefore, if anyone was to benefit, if anyone should have been given relief, it was either the consumer of these materials, who is largely the road operator, or alternatively, the development of our road system which is starved of funds.

13.33 hrs.

[SHRI BARMAN *in the Chair*]

A report which appeared earlier, which I am glad now does not form part of the Bill, was that these funds were to be earmarked for another purpose for stimulating the exploration of oil under the auspices of the State. I hope that that report is untrue and that these funds are not going to be utilised for that purpose, because if they were, I would suggest to the Finance Minister that there would be an additional objection to what is contemplated. That is the adverse psychological effect on existing and potential foreign investors in our country. It would really amount to taking away money from the existing foreign investors in our country by reduction of oil prices.

**The Minister of Mines and Oil (Shri K. D. Malaviya):** It is the consumers' money.

**Shri M. R. Masani:** What is the effect? If it went to the consumer, I would be happy and I would congratulate Government on benefiting the consumer. But if the benefit were to be transferred elsewhere, if the money were to be utilised for investment in the State sector for exploration of oil, then it amounts to a clear transfer from the free sector to the State sector of funds available for investment . . . .

**Shri K. D. Malaviya:** It is a most strange type of argument

**Shri M. R. Masani:** After allowing for a reasonable margin of profit, it is on record—and I think the Hon Minister would not deny it—that these oil Companies have been reinvesting these funds to a very large extent in this country. There funds have been reinvested for the development of the services which they are performing. And if you take away from the man who is in the field, the entrepreneur, funds which he is reinvesting for the expansion of the business for the service of the community, and invest them for exploration under State auspices in the same field of enterprise, I suggest that that is not an operation which potential investors in this country, to whom we look for co-operation, can at all appreciate.

We all wish the Finance Minister every success in the mission on which he is soon to launch when he leaves our shores for countries overseas, but I do not think that an operation of this kind would make his task easier. And that seems to be—apart from what Shri Naushir Bharucha has urged very cogently and with a wealth of detail—an additional reason why we should be

careful in undertaking such a transaction.

Finally, I support the Resolution because, as I have said on a previous occasion, I think the practice of legislating by Ordinance on routine matters of an economic nature like this is highly objectionable. Ordinances are meant for emergencies and for national situations that cannot otherwise be dealt with until Parliament convenes. I see no ground why Parliament should not have been allowed to discuss this matter with an open mind. When an Ordinance is promulgated, Government face the House with an accomplished fact and nothing short of a vote of no-confidence would be involved before such a Bill could be rejected.

Therefore, I think in the interests of the processes of democracy, it is not good that every session we should have to come here and protest against Parliament being committed in advance by Government through the process of Ordinance making which was never intended for routine economic decisions and legislation of this kind.

**Shri Narayanankutty Menon (Mukandapuram):** Mr. Chairman, Sir, the hon. Member, Shri Naushir Bharucha, moved his Resolution on the admitted ground that the advantage that we have received from the oil companies was not passed back to the consumer. We were a bit doubtful about the reposition made in the Resolution, but when we heard the hon. Member Shri M. R. Masani speaking in support of the Resolution, we were all the more convinced that the way in which Government have treated this matter in disposing of the amount that we have got from the oil companies is a correct one.

The primary objection taken by both the hon. Mover of the Resolution and also the supporter of it to the promulgation of the Ordinance was that it was not a step taken in the interest of democratic principles, that at no time should the President exercise the extraordinary powers vested in him in promulgating an Ordinance. When an Ordinance is promulgated, on the face of it, it looks as an undemocratic action, but when it is referred back to us in the form of a Bill for our approval, hon. Members of this House are at liberty to scrutinise the objections to the Ordinance and see whether the Ordinance in any way made any advance commitments on behalf of this House, whether it took away any of the rights either of the people or of the Members of this House

If you look into the substance of the Ordinance, it did not commit us in any way and no rights of the people have been taken away, but it has been used by the President for a very good purpose, a purpose for which this House has been agitating during the last two sessions. Therefore, the primary objection taken that it was wrong to promulgate the Ordinance does not stand.

Regarding the other question, whether this amount of about Rs. 10 crores—now it has been given out as Rs. 8 or Rs. 9 crores—that they have got from the oil companies, a small part of the price the consumers are paying, should be given back to the consumers, it is a most important question as far as the Resolution is concerned. As the hon. Finance Minister has said, ultimately even when the question of kerosene is considered, the relief that the consumers get is one naya paisa. But Shri M. R. Masani has said that if ever allocation of this benefit that we are getting is going to be made for exploration

of oil, that itself is highly objectionable. That is a strange type of argument especially when we are considering the question of oil. The Government have previously announced that the policy by and large is that we should ourselves invest to explore oil and find out sufficient oil so that our country can stand against the oil companies and say that now we can behave as we choose. I do hope that the Government, even if they are not determined on the subject, will now decide that whatever they have got from the oil companies would be utilised for the exploration of oil.

**Shri Naushir Bharucha:** They cannot spend the budgeted amount even.

**Shri Narayanankutty Menon:** I may disagree with the Government that there may be some troubles as far as the exploration of oil is concerned. I was specifically referring to the proposition made by my hon. friend, Shri Masani, that it will drive away foreign capital and make foreign investment shy if India invests this amount in the exploration of oil. If because of that fact alone that this country wants to become self-sufficient as far as oil is concerned—the most vital raw material as far as the Plan, our industry and our advance is concerned—foreign investment becomes automatically shy, we on our part will declare, 'let foreign capital become shy because it is a question of our very existence'. If just because this money is going to be utilised for the exploration of oil, the proposed mission of the Finance Minister is going to be a failure to some extent, we all will feel very glad of that because we are only asserting our right to allocate the money that we are getting as taxation.

My hon. friend admitted that it is not the purchaser of half a bottle of oil that is going to be benefited by

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the shunting back of this amount to the private sector but the private sector would be getting a large amount of relief which they want you to put into their pockets. The only objection is that instead of the private sector making that capital by the relief and investing it back the State will be taking it and investing it back. That is curious logic. Every hon. Member in this House will agree that there is genuine difficulty as far as investment of capital is concerned for the Second Five Year Plan, and that the consumer will have to make a bit more sacrifice. We support that proposition and we are in entire agreement with Government in the allocation of these moneys to the Consolidated Fund of India and later on for the exploration of oil.

I come to the second question which is the most important question as far as this Bill is concerned. During the last two Budget sessions of this House I had placed before the House an elaborate idea about the basis on which the oil companies did the pricing system. The hon. Minister mentioned that some cost accountants went into the whole question and arrived at some propositions and it was as a result of that the Government decided to have this agreement.

But I have got to ask one question of the hon. Finance Minister. When the cost accountants went into the so-called accounts of the company, did they get all the accounts of the companies, because it is a notorious fact that these companies do not keep proper accounts in India and their original accounts are in London? Secondly, I ask, when the cost accountants went into the cost accounting, did they really go into that part of the cost accountancy that has really contributed to the c.i.f. price? I am quite sure that however powerful and intelligent and trained they may

be, they would not have gone into what contributed to the c.i.f. price of the imported oil; they might have simply gone and calculated the c.i.f. price as an accomplished fact from the accounts given by the company. I say they could not have gone into the real cost accounting and found out the profits at all.

I told this House last time that the Government of India themselves are in possession of certain figures as far as the exorbitant profits made by these oil companies are concerned. There are certain reports with the Government of India. I do not know what decision has been taken. But these reports were substantiated by facts also. Certain recommendations were also made to the Government of India in the year 1956. A very important recommendation was that our Government should give to the oil companies at least six months' notice to do away with the present accounting system.

Even taking into consideration the international prices and also the prices prevailing in the Far East and countries like Pakistan and Ceylon, we could have got from these oil companies relief to the extent of at least Rs 25 to Rs. 35 crores. These were the figures arrived at that time. It was found out and recommended that at the prevailing prices in those countries we could get Rs. 25 to Rs. 35 crores. After that, in 1957, there was a reduction in the international price. Quoting the price in the United Kingdom itself, there was a reduction of 4½d. per gallon of motor spirit. Quite logically, we could have added that reduction also; and when we take into consideration India's average consumption of 774.5 million gallons of petroleum products and calculating the relief of 4½d. at the exchange rate of Rs. 13-8-0 we could have got another Rs. 50 crores a year. On these

admitted facts, these oil companies are making Rs. 50 crores a year over and above the normal profits that they are making in Pakistan, Ceylon and Burma. All these admitted facts are there.

When during the last Budget session of Parliament, every side of the House, every hon. Member without any dissentient voice has given support to Government and when the hon Minister had declared on the floor of this House that Government is going to pursue its attempts for the reduction of the prices of petroleum products, under what circumstances did we surrender to the oil companies by signing this agreement which gives only a relief of Rs. 8 to Rs 9 crores? The net result of this surrender—and I would call it a deliberate surrender—is that we have not got these Rs. 50 crores which are the profits they could easily have made over and above the profits which they are making in the neighbouring countries of Pakistan and Ceylon. What was the provocation for Government, what were the circumstances under which Government had to surrender to the oil companies? According to us—and according to everyone—there is no reasonable explanation at all. It was a time when we had made out a very good case; it was a time when in the international market there was a tremendous recession in the oil prices and our case was more strong and we could have had whatever we demanded. Did the Government feel that our case was weak? There was no reason why the Government should have been weak in this matter because the country was behind the Government. I once again characterise this agreement signed with the oil companies by which we have got only a small relief of Rs. 8 or Rs. 9 crores when we could have had at least Rs. 50 crores as a deliberate surrender made by Government. The Government is answerable

to this House and to the people of India. What is the basis on which these Rs. 8 crores or Rs. 9 crores have been arrived at? Is the Government not convinced about the fact that these Rs. 8 or Rs. 9 crores a year constitute only a small margin of the extra profit that these companies are making? I deliberately say that the hon. Minister will agree with me that Government is not convinced that it is a reasonable reduction that the people of India have got.

These oil companies are making history somewhere else. In the Middle East virtually all these oil companies have been already taken over from these foreign companies. In these years, 1956, 1957 and 1958 small countries have actually got hold of these companies and they have told these oil companies to get out of their countries and get out also of their politics. When these small countries could stand up to face those companies which were virtually ruling over them and tell them either to get out or to sign agreements which were in consonance with the sovereignty of their countries and the interests of those countries, could not this Government of our great Republic tell the oil companies to take only a reasonable price for the petroleum products that they are selling us and fix a ceiling as far as the margin of profit is concerned? Last time I pointed out certain latest agreements signed by the Government of Iran and also the Government of Saudi Arabia with certain international petroleum companies. Those companies are now competing in the international oil market with the oil monopolies of the world, SVOC and BOC. These new companies floated by Japan entered the market in Saudi Arabia and Japan for exploration and refining of oil. Even the Iranian Shah who lived by the subsidy of the Anglo-Iranian Oil Company and the Saudi Arabian monarch

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went to these companies and signed an agreement in competition with the other companies. The terms of those agreements were better than those of the present Indian agreement. The two principle features of the agreement signed by the Iranian Government are that fifty per cent of the total net profit is to be handed over to the Iranian Government. The rest of the profits are to be shared between the ENI Company and National Iranian Oil Company, completely owned by the Government of Iran. Thus 75 per cent of the total net profit is handed over to the Iranian Government. The agreement signed by the Japanese Company with the Saudi Arabian Government gives 56 per cent of the net income to the Government. There is also a guaranteed minimum royalty of 2.5 million dollars a year and the selling prices of products are to be fixed by the Saudi Arabian Government. On the marketing side, the Saudi Government is to be consulted and the accounts are open to Government inspection. There are other equally favourable conditions relating to incidental matters and also to the manufacture of petro-chemicals.

I am giving these details only to show this. Governments which had been completely subservient to oil companies show such vitality today and they enter into competitive agreements with companies in preference to the oil monopolies. Then why not the Government of our great Republic at least show that much vitality? They are not showing us the accounts; the hon. Minister was telling the House that all the accounts were not available. But the admitted figures are here. We may say: do not make extra profits; take only as much as you are taking by way of profits from Pakistan, Ceylon or Burma. We have not done that and it is a serious failure.

The signing of this agreement and the Bill before us should not be the end of the negotiations. This shall only be the beginning of the negotiation with these companies and we should be able to get more concessions from these companies.

The companies were making fabulous profits. Then the Government was seized of the matter. With these fabulous profits these oil monopolies are conducting anti-national and anti-social activities on an international plane. The Government now says: we are satisfied with Rs. 8 or Rs. 9 crores. I have got a pertinent question to ask. How are they treating these oil workers? It is a pity that the Government of India did not consider the most vital component part of the industry. The oil workers are neglected. Is it a mere commercial proposition that you arrive at a settlement with them and get only about Rs. 8-9 crores? We cannot just say: we are now satisfied and we will go away with this money. For full two years, the whole country and the oil workers stood behind you solidly in your demand that the oil companies should do some justice to the Indian economy. What you really did was that you were satisfied with Rs. 8-9 crores and sign an agreement and say that the whole thing has been closed. It is a case where the Government has betrayed

How are the companies treating their workers? I will close by putting a few more points on this issue. In every country these oil companies go, they are establishing their own law. In the Middle-East countries, we have found what the position is. It is just like the barbarians who feel that the customs of their tribe are the law of the land. We have said in this country that the investment of foreign capital should be on our own

reasonable terms and that we would not surrender our own rights and sovereignty. The Government knew very well the way in which the oil companies were treating the workers. The Government deliberately failed in conducting negotiations to ensure minimum and basic living conditions to the workers in the industry.

Just a year back, the petroleum workers in India gave their demands. There are certain industrial laws in this country to which the Government, the Ministries and all the employers are parties. When the All India Petroleum Workers Federation approached these oil companies with certain demands, these oil companies have refused even to recognise the Federation though it represents 75 per cent. of the workers in the industry.

**Shri Achar (Mangalore):** Sir, on a point of order. We are concerned with the Bill and the Resolution. We are not questioning the attitude of the oil companies or discussing some thing else which should have been done. Somehow, we have got Rs. 8-9 crores. What he speaks of is neither the subject-matter of the Bill or the Resolution and I do not know how it is relevant.

**Mr. Chairman:** There was an agreement between the Government and the oil companies. The hon. Member is just mentioning that while deciding upon the terms, the condition of the workers also could have been made better by the Government. It is not irrelevant.

**Shri Narayanankutty Menon:** For the information of the hon. Member I will make it plain. There is such a provision invariably in all the agreements that the companies are making with the various Governments.

**Shri Achar:** My point of order was that we were not concerned with the agreements or the terms under which we settled certain matters. All we are now concerned is about the Bill before us.

**Mr. Chairman:** I have already given my ruling. It is incidental but it is not irrelevant.

**Shri Narayanankutty Menon:** These duties and this Bill are as a consequence of the series of negotiations the Government of India had with these companies.

Certain conventions had been established as far as the industrial and labour matters were concerned. A code has been agreed upon. The Government is very particular that the code should be adhered to. These oil companies are participants of the code. For five years, however, they refuse to negotiate with the Federation and give a fair deal to the workers. What has this Government done?

I know the hon. Minister will plead ignorance because he will say his ministry has nothing to do with labour. But we are legitimately entitled to press this matter before this House as this sort of behaviour by the oil companies will have to be stopped. Some hon. Members felt righteous anger and expressed it before this House that we should not be satisfied with these agreements. We have placed a memorandum of our demands. I have myself seen the Labour Minister many times and I wanted that the whole question should be referred to a national tribunal so that this injustice may be put an end to. But the oil companies are trying to avoid adjudication and with these fabulous profits are trying in this court and that court and finally in the Supreme Court to harm their interests and the workers can do nothing. On this



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occasion, I press the demands of the All India Petroleum Workers Federation and I would suggest that this Ministry also try to settle the hitch so that the whole question of the demands of the Federation would be placed before a national tribunal.

14 hrs.

What is the counterblast these companies are giving now? The Government got Rs. 8 crores to Rs. 9 crores. The Finance Minister, Shri Morarji Desai, is happy over it. The hon. Minister for Mines and Oil, Shri K. D. Malviya, is happy, because at last we have been able to get something out of the oil companies. They are happy because they got something. But, who is unhappy?

Shri K. D. Malviya: Are you unhappy?

Shri Narayanankutty Menon: I am not unhappy because Government has got the money. I am very happy. When the Government gets one more pie from the oil companies, I will be the first man to feel happy about it.

But, what is the net result? The poor workmen have been left to face the music. They are telling us on our face: "Because you supported the Government, because you people demanded a reduction in the rates, because the Government got Rs. 8 crores to Rs. 9 crores, we have to retrench people." What is the answer that the hon. Minister has to this? These companies say that because the Government got Rs. 8 crores to Rs. 9 crores and the workmen are parties to that, they have to face retrenchment. Certainly, Government will have to go to their rescue. We feel that because the Labour Ministry refused to intervene in the matter when representations were made repeatedly, because the Labour Ministry refused to take action even when it was

pointed out that the code of conduct and discipline has been violated by the oil companies after agreeing to it at Naini Tal and in Delhi....

Mr. Chairman: I think, Shri Menon, you are labouring that point too much.

Shri Narayanankutty Menon: This is the direct argument, Sir, that is used by the oil companies to defeat the demands of the Federation. Therefore, when these people are violating whatever they have agreed to, certainly Government will have to come to our rescue. I hope that at least in this situation, when the workers are faced with this music,—I am pointing out this to you now because you have taken Rs. 8 crores to Rs. 9 crores—the Government of India will come to our rescue, and the decision that we have taken today to protest against the oil companies' action and also the Government's refusal to intervene by a country-wide strike on the 5th of September, it will not be necessary to be given effect to. We seriously hope that, before that date, the Government will consider the injustice done to us both by the oil companies and the Government of India, and by that time we will not be dragged to resort to strike, so that we can say, along with the Government, that we have fought for a price reduction and the workers were also protected.

Shri Mohammed Imam (Chitaldrug): Mr. Chairman, Sir, I support the resolution moved by Shri Naushir Bharucha. I need not make a long speech, since the case for the disapproval of the Ordinance has been ably put by the previous speakers. I only want to bring to the notice of the Government that these oil companies, as was pointed out by the Mover, have been making very huge

profits which go outside the country, and the Government have not made any serious effort to reduce the price of this commodity which is quite essential for the use of the country.

Sir, I am deeply concerned with the increasing number of Ordinances that have been recently promulgated by the President, obviously, on the advice of the Government. It is true, sometimes the Government should have recourse to the passing of Ordinances. Ordinances are passed in emergent times, when their aid is invoked to protect the society, or to save the country from some danger, or in some extraordinary circumstances. But to invoke the aid of Ordinance in a fiscal measure like this is a thing that surpasses my imagination. I do not think in any other country where there is full democracy a fresh tax is levied or a tax is enhanced through an Ordinance. This is a very highly undemocratic measure, this is a measure which will keep this House and the Members of this House, especially the Members of the ruling party, in a very awkward position. Also, it is a very bad and unhealthy precedent, a precedent which can be adopted in future also. This may be a minor measure; perhaps, this Bill may not involve an intensive taxation, but this may be taken as a precedent and in future the Finance Minister may go on imposing taxes, fresh taxes, without consulting this House, being sure that he is backed by a majority and being sure that whatever he does will not be seriously controverted by the Members of their own party.

An Ordinance will always deprive this House of its legitimate right. Levy of a tax is an important measure and it is a very serious responsibility that is devolved on the Members of this House. Before a tax is imposed on the people, before a taxation measure is adopted, it is the solemn

and sacred duty of the Members of this House that they discuss it threadbare in this House and find out what effect it will have on the economy of the State before coming to an agreed solution or decision. But, here, these Ordinances make us only "yes-men", because they are sure that their dictatorial measures will be countenanced. Such a measure, on this ground alone, ought to be disapproved, and this Ordinance ought to be disapproved.

This is an era of taxation. This is an era not merely of taxation, but of inflation and frustration also. Every year brings on us some fresh measure of taxation. I think since the dawn of independence people have been loaded with taxes after taxes, and now I can say they are groaning and suffering under the appalling weight of taxes. People are now looking to a time when some relief may be given to them, but I think that time is still very far off.

Along with taxation, as I pointed out, there is inflation also and, in my opinion, the major cause for the present inflation is this over-taxation. We have been complaining, the people have been complaining that there has been a good deal of inflation. People have been complaining that the prices of foodstuffs and other essential commodities have been soaring high. The Government also profess that they have been taking anti-inflationary measures. But this taxation, especially a taxation of this kind, will hardly conduce to bring down inflation; on the other hand, it will make the prices of all essential commodities, including the food-stuffs, soar high, with the result that humanity will suffer.

Sir, the rise in the prices of food-stuffs and also all other commodities are closely inter-related, inter-linked. If the price of one commodity goes

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up, it is bound to reflect on the prices of other commodities. And, that is the case here, Mineral oil or motor spirit can no longer be considered as a luxury. It is an essential commodity needed by the society; without it the society cannot get on. But, unfortunately, mineral oils are taxed from the very beginning; they are very heavily taxed. Shri Bharucha has given a break-up of how the prices of mineral oils have gone up. He has pointed out that more than 60 per cent goes to the Government by way of taxation and 40 per cent, to the companies. We pay not merely customs duty and excise duty, the State also has a share in claiming its taxes. They levy sales-tax. So much so that the price of this motor spirit which was once, on an average, Rs. 2 or even much less than that, has gone up by more than 100 per cent. Now, the Government did bargain with the oil companies and they succeeded in effecting a certain reduction. I do not know with what object the Government bargained with the companies for the reduction of prices. Was it with a view to mop up the difference, as pointed out by Shri Naushir Bharucha, or was it to give relief to the consumer?

The previous speaker pointed out that it is very difficult to know the cost of production of mineral oils by the companies. The Government itself is in doubt. For such an essential commodity I must point out that the Government should fix a basic price. I remember the excise duty levied on gold in the Kolar Gold Fields which I mentioned last time. That company was making huge profits. There was a chance of making very huge profits especially during the war, but the Government stepped in, fixed a basic price, and said, "You will get only so much of whatever profit you get and whatever you get

above that must be shared both by the Government and by the company". That was the principle, and here also, mineral oil is something like gold. Its price affects the entire country and the public. Here also—it is only a suggestion that I make—I think the Government should fix a basic price and any price that is derived by the company above that, must be shared by the Government and by the companies. This is a suggestion which may be examined by the Government. I think that if that kind of principle is adopted, it will not only bring some relief to the public but would bring a substantial revenue for the Government. But anyhow, I must point out there is great need to bring down the price of the mineral oil.

As I have said, during the last ten years the price of mineral oils has gone up by leaps and bounds, and whatever may be the difference and whatever may be the reduction that has been arrived at ought to benefit the consumers. The Minister of Finance quoted just now that there will be a reduction of six naye paise per one gallon of kerosene. But what about the person who purchases one tin of kerosene? Many people purchase not by bottles but by tins, and if a person who purchases one tin gets a relief of four annas it will be a substantial relief. What about petrol? It is proposed to enhance the duty by 25 per cent.

Shri K. D. Malaviya: I thought you were concerned with those who purchase in bottles, the poorer people, as the spokesmen of the poorer people. That is what I thought.

Shri Tyagi (Dehra Dun): He is not concerned with bottles. He is a teetotaler.

Shri Mohammed Imam: I never thought that prohibition will find a place here. That is a different matter. I said any relief will be welcome especially in motor spirit. Supposing there is a reduction of ten per cent., what a great relief it will be to the motorists? At one time it was argued that the owning of a motor or to travel in a motor was a great luxury. That is no longer the case. Motor spirit is an essential commodity which is needed by the public. Its price has gone up very high. If, therefore, the relief had been given at least to the extent of four annas, I think, the consumer will thank the Government.

Secondly, I must point out one thing. I do not know but I think I am correct in presuming that the company agreed for the reduction of the price on two grounds. Firstly, they wanted to give some relief to the public, and secondly, they wanted to increase the sale of petrol by giving a substantial reduction in prices. It was pointed out by Shri Naushir Bharucha just now that we are surplus in motor spirit and that we are not able to sell the motor spirit we manufacture. So, if prices were reduced, there would have been a great demand for motor spirit and the public would have been benefited and the companies also perhaps could have effected a greater sale. Now, if the companies realise that even if they show some concession to the public by the reduction of prices, that reduction is taken advantage of by the Government and does no good for the public, then, I think in future they may not agree to the reduction of the prices at all.

Similarly, occasions may arise in the case of other commodities also. Perhaps this may be used as a precedent. Supposing there is a reduction of price of some other commo-

dity, then also the Government will use their extraordinary power of ordinance and may mop up the difference for their own benefit, and there may be a reluctance on the part of other companies or similar concerns similarly placed to bring down the price. So, the net result will be that the price will remain as it is, or, on the other hand the prices may still go up, and the Government, instead of helping the public and the consumer, will do untold harm to the public.

As I pointed out before, these are days of inflation. In all these taxation measures, if there is such an attempt to mop up the revenue, it will result only in inflationary pressure. The prices will go up. It is true the Finance Minister does all this in the name of the Plan but we are not sure whether all this will go to implement the various schemes under the Plan. I say so because of our previous experience. When his predecessor, Shri T. T. Krishnamachari, was in office in the year 1957, in the budget session he introduced extraordinary measures of taxation both in intensity and in quantity, and the Government during that period and by those measures alone derived an extra additional revenue of about more than Rs. 80 crores. All those taxes were imposed and all that revenue was derived in the name of the second Five Year Plan and for the sake of the Plan. But what did we find in a subsequent budget? We found that the civil estimates have increased considerably. The defence expenditure was put up considerably so much so that there was an increase of expenditure to the extent of about Rs. 120 crores or more than that. All this increased expenditure consumed all the extra revenue that was derived by the additional taxes, and the Plan remains where it was.

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The Plan has been suffering from chronic deficit. It has been suffering from want of foreign exchange, and for want of resources and the rest. So, I may submit to the Finance Minister one thing. I know he has just taken up his office and we are conscious that every Finance Minister who has preceded him has brought in his quota of taxation. Finance Ministers have come and gone. Our Finance Minister has commenced his innings and he has scored his first run through this measure. I do not know how many taxes we have to face. But I submit to him that perhaps there are limits and it is our duty to bowl and it is the duty of the Minister to score. We must submit that the entire economic atmosphere is saturated with this taxation. I think the time has come when you have to play or apply the reverse gear. The time has come when you have to give substantial relief. The time has come when you have to take necessary measures to combat inflation and combat the frustration that has been created in the minds of the community.

So, on these grounds, I support the resolution ably moved by Shri Naushir Bharucha.

**Shri K. D. Majaviya:** Mr. Chairman, with your permission, I would like to intervene in this debate with a view to clarifying certain facts which concern the whole process of negotiation regarding the price reduction and also to remove some confusion that has been created by the two sections of opinion expressed by the opposition, one supporting the idea of the Government and the other supporting the transference of the amount to the consumers. I do not wish to deal with the more important aspects and the propriety of the ordinance—the

legal and constitutional aspect—because I am sure that will be dealt with by my senior colleague, the Finance Minister.

What are the facts in connection with these reductions that have been achieved by the Government? Firstly, it is an *ad hoc* arrangement. As the House remembers, the Ministry of Steel, Mines and Fuel have been trying to get some reduction in the price of petroleum products for sometime, because they were convinced that the price structure that obtained in this country at that time was somewhat excessive. As a result of some negotiations with the companies—I want to emphasise the distributing companies—they were good enough to concede the point to a certain extent and agreed to a certain quantum of reduction in the various prices of petroleum products.

On a certain date, the agreement was effected. If it was 20th May. Obviously the House will agree with me that the money should have been transferred to the Government accounts in some way. As the House knows, it has to be done constitutionally. It cannot be a gift from a body to the Government. Even if it were so, there would have been some complication on the other side. Therefore, I feel the introduction of an ordinance was necessary, because it was a measure of co-operation with the distributing companies, which willingly agreed to a reduction in prices.

As the Finance Minister has said in his speech, this is an interim and *ad hoc* arrangement. The cost examination is still going on and the arrangement was that after the cost examination is completed, readjustments will have to be made this way

or that way. If after the examination, it is found that they owe us something as a result of their agreement, then we will get more. Or, if it is the other way about, the position will be examined from that point of view. Therefore, to criticise the inadequacy of this quantum is premature.

My hon. friend, Mr. Menon, who is not present here in the House, thinks that the profits made by the foreign distributing companies amount to Rs 50 crore. After the examination of accounts, if his figures come to be true, I will not be sorry for that. The House will be happy, because when we are faced with such a big amount of profits, obviously we are sure to get some greater share than what we have so far obtained. I do not know whether the profits will reach that big figure. It may be higher, but this has all got to be agreed between the two parties and I am happy that we are getting all the co-operation from the companies

I should say that there is an exaggerated notion of the inadequacy of this quantum that has been put forward in the Bill. This agreement of price reduction has been effected between the Government of India and the distributing companies only. It has nothing to do with the C.I.F. price of petroleum products. The value of all the petroleum products that we are consuming in this country will be roughly Rs. 200 crores. Again speaking very roughly, about 50 per cent. of it goes into the C.I.F. prices. In that amount of Rs. 100 crores, I have included the central and provincial taxes, excise duties, profits and all that and also the cost of distribution. It is for the Government and the distributing companies to agree as to what is the distributing cost, what is the profit and what are the other factors which go to swell up this

amount of distribution cost to the figure of Rs. 100 crores. As I said, the whole thing is being examined. Even presuming that about 60 per cent. of these Rs. 100 crores go to the central and provincial taxes, Rs. 40 crores remain, out of which further examinations have to be made. Therefore, to say that the sum of Rs. 10 crores is inadequate is perhaps making a premature statement. The actual figure may be much more or much less than what we have now.

With regard to the point raised by my friend, Shri Bharucha, that the reduction should have been passed on to the consumer—I am only taking the basic points raised by him—I am not sure that he has given enough thought to the questions involved in this. Let us take, our instance, kerosene. My friend knows that we are consuming much more kerosene than what we are producing. Suppose we were to introduce a substantial reduction in the price of kerosene....

**Shri Naushir Bharucha:** I did not say substantial reduction.

**Shri K. D. Malaviya:** In order to make my position quite clear to the House, I am starting with a substantial reduction, say about an anna a bottle. We are consuming perhaps three times more kerosene than what we are producing in the country. Any substantial reduction or even a moderate reduction, which will mainly reach the bottle consumer and not the canister consumer, is bound to create an incentive for more and more of consumption of kerosene. If we consume more kerosene as a result of reduction of price, obviously a lot of foreign exchange is involved and today we are just not in a position to commit ourselves to an increase in the purchase of kerosene oil from abroad. We cannot and must not do

[Shri K. D. Malaviya]

it. In the totality of circumstances, what we have to do is to discourage the consumption of kerosene in a way that will not really affect the minimum convenience of the people.

Therefore, it is not very desirable for us to transfer a lot of this money that we have got to a thing which is mostly consumed by the general people. That is why I put before the House the illustration of kerosene oil. Now we should not encourage the use of kerosene. That is precisely why I said some time back in this House that our Government are actively considering a substitute for kerosene. We want to produce some sort of lantern which will burn with something other than kerosene which is produced here in this country. Therefore, the entire question of reduction and transference of this money that we have got to the consumers is a big subject which, among other things, has not yet received that consideration which is due to it. Let us take the question of motor spirit. What is the implication of its reduction? It is not 14nP but only 6 nP per gallon, which will mean about an anna.

**Shri Naushir Bharucha.** 14 nP

**Shri K. D. Malaviya:** That is the maximum.

**Shri Naushir Bharucha:** That is not so. I have got before me a notification dated the 30th June saying that the additional duty is 14 nP. The maximum is 25 nP.

**Shri K. D. Malaviya:** Well, we started with 6 nP, even though it is 14 nP. I will come to that. I am considering the implication of this reduction which is going to be made in connection with motor spirit. This is obviously going to affect the motor

users in the country. We are consuming about 700,000 to 800,000 tons of motor spirit, and there is no scarcity of motor spirit in the country. If we pass this on to the consumer, only that class of consumer will be affected which will not substantially feel this levy. It will be only one anna or an anna and a half

So far as BEST in Bombay are concerned, they are mostly using H. S. D. H. S. D. also is imported in great bulk in this country and any substantial reduction in H. S. D. is also likely to create an incentive for higher production. These small reductions may have given a sense of little relief to some of us. But now the whole thing is being mopped up and utilized by the Government for beneficial purposes

**Shri Naushir Bharucha:** What beneficial purposes?

**Shri K. D. Malaviya:** So many beneficial purposes, which include even road development; oil exploration, health, education, everything. It goes to the pool. I strongly felt that when once the whole money goes to the Government, it should properly go to the general pool, because then Government in its totality are in a position to say to which side this money should go. Then there is nothing to prevent me from asking my Finance Minister to give me Rs. 20 crores for oil exploration and if the Government in their judgment think that Rs. 20 crores is indeed fair, of course, I will get Rs. 20 crores, though my humble contribution may be only Rs. 10 crores to the Exchequer. Therefore, the proper place for this money to go is the general pool.

Now, my hon. friend, Shri Masani, produced a very strange argument on behalf of foreign companies. I have

never heard such an argument. During the course of the negotiations our friends who represent the foreign concerns never for once produced an argument which was produced by my friend, Mr. Masani. For the first time, it was a discovery to me that he is the first in this race to impress upon the Government that the interest of the cartel was really being affected; they would object to any sum that goes from the consumers for being utilized for oil exploration. He, in principle, is objecting to this sum being utilized for oil exploration purposes, because it will be in competition with these people who are supplying crude oil to us. I do not think any one, including the foreign interests, will grudge the amount of work that the Government of India have done with a view to search for oil and produce more crude oil. We are getting money and if this money goes to the general pool, I suppose in principle there should be no serious objection, excepting the one lightly made by my friend, Shri Masani.

I have nothing more to say except on those two points about the adequacy of the *ad hoc* arrangements that we have made. I would ask the House to wait till we have really completed the examination of accounts. My friend, Shri Menon, said that the accounts were examined. They are still being examined. To say that we will not get an opportunity to examine all the accounts, as he said, is not a correct assessment of the position.

So far as the C.I.F. accounts are concerned, they certainly fall within the agreement that we have made in connection with the price reduction. It is only with a view to examine the distribution cost that we have entered into the agreement with these people. So far as the distribution accounts are concerned, we will have

access to all the papers and they will be brought before us. As soon as the examination is completed, a true picture of the savings or the reductions that we might get will emerge and the House will know about it. That is all what I wish to say at this stage.

Shri A. C. Guha (Barasat): Mr. Chairman, it is with a mixed feeling that I have received this Bill. Some months ago we raised our protest in this House against the high prices that are being charged by the foreign companies, and those foreign monopolist companies have now yielded some ground and made some reduction in the price of oil supplied to India. To that extent we are happy. We are glad to find that our friend, Shri K. D. Malaviya has been pursuing the matter for a long time and he has been able to achieve some success. But I hope he will continue pursuing the matter further and will please see that only a fair price is charged by the companies. He has assured this House that the prices fixed in this *ad hoc* arrangement are not final and he will be trying even now to get further reduction in the prices.

On the other hand, I am not quite happy with the way in which Government have been handling this matter after the reductions have been effected. I expected a new approach from the present Finance Minister and I thought he would take a more realistic view of the situation. Here I would like to draw your attention to two sentences mentioned in the Statement of Objects and Reasons, as also in the note circulated about the reasons for issuing the Ordinance. The first sentence reads:

"The price reduction were not of a magnitude which, even if passed on to the consuming public



[Shri A. C. Guha.]

would be reflected to any significant extent in the consumer prices "

The following sentence reads:

"Besides, all available resources have to be mobilised for fulfilling the plan targets "

My friend, Shri Malaviya, has tried to prove that the price concession yielded, particularly for kerosene which would affect the poorer sections of the people, would be so negligible that it might be grabbed between the Government and the consumer by the traders. It will be about one naya Paisa per bottle. But, I think, by this Bill the Government would get about Rs. 9 crores annually. At least they should have made some gesture in some of the items put in the first page—there are five items on which this new excise duty is being put—at least they should have shown some gesture in some items and I should say kerosene deserved to be treated first. Out of this Rs. 9 crores that would accrue out of this Bill, if they would have surrendered even a small amount to give relief to the poor consumers of kerosene, I think that would have been somewhat graceful on the part of the Government.

Shri K. D. Malaviya: We have to purchase kerosene from outside.

Shri A. C. Guha: That argument of my hon. friend—that if we reduce the price there will be more consumption and so we will have to get more from outside—if logically carried, will lead us to all sorts of anomalies and economic fallacies. So, that argument does not carry much weight; then in all cases we should put our prices almost beyond the reach of the ordinary man so that consumption may go down.

As for other items also, motor spirit, diesel oil and all these have a bearing on the cost of production of consumer goods. I think it is more or less agreed that our taxation policy has reached a point of diminishing returns. The more taxes we put, the more administrative expenditure goes up and the increased revenue is neutralised by the increase in expenditure. We have raised by new taxes during these two or three years, I think, near about Rs. 300 crores and our expenditure on Plan and administrative matters also has gone up by more than that amount. It has formed a vicious circle and we are moving around it.

14 13 hrs.

[MR DEPUTY SPEAKER in the Chair]

That is why I expected that Morarji Bhai would take a realistic view and would make a review of the entire taxation policy at least on an occasion like this. He may say that this is not a new tax proposal and that it is only a continuation of the prices in another form—in the form of a part of the present prices being converted into an excise duty or customs duty; but anyhow the load will be there and that load has grown to be somewhat heavy on the consumer and on the cost of production. In this way even our export is being hampered. Our articles cannot compete in the foreign market due to high cost of production and that is why I urge that he may review the entire policy and see how the cost of production can be reduced.

Just a few days ago there was a report—I mean the Textiles Inquiry Committee's Report. That Committee also has pointed out that our taxation policy, particularly the heavy excise duty put in September 1956, has adversely affected the textile industry as also our export trade. That Committee has also suggested that some relief in regard to income tax should

be given to the manufacturers for the quota that may be exported from each mill. It is a review of the entire taxation policy which is necessary even according to the Textile Inquiry Committee's Report for the promotion of our exports.

Then, I think, the Tariff Commission in reviewing the fair price of cement has also made some reference to the interests of the consumer. It seems that there is none to look after the interests of the consumer. The consumer is being made to pay any tax. There may be somebody to fight on behalf of labour. There may be somebody to fight on behalf of the industrialists and the businessmen. But the consumer goes totally undefended. I would like to draw the attention of the hon. Finance Minister to this remark that "all available resources have to be mobilised". In the ultimate analysis I hope he will agree that all available resources lie with the consumer, with the general public. If the consumer is crushed under an unbearable burden, his resources will dry up immediately. So, he should have taken some care to see that the consumer may be able to bear the tax burden which at present has become almost unbearable for him.

Then I have further objection to the policy enunciated, i.e., that all available sources have to be tapped for fulfilling the targets. About two years ago or a little over two years ago the State Trading Corporation started dealing in cement and immediately the price of cement went up by about Rs. 15 to Rs. 16 per ton. When this was pointed out, i.e., that this is an indirect sort of excise duty and the State Trading Corporation should not have charged anything like this, the Government conceded that point and converted that surcharge into a sort of excise duty. So,

the price of cement remained at the same level on which the State Trading Corporation suddenly raised it. That is the so-called Equalisation Fund for cement though import was only of a few hundred thousand tons and there is no cement to be imported at present. Yet, they have converted what was previously the Equalisation Fund into an excise duty. This is not a fair deal to the consumer.

They are still continuing an Equalisation Fund for steel. I do not think there is hardly any justification for that. In this way if the Government goes on with the policy that all available sources have to be tapped, then it will ultimately recoil on the Government in the sense that their own expenditure will increase, the cost of production will increase, the cost of administration will increase and the cost of the Plan also would increase. So, we will be moving in the same circle and not making any further progress.

As for the Bill itself, I do not know why the Government took near about five weeks from the 20th May to the 29th June to issue the Ordinance. I do not object to the issue of the Ordinance. That is quite justifiable and that has been allowed by the Constitution. But when it was decided that this reduction would not be allowed to be passed on to the consumer, then they should have issued the Ordinance immediately or if they could have waited for five weeks, I do not see that there was any harm if they could wait for another six weeks and wait for this House to pass an Act without the necessity of enacting an Ordinance. Either they should have acted immediately, or they should have waited for the meeting of this House to pass the Act without having an Ordinance before it.

Coming to the last line of sub-clause (4) of clause 3, the Government is

[Shri A. C. Guha]

not sure about the standard on which this duty is to be levied during that interregnum period between the 20th May and the 29th June. So they have taken an *ad hoc*, sweeping power. Whatever may appear to Government proper in the circumstances will be considered to be the duty leviable. It may be that a certain Inspector will go somewhere and he will say that "this is the quantity of motor spirit or kerosene that may have passed through that concern" and the duty will be levied on that basis. It is a dangerous procedure, dangerous in the sense that an officer may commit some error, and also in the sense that it will be exposing an officer to some temptation which he may not be able to resist. I think that Government should not have put in a clause like this.

With these words I would like, again, to remind the hon. the Finance Minister that he might take a realistic view of the entire taxation proposal. If he blindly goes on with this dictum that all available sources would be tapped for fulfilling the Plan targets irrespective of the consequences on the consumer, I think he may not be able to achieve any great success. He has the reputation of being a man of realism, and I hope he will see that the entire taxation policy of the Government may be reviewed and put on a realistic basis, so that the Plan may really be helped. At present we have been taxing the people and yet we have not been able to make any progress towards the fulfilment of the Plan. From the "core" we have come down to the "hard core". I am glad he has not used the words "hard core" in his statement today; he has still used the word "core". Previously we were hearing of "clinging to the Plan, sink or swim". Then we heard that the core would be implemented. And

subsequent to that, we came to hear that the hard core would be implemented. Today he has not used the phrase "hard core" and I hope he will stick to the core of the Plan which is really essential for the development of the country

**Shri Tridib Kumar Chaudhuri** (Berhampore): I rise to support the resolution of my hon. friend Shri Nausair Bharucha. I listened very carefully to the speech that was made when the Minister in charge of the Oil Division intervened in the debate; and I tried to recollect what he had said on this subject during the last Budget debate. He said then—I am quoting from the last Budget debate—

"Then I wish to come to the question of prices over which I feel somewhat perturbed. It is my unpleasant duty to report to the House that we are not proceeding as satisfactorily in the negotiations with the connected oil companies so far as the desire of the Government to effect a satisfactory reduction of the petroleum prices is concerned."

I need not quote the other strong expressions that were used by the hon Minister at that time. But he said then, and this I cannot refrain from quoting, that "there is a very strong ground for an immediate reduction in the prices of petroleum products".

I might remind the House, and the House also very well knows, that these negotiations are going on for the past two years, and now that the Government has just succeeded in getting a pittance from the oil distributing companies, the Hon'ble Minister comes and tells the House that the oil distributing companies have been very much co-operative

and kind. He actually used the term "kind", and said that as a token of their kindness they have presented us with Rs. 7 or 8 crores. We are not sure that we are going to realise those Rs. 7 or 8 crores this year. As the hon. the Finance Minister said, the year's yield from the duty might be no more than Rs. 6 crores.

**Shri Morarji Desai:** Rs. 6½ to 7½ crores, up to 7½ crores.

**Shri Tridib Kumar Chaudhuri:** In this connection, I want to refer to a very peculiar feature in Government's dealings with what the hon. Minister has called, oil distribution companies. We know that we are not dealing with oil producing companies. We do not have much oil in our country up till now, and so far as oil distribution is concerned we have to deal with the distributing companies concerned. But in May last year, when these companies approached the Government for an increase in prices, an increase in prices was readily granted. And here, in the Report of the Ministry of Steel, Mines and Fuel for 1957-58 which was presented to us on the eve of the Budget discussions, we have been given the rates of the increases allowed on 23rd May, 1957. I would ask the House to consider and I would also ask the hon. the Finance Minister to tell us what was the total amount that was granted to the companies in terms of these increases in prices. I have not been able to calculate this thing myself. I am not in a position to do so, but roughly it seems the total amount would come to something like three to four crores of rupees. That means that of the Rs. 7½ crores that we are going to realise from these companies, fifty per cent really represents the increase that we granted to them last year. As a matter of fact we are not getting very much.

116 LSD.—7.

**Shri Naushir Bharucha:** It was passed on to the consumers.

**Shri Tridib Kumar Chaudhuri:** And that increase was passed on to the consumers.

15 hrs.

Now, about the over-all arithmetic of the whole thing, everybody is going by rough figures, and so it would not do much harm if I also go by those rough figures. Roughly speaking, the distribution charges and profits of these companies come to about Rs. 50 crores, and the landed c.i.f. cost of the oil brought here, which is distributed in the country, is about Rs. 95 to 100 crores. That means, for every Rs. 10, we have to pay Rs. 5 for distribution charges and profits to these companies. I would ask the House to just think over this fact very carefully. When the companies come and say that consequent on the Suez crisis, there have been increases in freight and other things, we readily grant them an increase in price. We were told at that time that we are bound by some agreement and till that agreement is replaced by a new agreement, we are compelled to grant such increases in prices whenever that might be demanded by the companies. This is an aspect of the matter which must be taken into very serious consideration by the House as to how we are going to deal with these oil companies. The Burmah Shells, the Standard and Caltex control about 92 per cent of the oil distributed here. That means they are almost in a monopolistic position though the strongest position is that of the Burmah Shells with which we have the agreement known as the Valued stock account, which the Government now promises is going to be examined and the price structure recast on the basis of the results of

[Shri Tridib Kumar Chaudhuri]

that re-examination This matter has been under examination for the last two years. If our friend Shri Narayanankutty Menon is correct—he has not been contradicted—the Government has already its own report prepared by one of the competent officers of the department about the price structure of the oil that we get here and that is distributed here. In spite of that, the Hon'ble Minister comes and says that he does not know what is the actual cost position, that the companies have just very 'kindly' agreed to assist in the examination of their cost accounts with our own Cost Accountant and that we do not know yet what the results of that examination are going to be. It is this aspect of the matter against which the House must record its very strong protest. Of course, I am fully aware of the fact that we do not have any oil deposits and we cannot stand up in the same way as some of the oil producing countries can do to these oil companies. Perhaps, we are also in need of their assistance in view of the precarious foreign exchange position in which we have been landed. Even then, the sort of concessions and the extent of concessions that we are granting to these companies and the very feeble way in which we stand up to their demands or the way in which we press our just and legitimate demands leaves much to be desired.

With these words, I support the motion of our hon friend Shri Naushir Bharucha disapproving of the Ordinance.

**Dr. Melkote (Raichur):** Mr. Deputy-Speaker, I stand to support the motion made by the hon Finance Minister. I was surprised today by the arguments adduced by some of the Members of the Opposition. But, before saying anything further, let me say that as a

result of public opinion, as a result of voicing our feelings in this House and the efforts made by the Government, we have succeeded in adding to our treasury to the tune of nearly Rs. 9 to 10 crores. Though this amount falls far short of our expectations and though we cannot, therefore, wholeheartedly congratulate the Government for these efforts, it should be said that we appreciate the efforts made by the Government in getting this sum from the companies. During the debate, the Minister for Mines and Oil intervened and quoted various figures to satisfy us that the best efforts have been made in getting this amount from the companies. We in this House felt that, India being a vast country and it being known commercially that the greater the amount of purchase one makes, the lesser the cost of that particular commodity would be, whilst Pakistan and Ceylon are getting this commodity at a lower price than the price we pay, we should have now expected a price far less than what Pakistan or Ceylon is paying. Instead of that, he has not even made it clear to us whether the present price structure is at least at the level of that obtaining either in Pakistan or Ceylon. Possibly it is a bit higher. We would like the hon. Finance Minister to explain to us as to why we have not been able to bring down this price structure, if not lower than that of Pakistan or Ceylon, to at least their level.

Apart from this, there are only two points which need to be discussed here today: one is the quantum of money that we should get and the second is how the Government has to hold this money or how it has to be distributed back to the consumer. It stands to reason, and normally that was the expectation of the country as a whole, that the primary consumer should

have received the benefit of this money that the Government is going to obtain back from the company. But, the Finance Minister has very ably argued out his case and told us that if this paltry sum of Rs. 9 crores is to be distributed back to the primary consumer it would come to fractions of pies and that it would be very difficult to arrange to pay this back so as to make it reach the consumer and that incidentally it is not the primary consumer that would benefit by this rebate, but it would be the middlemen that would profit by. This is not the first instance when these things have occurred. Government in the larger interests of the primary consumers has tried its very best both in the Centre and in several States to pay back what is normally due to the primary consumer. But, in the ultimate analysis, it is the primary consumer who has always been cheated and it is the middleman that has made a profit in these transactions. It is hence that I took exception to the observation made by one of the Opposition Members that in spite of this rebate not reaching back to the primary consumer, he said that it still stood to reason that this money should be paid back to the middlemen who made the profit. I cannot understand this logic. The Government has two ways of paying back to the primary consumer. One is directly and the other is indirectly by taking up various welfare schemes to the benefit of the primary consumer. It is here that I support the hon. Finance Minister's remark that this amount, since it cannot flow back to the primary consumer, can still be made to flow back to him in an indirect manner. In this, naturally, the primary consumer would have expected that some relief of an immediate nature would be made to flow back to him. But a long-range view has been taken by the hon. Finance Minister, that if he should tap the oil resources of the country, the ultimate price structure would go down to the benefit of the

common consumer. The common consumer naturally in his poverty expected a relief of an immediate nature, and though he may be sore to some extent at the fact that immediate relief has not been given to him, he would certainly still not feel sorry if that relief came to him even in this indirect manner. On the other hand, he would certainly feel sorry, and we on this side I am sure would have opposed it, if this money, instead of flowing to the primary consumer, was made to flow into the hands of the middlemen.

It took my breath away to hear the argument that foreign people would not be helpful when the hon. Finance Minister went out of this country when they saw that out of the moneys that flow back from them we tap our own natural resources and build our own oil refineries here. I cannot see any logic in this argument. We have been doing this in every sector of our public activity, and so far as I am aware, though the foreigners may feel that to an extent their own export to our country is dwindling, they have not taken any objection, and they cannot take any objection for the simple reason that in their own country they have got to adopt similar measures. Possibly Hon. Member Shri Masani has made this argument on behalf of those people who expect some kind of aid from these foreign capitalists, but the country would not welcome it because it is a very retrograde step if we accepted that argument and implemented it. Therefore, it is my opinion that this House should support the hon. Finance Minister in the Bill that he has moved this morning. I may however request him that instead of utilising every pie of this money for tapping resources for more oil, at least part of it may be utilised in constructing approach roads to the villages. To that extent the people would appreciate such a gesture and support the

[Dr. Melkote]

measure that the Government has brought forward today.

**Shri N. E. Munisamy (Vellore):** I am unable to find any valid or justifiable grounds for the issue of an ordinance of this type. The ordinance was issued on the 30th June 1958. The Government could have waited for some more time, and come before the House with a Bill. Instead of that, the ordinance as issued precipitately and without giving proper thought to it, for which I do not find any cogent reason.

Ordinarily, I should not oppose an ordinance being issued, because there is provision for it under the Constitution, but we have to see whether there are justifiable reasons for resorting to the promulgation of an ordinance. Unless there are grounds and there is some emergency, there is no reason to resort to the issue of an ordinance for dealing with ordinary routine business.

This is not a fiscal Bill. This is only a Bill which seeks to mop up the profit which would otherwise go to the consumers. On a perusal of the Bill I am convinced that the object could have been achieved by bringing forward a Bill giving proper time to the House to consider and pass it. But when an ordinance has been promulgated there are some difficulties since, in substituting it by legislation, we are not to go beyond what has been stated in the ordinance. So, we have to follow it in a way and we are doing it. I do not quarrel with that, but only with the method adopted by the Minister in realising his object.

From the financial memorandum

submitted here I find that for a period of one month and nine days, from 20th May 1958 to 29th June 1958, there is an expenditure involved in assessing the proper amount payable by any person by way of additional excise duties and customs which comes to about Rs. 50,000. Data has been given here that appraiser, head clerk, upper division clerk, lower division clerk etc., have to be recruited. For this short period I think the existing staff could have been asked to cope with this extra work. I do not find any justification to spend this sum of Rs. 50,000. There is no need for the extra staff unless it be there is some special reason to have the appraiser. I think appraisers are only required for customs, and not for excise. I hope this refers to customs. I think it is too much to spend this sum on the additional staff during this short period.

I am not able to understand the real implication of clause 5. It looks as though it provides some protection to the purchasers in that they are not liable to pay or be sued in respect of the whole or any part of the additional duties of excise leviable under this Bill, or the whole or any part of the additional duties of customs leviable under section 4 or under the Indian Tariff Act, 1934, to the extent to which such duties have become leviable by reason of this Bill. The purpose of this clause evidently is that the manufacturers, after entering into a contract or having sold the mineral oil, cannot force the purchasers to pay also the additional duties by adding them to the contract price. It is to safeguard the purchaser, and protect them from suits, but I would like to know what is the amount involved, the amount that will be given away by this provision. The purchasers they have in view are evidently not the purchasers of the ordinary type

or consumers; the big distributors also seem to be regarded as purchasers. Mostly, these companies have got their own distributors all over India, and the oil is distributed only through these agents. These agents, after getting the mineral oil, are to be exonerated from paying the additional duties and protected. Ultimately I am sure this will go to the manufacturers. In view of this I wish to know from the hon. Minister the amount likely to be derived from this; if ultimately the purchasers are not to pay and the manufacturers have to pay, how much we will be able to get from the manufacturers under this clause. The hon. Minister has not given this data which is required for a proper consideration of the measure.

The other consideration which exercises my mind is with regard to the ultimate benefit that will go to the consumers. We have been hearing so much from the previous speakers that the consumers must stand to gain. The excise duty, on principle, must go to the benefit of the consumers. But we find that the consumers are not going to get the benefit, but only Government are going to be the real beneficiaries. Sir, the Finance Minister is a democrat and he is a man of integrity, and I do not like personally that this amount of about Rs. 8 crores should be appropriated by him in this fashion. What he ought to have done, in the absence of giving any proper reason, is that he should have given us an idea of how he is going to utilise this amount, or whether the persons who are entitled to the benefit but who have not been given the benefit will be given that benefit later on; and he should also have told us whether he has any scheme before him not only to fulfil the Plan targets but also to see how the consumers will ultimately be benefited. I am sure the Finance Minister must be having

some such scheme in his mind to see that the persons who are now otherwise entitled to have this benefit but who have been denied that benefit by means of this Bill are given that benefit later on. I wish that the Finance Minister apprises us of the real position in regard to the schemes that he has in mind to benefit the consumers in the long run, instead of putting this in the whole amount and then diluting the entire benefit to the entire nation instead of to the persons who are really entitled to have it.

With these observations, I am opposing this resolution. Though some of my observations might tend to support it, yet on the whole, I am not in favour of the resolution moved by Shri Naushir Bharucha; instead, I support this Bill with the hope that the Finance Minister will apprise this House as regards the disposal of this amount ultimately.

**Shri Harish Chandra Mathur (Pali):** We do appreciate the efforts made by the Minister in charge of Mines and Oil in this matter. When he spoke last in this House, he spoke with determination, and we did expect that in a foreseeable time he would be able to come to some successful negotiations. We also appreciate the attitude taken by the oil companies, whether it be yielding to the strong public opinion or seeing reason and responding to what is reasonable.

Having said that, when I come to the real substantial issue, it becomes very difficult to reconcile the arguments advanced by the Minister in charge of Mines and Oil on the one hand, and those advanced by the Minister of Finance on the other. The main burden, as I listened to the speech of the Minister of Mines and Oil, was that if the benefit were passed on to the



[Shri Harish Chandra Mathur]

consumer, it would create certain difficulties. The difficulty which he pointed out was that particularly in respect of kerosene, the passing on the benefit to the consumer would mean increased demand for petrol and that would mean greater need for foreign exchange. Just the opposite of it is maintained by the Finance Minister who says that if we passed this benefit to the consumer, it would hardly reach him, and it is too insignificant to produce any result. To reconcile the two arguments is a little bit difficult. That is why they do not carry any conviction to us. I think it would be more honest and correct to say that Government at present need every pie on which they could lay their hands, to augment their revenues, to implement the Plan and to fill the gap that is already there. If they had said so I could have appreciated it, and I could have understood it, because it is no use trotting out arguments which carry no conviction.

While the Minister was speaking in respect of the prices for kerosene, he very conveniently chose only one of the items but he did not touch any of the other three items to which this argument would not apply. He did not say a word about them in justification of mopping up the profit which is now accruing, particularly about petrol and crude oil, he would not say a word. That is why I say, let us be clear in our minds, and let us know where we stand and what the position is.

The reason why I thought it necessary to intervene in this debate was that on both the substantial points, we have not got any sufficient data on which to come to a mature conclusion. We do not know whether the agreement which has been arrived at is satisfactory. I shall not say that it is satisfactory judging from the figures

and facts which are available to us. But I would not dilate on this point, because this is only an ad hoc arrangement, and I hope the Ministry will go into the accounts which have been thrown open to them by the companies and then we hope proper information and facts and figures will be placed before us to see whether a just agreement has been arrived at or not and whether some better arrangement could possibly be made. So, it would not be correct at this stage to make any criticism on that ground. We just think that the thin end of the wedge is there and that we have somehow been able to persuade these people to come to a basic agreement that these accounts can be examined, and in the light of the facts which emerge out of that examination the prices could be fixed. I appreciate the success achieved in regard to this basic approach not in regard to what we have been able to get by means of these negotiations.

The important issue before this House is whether the advantage which accrues from this negotiation should be passed on to the consumer or should stay with Government. I would certainly like to support Government in making all reasonable efforts to augment their resources. We are all anxious that the Plan should be fulfilled. It is no use telling Government that they should not talk of the core or the hard core of the Plan but that they should fulfil the whole Plan if when they come forward with any measures designed to augment their resources and to enable them to fulfil the Plan, we argue the other way round, that would not be fair. But before we give our approval, we are certainly entitled to know whether these taxes are justified or not.

I wanted to collect certain information from the Parliament Library. I

asked them to furnish me with that information, as regards the quantum of taxation which the Central Government, the State Governments and the local bodies are imposing on petroleum products, and how they compare with those in other countries. We have always been talking about the high prices here and the disadvantages which accrue in our developing economy. And the Minister has made a strong argument out of it. But let us know how our tax levies compare with those in other countries in order that we may be able to justify that these prices are high not because of other reasons but because of these reasons. This information was not available in the Parliament Library, and they told me that they have asked the Ministries to supply this information direct to me, but it has not come so far. So, I am not at present in a position to say how our tax measure is justified or not.

There is, however, one point about which my mind is absolutely clear, and it is this, that we should not by these taxes so artificially raise the cost of operation that it obstructs our development plans. I would like to point out that the Air India International actually lose about Rs. 80 lakhs because of the unduly high taxation on petrol products, that is, aviation fuel. We want that these corporations should run as autonomous bodies and that they should make profits. But if we make conditions impossible for them, then how are those bodies to run efficiently? We have to convince the people that the level of our taxation is not high. On the one hand, two Corporations, which are almost government bodies—both the Air India International and the Indian Airlines Corporation—tell us that they cannot run economically, they cannot bring down their cost of operation to a reasonable level because taxation on fuel is too high. I think it is the same Government which is responsible for

both, for the efficient running of both the organisations.

So let us know where we stand, whether their arguments and demands have any force or not, whether it is not reasonable and proper to pass on this benefit which is given to us to the consumers, among whom these Corporations are also included. I will show how this obstructs development. They work according to the cost of operation. The cost of operation is such and such, so this line should be cut; we cannot operate it. Bhopal must go off the map of civil aviation because by having this route we cannot meet the expenses which we have to incur. Jodhpur is struck off the air map simply because the cost of operation is too high. So this artificial rise in the cost of operation through these taxation measures obstructs our own developmental schemes very directly. Therefore, we have to examine and be satisfied whether this sort of obstruction to our developmental schemes, plans and programmes is not the result which flows from such heavy taxation on this side. It will be a very bad economy because we attach more importance to our developmental schemes. If the cost of our developmental schemes is artificially raised by taxation measures which are not justified, then it would be very wrong. I hope the hon Minister will throw light on at least these two points, how our taxation measures affect our developmental schemes and how he justifies them in the light of the difficulties genuinely felt by highly efficient corporations.

We have been giving all credit to our Air India International, but in spite of all efficiency, it is faced with losses. Is it not because of the wrong policy which we follow at this end? These things have to be considered. We have got to look at it as an integrated whole. If it does not obstruct

[Shri Harish Chandra Mathur]

our developmental schemes, if these measures are reasonable, I would certainly welcome any measures which go to help Government in the implementation of their schemes and plans.

As we know, at present road transport is becoming exceedingly important. Railways cannot lift all the offerings. Road transport is very important and it depends very much on the cost of fuel. If road transport has to come to our aid in these developmental plans, if it is to take the offerings which are about 30 lakh tons—it is hardly lifting a small fraction of it now—we should examine it from all these aspects, from a wider angle, and then come to some decision.

**Shri Achar:** I wish to make some observations only with regard to one item which I consider is very essential subject from the point of view of the villages—I mean kerosene and the incidence of taxation on it. Before I do so, I would like to say a word about the Ordinance. Objection has been raised that there was no need for an Ordinance and the Finance Minister could have waited till Parliament met. To me the reason for the Ordinance seems to be almost obvious. If I may say so, a windfall came when Parliament was not sitting and probably with the intention of having a system of taxation which is continuous and because they thought that this amount might be utilised, rightly, for the purpose of developmental schemes or for prospecting oil, they came to the conclusion that for this short period of one or two months no change was needed. From that point of view, the Ordinance was promulgated. I feel there is nothing objectionable in that

The point was raised that on a question of purely economics or finance,

there was no need for any Ordinance. I only submit that the reason is obvious and I do not think there is any need for any further argument on that question.

I was just mentioning about the incidence of taxation on kerosene oil. This is one of the most essential items which villagers use. It is not even like petrol. That is why I am requesting the Minister and appealing to him to see whether he could not give some relief with regard to kerosene oil which is used by our ryots and villagers. Those who are acquainted with village conditions know very well that the ordinary tenants and labouring classes in villages, who form a good proportion of the population, are not able to purchase kerosene oil sufficient for their consumption. In fact, we know of instances where they take their food even before sunset because they are not able to find enough money to purchase even ordinary kerosene oil. In such instances, is it not necessary that we should consider whether any relief could not be given to these people?

One of the hon. Members remarked that the Finance Minister comes with proposals to tax more and more. May I appeal to the Finance Minister: here is a very good opportunity for him to give some relief while he is getting more money which was not expected earlier.

**Shri Jadhav (Malegaon):** The moon is there in the sky!

**Shri Achar:** My point is this. So far as Government are concerned, on account of negotiations with the companies, they are going to get about Rs. 8—10 crores per year. If at all, by giving some relief to the consumers of kerosene oil, it may be only reduced by a very small amount. In fact, a

special pleading was made by the Minister of Mines and Oil that if there was a reduction in the taxation on kerosene, people might consume more kerosene oil. I would say it is a very ingenious argument. Let alone the economic pundits, even if we look at it from the common point of view, is it necessary that the very poor people should be disallowed the use of such a necessary article as kerosene oil?

We remember the argument advanced with regard to the tax on salt. One of the main arguments in the earlier days was that salt should not be taxed because our country was poor and people were not able to purchase enough salt, such an essential commodity for the life of man. In fact, the earlier financiers admitted and even an ordinary book on economics would say that the greater the tax on salt the lesser would become its consumption in the country. It would have a very bad effect on the health of the people. That was the reason a tax on salt was opposed.

I would put kerosene on the same footing. It is an essential substance in the villages and I think the Finance Minister would not also be losing probably much on account of this relief. While retaining the main portion, the Finance Minister, in his very first Bill will not be losing much but will be doing a very good turn to the villagers and giving them relief which will give him credit, especially when it is his first taxation Bill.

I remember this—of course, he may not remember it. Some years ago, when he came to North Kanara, the question of land reforms was being discussed. Land reforms had been introduced in the Bombay State and some of the bigger land-holders in North Kanara district approached the then Chief Minister and asked for some relief. I remember the answer

he gave. The reasoning was that it would be giving relief to a large number of people in the villages and that there may be 10 or 15 landlords who may be suffering. I do not know whether he remembers it or not. Anyhow I remember it. So, if a few landlords would be suffering a good number of villagers would be benefiting by that legislation. I put kerosene also on the same footing.

Kerosene is an essential commodity in the villages. I know the conditions in the interior of the villages. The people are not able to purchase kerosene enough even to light a lamp. I come from an area which is a very thinly populated but a hilly one. As I said already—and it is worth repeating—they take their food before sunset and they never see a light. We have got excellent electric lights and everything here.

It is such an essential matter that I would appeal once again to the Finance Minister to see whether he cannot give some relief to these villagers by reducing the price. Probably, it is not a question of reducing the price; it is only a relief to the extent he is getting by this windfall. I hope my appeal would not go in vain. I support the Bill just as I oppose the resolution of the hon. Member Shri Bharucha.

**Shri Morarji Desai:** I have listened with great attention to the debate on this Bill and also on the promulgation of the Ordinance. I am thankful for the arguments given in favour; and I also considered very carefully the arguments which have been given against. I cannot say that there is no validity in the arguments which have been given against; and, yet, I must say that there is less validity in them than in the arguments given by me. I will certainly try to explain why I am saying so.

[Shri Morarji Desai]

I will first take the argument that an Ordinance should not have been promulgated in this case. What was the position in the matter which is under consideration? Government had been negotiating with the companies for reduction in the prices of oil and succeeded in getting a reduction

I may say at the outset, in reply to a question which was asked whether the prices now compare favourably with Karachi that they do compare favourably with Karachi now. And, that was one of the arguments why we wanted the prices to be reduced out, at that time, if we did not promulgate an Ordinance the question would have resolved itself into giving or passing on this reduction to the consumers, as it is argued that it should have been done.

It was argued that we have taken a wrong example first, of kerosene, and we have not taken the other items, that is motor spirit, refined diesel oil and industrial fuel oil. An appeal has been made to me that I should consider giving relief to many in the villages by passing on the benefit to all those who use kerosene. If it had been possible to pass on this benefit to the villagers and if it had really passed on to them we should have been very happy. But the reduction was only one nP per bottle. One bottle costs at present 28nP as I understand. This one nP would not have reached the consumer even if we had said that we are not going to mop up this price reduction. It would have gone only to the middlemen. If it goes to the consumers, certainly, it benefits the State also because the State benefits in other taxes also if the consumers benefit. But where the consumers do not benefit and where the intermediaries only—a few of them—benefit, I think, it is a very legitimate reason for Government to appropriate

that advantage passing on to only a few people. And, that is what is being done in this case.

If we look at the other item, motor spirit, the extent of reduction would be 14nP per imperial gallon. That would mean 14 nP per mile. Now, motor spirit is used by those who are private car owners, that is, people who use their own cars. But more of it is used in trucks and buses. And, if we go to trucks and buses, the reduction would have come to a motor cycle, .14nP per mile, .56nP per mile to a taxi and .14nP per passenger per mile if it carried 4 passengers in a taxi. It comes to one nP per mile in the matter of buses and if a bus carried 40 passengers, it comes to .025 nP per passenger per mile. In the matter of trucks it would come to about 1.17 nP per mile and if it carried 80 bags of wheat weighing 200 maunds, it would come to about .006 nP per Bengal maund per mile. In the matter of refined diesel oil, it would have given a relief of 7 nP per imperial gallon and when it is considered in terms of per mile consumption, it would have given .35 nP per mile. If the bus carried 40 passengers, it comes to .009 nP per passenger per mile. For a truck, it would give .41 nP per mile and when it carried eighty bags of wheat, it would be .002 nP per Bengal maund. In the case of industrial fuel oils, when it is judged in the context of the large value of goods produced it would work out to a very microscopic figure in the matter of cost. How was this to be passed to consumer? I do not know. It is, therefore, an argument which has no validity if you say that it would have benefited the consumers if the Government had not mopped up this reduction.

I agree that there should not be taxation by Ordinance. I would be very reluctant to do so at any time.

As a matter of fact, I would not like to do it. This is no doubt taxation by Ordinance but not ordinary taxation at all. There is nothing actually taken away from the people from what they are getting at present. It is taken away as it is not passed on. I do not say that it is not taken away from the people, from the consumer as such but it is not a taxation or levy where we have got to recover from the people something immediately. We have got to recover it from the companies.

**Shri Jadhav (Malegaon):** Indirectly it is from the consumer.

**Shri Morarji Desai:** I have said so; I have not denied it. But it is not a taxation measure in the ordinary sense of the term. If we had not done it, we could not have taken it up. If we had waited for bringing in a measure in the House, at that time what were we to do for the interim period? Could we have allowed it to be passed on to the consumers for two months and then levy it again? It would have been real taxation in the middle of the year. But that is not so in this particular case. More so because, as I have said earlier in my speech, this is an *ad hoc* reduction. The condition of the agreement is that if, after examination by the cost accountants, it is found that what we have taken is not justified by costs, we will have to give them a rebate. If we find at the end that their costs are still less, we will be entitled to a greater reduction. If we are entitled to greater reduction, it would not have caused any harm but if we had to return anything, then it would have been very difficult to return it if it had been passed on to consumers because in that case we would have to give a rebate. The rebate would have been given by getting something more from future consumers and the present consumers would have got all the advantages and I do not think that it would have been a fair proposition.

It is, therefore, that after a great deal of deliberation we decided to do this. The question was asked as to why we took so much time from the 20th of May to 30th of June to promulgate that Ordinance. That shows that we did not do it lightly and we gave great thought to it. We examined all the sides of the question before we came to that conclusion. We do not want at any time to take resort to Ordinance for any purpose or to levy taxes. An Ordinance is deliberately provided for in the Constitution and nobody objects to it. No Government would be possible if there were not such a provision. It is, therefore, there for use. Whether the use is justified or not is the main question. Was there an emergency or not—emergency of the type supposed when this article was introduced in the Constitution? In view of the circumstances which I have explained, I feel that the Government would have failed in its duty if it did not promulgate that Ordinance and mop up this profit which would, otherwise, have been frittered away and the consumers would not have been benefited. It is, therefore, that this Ordinance is fully justified and as we have come to the House with the Bill, there could be no argument that we are trying to get it away from the House and that we have not all the respect for the House which we should have. That argument therefore does not hold at all.

As I said in the course of the same argument, there is no question of a large number of consumers losing anything in this particular matter, because really speaking, the consumers would not have been benefited if we had not mopped up this reduction. The price reduction would have been very little.

Some of those who are owners of cars and use them for their own purposes would have certainly benefited to some extent but these people can

[Shri Morarji Desai]

afford to forego this benefit in the larger interests of the country. The larger number of people would not have benefited at all. It is only a few people who would have accelerated their profits. Is that the intention of the House that more profits should go to people even where they did not expect more profits? They could not have reduced the prices or the rates of tickets. Therefore, it was considered necessary and appropriate that this reduction should not be passed on.

I was intrigued by the argument advanced by my hon. friend, Shri Masani. He has said that if this extra amount that has come to the Government is earmarked for exploration of oil, it would be some injustice done to the oil companies and it would perhaps hamper my work when I am going outside. I do not know whether it is a suggestion thrown out and I do not think that the oil companies would be so unreasonable as to make a grievance of a factor about which no grievance can be made. The oil companies have agreed to this reduction because they find that the arguments advanced by the Government are such that they cannot be denied and that they have to be accepted. We have also accepted, therefore, that if after examination by the cost accountants we are not correct in our assumptions, we will give a rebate to them but if on the contrary the reduction is justified and more reduction also is justified, then we will be entitled to more reductions. There could be nothing fairer than that.

Moreover, there is no question of earmarking this for any purpose. Government revenues are not taken for earmarking them for a particular purpose. Exploration does not require any particular earmarking of funds. Everybody says that exploration is necessary and important and that the greatest priority should be given to it. Money has to be found for it from the general revenues and that is what will

be done. Where is the necessity of earmarking funds for exploration of oil only? If this money had not come, is it the presumption that the exploration of oil would not have gone on? It would have gone on and I do not see how oil companies can take objection to the exploration of oil by this country. On the contrary, everybody says that we should explore for oil at a faster rate than we are trying to do and more money should be spent on it. Therefore, Sir, this argument, to my mind, is brought in only to strengthen a weak case which could not be strengthened otherwise.

16 hrs.

Sir, I was also unhappy to hear the allegation against the companies that the cost accountants will not get all accounts. I do not agree with that assumption. There are prejudices everywhere, may be justified to some extent in some cases, but in this particular matter the cost accountants are not finding any particular resistance. We are finding that we have no cause for grievance, at any rate, so far, and Government have all the authority to see that the accounts are properly examined. We do not want to do anything more than that, we want to have a fair appraisal, and I do not think that the companies are not willing to have a fair appraisal.

One argument against the increased revenue that comes to Government was that increased revenue will be neutralised by increased expenditure, just as it had been done in the past. That also is not a very fair treatment of Government. It is true that increased revenue from enhanced taxes has been used for expenditure; but it is meant for that purpose, and it is not meant only for what is in the Plan. After all, the Plan is in addition to the every day general expenditure or committed expenditure of the State, and if the every day expenditure is not to be met also from the

general revenues, then from where is it to be met. The only thing to be seen is whether the increased expenditure is proper or not, whether it benefits the people or not. That is the only standard by which it ought to be judged. It has been admitted even before that there may be several items in which we can have less expenditure, a retrenchment of expenditure or a reduction of expenditure. We are paying as much attention as we can in the matter of reducing all unnecessary expenditure. Yet, we will have to go on expanding our expenditure, to some extent, in all directions, if we are going to go further and if we are going to make this country more efficient, more prosperous and stronger than what it is today. But I may assure my hon. friends here that there is no question of merely having expenditure simply because there is increased revenue. That will not be allowed. We will see to it that that is not done. But increased revenue will be necessary if we are going to go further and further in all the schemes that we are taking up for the welfare of the people, and therefore we will have to go on doing it.

I am sorry, Sir, that I am not able to give comparative taxes on oil in different countries just at present. We will try to find out what is the position, and then I may be able to give the figures at some future time, on an appropriate occasion. Today I do not possess them, and therefore I cannot give them. But I may make one remark in this connection, that we should not compare our taxes only in one item with other countries. All countries have different patterns of taxation. In this country also we should have our own pattern of taxation. The only criterion should be that the taxation should not be such as dries up the source of taxation in future, because taxation should be such that it goes on increasing the source of taxation and goes on giving

an increased income every year rather than a decreased income every year. That is the criterion on which a taxation could be considered healthy. There can also be some other arguments, but this should be a fundamental basis for every taxation, as will be agreed to by everybody, and we are trying to see that our taxation does not cancel itself, or does not become a ruinous taxation so that it impoverishes the sources of taxation and, ultimately, the country too.

Before I end, Sir, I should like to give one little information about a question asked regarding the staff of three appraisers, which is going to be appointed, and some clerks. These appraisers are necessary because the books of the companies have got to be examined for the purpose of arriving at the figure of compounded levy to be made for the period 20th May, 1958 to 30th June, 1958 under clause 3(4) of this Bill. The few clerks that are to be engaged will also have to be there for routine work in this very connection. The staff required will only be there for a temporary period, and will not be there as soon as the work is finished. It is only for this limited purpose and for no other thing.

I hope, Sir, my hon. friend will be satisfied with the view that I have given as regards the justification of the Bill before the hon. House.

**Shri Naushir Bharucha:** Sir, I am far from satisfied.

**Shri Morarji Desai:** I know that.

**Shri Naushir Bharucha:** With regard to the point that the Ordinance became an immediate necessity, the date on which the Ordinance was issued and the date on which the necessity arose contradicts the arguments of the hon. Finance Minister. The agreement was completed on 20th May, 1958, and the Ordinance was promul-



[Shri Naushir Bharucha]

gated on 30th June, 1958. Therefore, one month and ten days elapsed. The hon. Finance Minister argued, if we were not to pass the Ordinance what could we do? If we could do without it for one month and ten days, if we had waited for another one month and ten days we could have had the Parliament Session by that time. What are we going to do during the period, he asked. What did you do during the period from 20th May to 30th June? You could have done the same thing for another one month and ten days. There is a provision in clause 5 about compounding of certain excise duties. The same thing could have applied, instead of one month and ten days, to two months and 20 days. Therefore, that argument does not prevail.

The only argument that has been advanced by the hon. Finance Minister is that if these reductions were passed on to the consumers they would never reach the consumers. What is the authority for that? There is no authority for that excepting his own inference.

Shri Morarji Desai: Yes.

Shri Naushir Bharucha: As the economic law stands, on account of internal competition part of the benefit must pass to the consumer. No economist is born who can precisely say how the incidence of a particular law will be diffused.

Shri Morarji Desai: I am not an economist.

Shri Naushir Bharucha: That is exactly my difficulty.

Shri Morarji Desai: Nor are you.

Shri Naushir Bharucha: No, I beg your pardon; I am an M.A. with Economics.

Sir, the point that I am making is that the hon. Minister denies this benefit to the consumer on an assumption that those reductions will not percolate to the consumers, but that they will be swallowed by the middle-man. That is an assumption, and it is wrong to deprive the consumer of the benefits merely on this. Then, he was arguing, even if the benefits reached the consumers, what is the negligible proportion of benefit. And here, the Finance Minister, as was pointed out by my friend, Shri Mathur, contradicts the hon. Minister, Shri Malaviya. Shri Malaviya says that if you pass on the benefit in respect of kerosene, the benefit will reach the consumer, the price of kerosene will be reduced and demand will increase, whereas the hon. Finance Minister says that it will never reach the consumer. My reply to Shri Malaviya will be that, since the hon. Finance Minister says that the benefit will not reach the consumers, there is no danger of increased demand, and my reply to the hon. Finance Minister will be that, since Shri Malaviya says that the benefits will percolate to the consumers, let the benefit percolate, why should we object. The Ministers are contradicting each other. The reason is that they do not know where the benefit will reach. The hon. Finance Minister asks what is the benefit that will accrue. He says that in the case of kerosene it is only one naya paisa per bottle. But surely when it comes to the question of furnace oil, people do not purchase furnace oil by the bottle. Industries do not purchase their requirements by the bottle. The hon. Finance Minister does not reply to that, that the industries will be saddled to a certain extent or not.

Let us take the case of motor spirit and the transport industry. He asks, what is going to be the benefit to a bus. It will be one naya paisa per

mile. It would be so because the bus runs 14 miles to a gallon. If it is one naya paisa per mile, he forgets that a bus runs for 150 miles per day. Therefore, the benefit comes to Rs. 1-8-0 a day or Rs. 45 a month. That is not a negligible thing.

**Shri Morarji Desai:** To the owner of the bus.

**Shri Naushir Bharucha:** Whoever it is, it has percolated to the consumer in not a small quantity. I say it from his own showing. If one naya paisa per mile is the benefit to the bus, and if a bus travels 150 miles a day, it would be Rs. 1-8-0 a day or Rs. 45 a month. That is not a small benefit.

He has not replied to other arguments. I stated that it is precisely because fuel constitutes a very major part of the transport cost. That is exactly why we feel the pinch of it. It is no use arguing that this is a small benefit of one naya paisa per mile, because every mile counts. It is no use trying to show it by the terms of per capita or per passenger mile. That is no argument at all, because the cost of services is computed by the transport owner. Therefore, the benefit to him is the benefit which should be taken into consideration.

The hon. Finance Minister has said that six naya paise on kerosene oil is a very small reduction. May I point out to him one thing? If he turns to page 6 of the Bill, he will find in the annexure an extract from the Indian Tariff Act, 1934 showing what is the standard rate of duty on kerosene oil. It is 18.75 naye paise per imperial gallon. Therefore, six naye paise constitute 33 per cent. of the standard rate. That is not a negligible quantity. I am surprised to learn from the hon. Finance Minister that 33 per cent. of the standard rate of kerosene under the Indian Tariff Act is regarded as negligible. The hon. Finance Minister

has left me absolutely unconvinced on this point, that it is a negligible benefit and therefore it will not pass on to the consumer.

There is only one more point and I shall have finished. I feel the time has come when consumers' interests must be associated with anything that the Government does in the matter of fixing the price of oil or in the matter of fixing any parity with regard to oil. I may invite the attention of the House to the 22nd report of the Estimates Committee on oil division. At page 70 of the report, the following suggestion has been made:

"The Committee feel that besides the above standing committee,—

that is, the standing committee on oil,—

"it might be desirable to form a consumer council to protect the consumers' interest in various petroleum products. They, therefore, recommend that this question be expeditiously examined."

Even the Estimates Committee has found the necessity, and said that consumers' interests are going by default. This ordinance and the Bill are an outstanding example of that. I would, therefore, appeal to the Government that at least they should associate the consumers by forming some consumers' council or something so that the consumer might have a say in the price of oil. After all, he is footing the bill in regard to oil to the extent of Rs. 190 crores per annum. This is a suggestion which the hon. Finance Minister should bear in mind.

It is very strange that all these arguments and statistics are advanced when the advantage is to be passed on to the consumer. But, as my hon. friend Shri Tridip Kumar Chaudhuri pointed out, when at the stroke of the

[Shri Naushur Bharucha]

pen last year the oil companies were given an increase in price, nobody talked or said that the price as increased was negligible. Straightaway it was passed on to the consumer. At that time all these arguments were not patent. I submit it is a very unfair treatment meted out to the consumer, and I still appeal to the House to throw out the Bill.

**Shri Narayanankutty Menon:** The hon. Minister said that by means of this measure, the total revenue will be Rs. 8 crores to Rs. 9 crores. May we know one thing. Because this amount of Rs. 8 crores or so comes in the higher income bracket of these companies, how far will the companies get a corresponding tax relief and what will be the real revenue income of the Government? We have not got any account of the companies. Only the Government say they have got

**Shri Morarji Desai:** I do not know if this comes out of the taxes. Of course, all profits are made up. They are also taxed. Therefore, if this had increased, their profits should have also been taxed. And yet, it does come to Government in this form or that form. If it had gone, then, only half would have come. If the whole has come, then the whole is a revenue to Government. Therefore, even examined from that point of view, I do not know what point is sought to be made out. I do not understand what it is.

**Shri Narayanankutty Menon:** My point was this, because—

**Mr. Deputy-Speaker:** I thought it was not a Question Hour.

**Shri Narayanankutty Menon:** Just a clarification. My point was that because this is in the form of excise duty, this duty will be exempt from income-tax and the actual amount

comes from the top income-tax bracket. Therefore, what will be the corresponding relief that the company gets out of this? I do not know whether the Finance Minister had not understood this.

**Mr. Deputy-Speaker:** He had answered that if it had come in that form perhaps it might have been a part of it. Now, the whole is coming. Was that the answer given?

**Shri Morarji Desai:** Yes.

सेठ अचल सिंह (प्रागरा) मैं जानना चाहता हूँ कि इस बिल में जरिये में गवर्नमेंट की मानाना आमदनी क्या हो जायेगी और दूसरे यह कि यह टैक्स प्राविशाल गवर्नमेंट्स लगायेगी या स्टेट्स का उन का हिस्सा मिल जायेगा।

**उपाध्यक्ष महोदय:** पहली बात का जवाब तो मिनिस्टर साहब दे चुके हैं कि कितनी आमदनी होगी। वह स्टेट का नहीं जायेगी बल्कि कमानिडेटेड फण्ड में जमा होगा। अफसोस की बात यह है कि मम्बर साहब शायद उस वक़्त मौजूद नहीं थे।

Now, I shall put the resolution to the vote of the House. The question is:

"That this House disapproves of the Mineral Oils (Additional Duties of Excise and Customs) Ordinance, 1958 (Ordinance No. 6 of 1958) promulgated by the President on the 30th June, 1958"

The resolution was negatived

**Mr. Deputy-Speaker:** I shall now put the motion to the vote. The question is.

"That the Bill to provide for the levy and collection of additional duties of excise and

customs on certain mineral oils be taken into consideration".

*The motion was adopted.*

**Mr. Deputy-Speaker:** There are no amendments to the Bill. The question is:

"That clauses 1 to 6, the Enacting Formula and the Title stand part of the Bill".

*The motion was adopted.*

*Clauses 1 to 6, the Enacting Formula and the Title were added to the Bill.*

**Shri Morarji Desai:** I beg to move:

"That the Bill be passed".

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

"That the Bill be passed."

**Shri Narayankutty Menon:** I want to speak on a point of clarification. The hon. Finance Minister has said in his reply that this is only a tentative arrangement with the companies, and subsequently cost accountants will go into the accounts of the companies and if, on examination of the accounts, there is reasonable ground for demanding more cut in the prices, that will be asked for, and if, in the alternative, the cut already given by the companies is not reasonable, then the companies will have to be given a relief with retrospective effect. This is the first time the Government says that there is reasonable doubt on the part of Government that this tentative arrangement may, upon proper examination of the accounts of the companies, prove otherwise also. During all the debates previously upon this question, Government Ministers have announced that the Government is convinced that the oil companies are taking very unreasonable prices and they are making

unreasonable profits also. The Ministers have also admitted that compared to the international price of oil, the oil sold in India costs more and therefore, obviously and reasonably, oil companies are making more profits.

But now we come to understand that the Government has given another rope to these companies in the alternative form that if on an examination of the accounts, the Government come to the conclusion that whatever price reduction we have asked for is unreasonable, we have to give back to the companies this relief. When I made a reference to the accounts of the companies, I spoke not in an irresponsible way, because it has been the subject-matter of discussion on the floor of the House and once the hon. Speaker had to pull a Minister to bring forward the accounts of a particular company, which the Minister said were not available. Before many courts, the companies had filed affidavits saying that the entire accounts of the companies are not kept in India, but are kept in London, and so, it is not possible for these companies to bring forward all those accounts. Therefore, the hon. Finance Minister said, "accounts kept by these companies on the distribution wing of this industry". So, in that account, we will find the cost of petroleum as it comes to the ports of Bombay, Cochin and Calcutta, their expenses in distribution and whatever remains is the surplus in India. I submit that the Government should reconsider this position. By accounts, it is meant not the accounts kept by the company in India with the CIF prices alone, but also the additional expenses shown by the company in various terms which are not ordinarily allowed in accounts—various items of expenditure on entertainment and so many other things.

You will find that the total amount of business done by these companies

[Shri Narayanankutty Menon]

in India and actually the cost of distribution have risen in recent years to a very exorbitant level. Therefore, when the Government come forward to examine the accounts of these companies, they should examine not the accounts kept in India for the distribution wing of the industry alone, but a reasonable explanation should be sought from the oil companies regarding the break-down. The Government should not be satisfied by checking on the expenditure items shown by the companies, by giving large amounts of money as bonus to foreign personnel completely out of proportion to the salaries drawn every month and also entertainment allowance. Government should take care to see that only reasonable items of expenditure in consonance with the nature and total volume of business in India should be allowed. If these accounts are examined, just as the Government used to be convinced six months or a year before, I am quite sure that the original information the Government had in their possession about the profits made and the right of the Government and the people of India to get a reasonable return as far as the prices are concerned, will prevail.

I beseech the Government that immediate steps be taken, so that this matter should not be delayed. Last year, after giving an assurance on the floor of the House that we are pressing the oil companies for a price reduction, two months afterwards, through another Ministry, the Government granted a price increase simultaneously. No explanation was given to the House for giving that price increase. Government should not in future do this sort of double-talking. On the one side they say that they are convinced that the prices are high, but through another Ministry they give a price increase without consulting this House and

without our having an opportunity to discuss that subject. Government should confine themselves to this point that the prices are unreasonable and they should look into the accounts and properly check them. In the meantime at least the status quo about the *ad hoc* arrangement will have to be maintained and thereafter, after consulting this House, Government should take a final decision regarding the price reduction.

I do hope that the Government will not repeat what they have done last year by granting *ad hoc* increments in prices, and that they will, after proper examination of accounts, come before this House again and do what is just as far as the price of oil is concerned.

Shri Morarji Desai: I can assure the hon. Member that Government will benefit by his suggestion—so far as it is possible and reasonable to do so.

Mr. Deputy-Speaker: The question is:

"That the Bill be passed".

The motion was adopted.

16.25 hrs.

RESOLUTION, RE: BANARAS  
 HINDU UNIVERSITY (AMEND-  
 MENT). ORDINANCE AND  
 BANARAS HINDU UNIVERSITY  
 (AMENDMENT) BILL

Mr. Deputy-Speaker: The House will now take up discussion on Shri Braj Raj Singh's resolution regarding disapproval of the Banaras Hindu University (Amendment) Ordinance, 1958 and the Banaras Hindu University (Amendment) Bill, 1958.

The resolution and motion for consideration of the Bill will be discussed