

Mr. Speaker: The Bill seems only to be a consequential thing.

Shri Mohammed Imam: I am just pointing out the difficulties and dangers of such a switch over.

Mr. Speaker: A change to naye paise has been accepted. The Act has been passed and the people's minds have been adjusted in terms of naye paise and the rest.

Shri Mohammed Imam: I am not going into that. As far as the terms to be used are concerned, strange terms are going to be introduced and that will cause difficulties to the rural population. Till now we have been thinking in terms of maunds, seers and chataks. Now we are going to introduce quintals, kilograms and other things. What I say is, in order to enable the ordinary man to understand these things,—the man who is not conversant with these new names—proper Indian terms or regional terms must be introduced.

I may mention one instance in this connection. For four gallons of kerosene, we are paying a certain amount as excise duty. The term "gallon" was a very familiar term. For four seers of tobacco or beedies, we were paying a certain amount as tax. Now, we are going to replace these terms by entirely new terms, with which the people, the masses in the country, are entirely unfamiliar. I think 99 per cent of the people or at least 95 per cent of the people do not know what a quintal is or what a kilogram or kilolitre is. In the first place, we have to educate the public. As has been pointed out by my hon. friend Shri Prabhat Kar, I think, because of the ignorance of the people so far as these terms are concerned and because of their ability to understand the new system, many people may take advantage of this occasion and exploit the poor masses.

Last time, the Minister said that by this change over and switch over to the new system of currency, Government would stand to gain only about

Rs. 13 lakhs. That has to be seen. But, personally I feel that as a result of this switch over and change of currency, the people will have to pay more taxes and they will be taxed more.

Thirdly, it has been pointed out....

Mr. Speaker: How long is the hon. Member likely to take?

Shri Mohammed Imam: Another ten minutes.

Mr. Speaker: What about the Minister?

Dr. B. Gopala Reddi: I may also take ten minutes.

Shri Harish Chandra Mathur (Pali): I would also like to speak.

Mr. Speaker: Then this will stand over. The hon. Member will continue his speech the next day.

—
16.06 hrs.

MOTION RE: OIL POLICY

Shri P. G. Deb (Angul): I beg to move:

"That this House takes note of the oil policy of the Government of India with special reference to the import of crude oil from abroad."

I am thankful to you for allowing my motion to be discussed. While moving this, I wish to draw the attention of this august House to the queer policy of the Government of India in regard to the principles on which stands their oil policy today. On the one hand, it is seen that serious blunders have been committed at the implementation stage, and on the other I think the people have begun to realise the follies of the Government which have done damage to the nation's economy to a very great extent. In fact, in the current year, no event has attracted so much public attention and controversy as the problem of our oil drama, the tackling

of which is urgently required to save our foreign exchange for the third Plan.

This House is quite aware of the fact that recently the Soviet Union had offered to sell crude oil to India at prices much lower than the world market price. To get this benefit, the Government of India approached the three refineries in the private sector to process this crude oil coming from Russia.

Mr. Speaker: The hon. Member may look into his notes, but as far as possible, speak *ex tempore*.

Shri P. G. Deb: Yes, Sir. The three foreign companies, namely, Standard Vacuum, Caltex and Burmah-Shell, have refused to accept this offer at the cost of the consumers of this country. It has given a rude shock to all, and has therefore, focussed the attention of the public on the agreements so signed between the Government of India and the foreign oil companies who are responsible for setting up these refineries in the private sector.

Let me be frank in saying that during the negotiation stage, of settling these agreements, the Government gave their clear evidence as to how they lack business know-how and bargaining skill. It may be that due to sheer enthusiasm to bring up these oil refineries, the Government of India have lost all their vision of a long term view. For that, they have failed to have proper safeguards in the agreements, which could have been easily fixed up on equity basis.

Let me also tell this august House that broadly speaking the agreements of all these three refineries are more or less identical. But what is most important for us to know is the specific clause in the agreement which governs the purchase of crude oil by our refineries in the private sector. I shall, therefore, read out the assu-

rances given by the Government to Stanvac Oil Company. In clause 6, sub-para 3(a) of the agreement, it is said as follows:

"Purchase of crude oil at world market prices prevailing at the time and place of shipment with freedom of choice as to source of supply. The crude oil will, most likely, originate from the Persian Gulf area."

It goes on to say:

"and the producing operation can be carried out under conditions considered economically satisfactory to SVOC."

Then, it goes on to say:

".... its own production in India and its then existing contract commitments, will attempt to contract for the purchase of such crude oil."

If I may say so, the Government of India was absolutely myopic in tackling the matter. If I may say so also, the Government of India is to be totally blamed today because they could not visualise, in the first place, the scarcity of foreign exchange that was to follow and for which necessary stipulation was essential in the agreements either in the form of barter arrangements, or in the type of payments to meet the obligations in terms of non-convertible rupees.

Secondly, the Government had entirely ignored the fact that there was possibility of having some other source of oil supply through import, at prices much lower than those prevalent in the Persian Gulf area. Therefore, the necessity of a guarantee clause was essential, so that the supply of crude oil to the refineries would have been met at fair price. 'Fair price' is most important. If such type of commitments had been made, it could have easily prevented the foreign companies today from throwing out the Russian offer.

[Shri P. G. Deb]

Then again, it may surprise the Members that even the principle of reciprocity has been sacrificed in regard to the right of making changes in the agreements concerned. Again I quote from the agreement with the Stanvac. Clause 20 reads thus:

"Assurance that in the event of any other refinery producing similar products from imported crude oil being granted terms generally more favourable than those granted to this refinery, those terms will be made applicable to this refinery."

Thus, it will be seen that all this means, the refineries in question will always continue to have their every economic advantage, whereas similar advantage to India or to the consumers at large will depend on the sweet-will of these companies. So Sir, this is what the situation is. The result has been that the foreign oil companies have always dictated their terms and are still dictating as has been proved to the hilt in the current oil episode which is on afloat.

Then again, the hon. Minister for Oil while replying to a recent question on the 11th August, 1960, has pointed out that the Government of India do not propose to take any unilateral step in the matter of revision of the agreements. In actual fact, it is not that they do not propose to take steps, but they cannot take steps. Government is forced to keep quiet, because of their commitments in writing. But surely that does not prevent the Government of India to use other methods to go ahead with their desire. Further, the hon. Minister has told this House that there was a possibility of purchasing Russian crude oil. He then disclosed later that it was not necessary at this stage to purchase crude oil and gave his reasons for it.

Therefore, the whole matter seems to me very funny. I would also like the hon. Minister to tell us whether the decision to drop the proposal was

a Cabinet decision or an act of his own thought. All this the House is entitled to know. Let me make it clear that I do not wish to impute any motives, but surely a clarification is wanting. Otherwise, there is bound to be repercussions of a serious nature amongst the Members of Parliament. Therefore, I wish to emphasise that when this 'oilism' is very important for the nation as a whole, it would have been proper and just if our Sovereign Parliament had been taken into confidence at the time of licensing the refineries in the private sector.

I come to another aspect. As I have said earlier, the nation is faced with the shortage of foreign exchange resources, and that day is today. Statistics show that our sterling balance now stands at about Rs. 145 crores. Whereas the total foreign exchange spent on import of petroleum and petroleum products in May, 1959 was to the tune of Rs. 3½ crores, in May, 1960 it was over Rs. 7 crores.

The Minister of Mines and Oil (Shri K. D. Malaviya): On account of crude oil?

Shri P. G. Deb: Yes, Sir. Now, the position in the third Five Year Plan may still be worse with the requirements of heavy foreign exchange. As such, it is a clear picture that the balance of payments is not going to improve. Rather, it is getting worse. Therefore, it is necessary that any offer of trade in rupee account from any quarters should always be accepted to give relief to our planners in regard to foreign exchange resources. Also, let it not be forgotten that due to our foreign policy of dynamic neutrality at present, India is in a very good position and can make best of economy bargains, to cope with her Five Year Plans.

Therefore, in view of what I have said, it will thus be seen that there is no alternative for the Government except to use the methods of indirect pressure and persuasion and along

with that, above all, economic competition with these private oil companies in order to come out from the present position of great disadvantage. I have no intention to go any further with the *post mortem* of the past. Nor do I wish to cry over spilt milk. But scrutiny of facts was necessary and I have done it in order to appreciate the need of a national oil policy in future.

Sir, to put it bluntly, having burnt our boats to some extent through commitments, it is now necessary that we have a clear conception of our future oil policy so that our present position of disadvantage does not continue for a long time as it is now. Therefore, the question arises, what should be our principle on which we should base our approach to the petroleum industry? The answer is, how best to protect the Indian consumers through a fair deal of control on petroleum and petroleum products only. Sir, let us not feel jubilant on the report in the newspapers of August 27, 1960 that Burmah Shell and Stanvac have further reduced the prices of crude oil. I would like to submit in all humility that most of these foreign companies are really integrated units and have their favourable arrangements for their supply of crude oil. They are, in fact, great monopolists, rather a combined monopoly, if I may use the word. Therefore, I am of the opinion that this tendency must be checked, and can only be checked through a certain amount of reorientation of our oil policy.

I would recall that more emphasis should be given for establishment of refineries in the public sector. We have today Nunmati and Barauni refineries in the public sector but, as laid down in the draft Third Five Year Plan, the expected production from these refineries is not going to meet our requirements. That means, the country will fall short of a huge deficit in respect of most of the petroleum products. Further, as per the

figures given in the draft, the total estimated production of all petroleum products would be about 7,050 tons, while the deficit in terms of requirements by 1965 would stand at 3,350 tons. Thus, it is evident, that half of our petroleum products shall have to be met through imports from foreign countries. Sir, this is indeed not a happy picture. I may point out that when we look into the future, we are just guided by the consumers' interest, the cry of the socialistic pattern of society, and therefore, it is all the more necessary, that the oil refineries in the public sector should be augmented without wasteful arguments and further delays.

Sir, judged from this important consideration, our Government should expand the refineries and set up more ambitious programmes. At the same time, the oil companies in the private sector should be made to realise the advantage they have gained all these years through their agreements. Therefore, Sir, I tend to believe that there is no reason why the oil companies in the private sector should not import crude oil for our refineries on competitive world rates. This is a simple business commonsense, and whatever may be our ideological affinity with the oil producing countries of the West or the East, we should not disregard commercial considerations.

Before I conclude, Sir, I would like to tell the House what is being pointed out by some people outside. It is said that Russia has made a trade offensive, by her offer of cheap crude oil to India and, as such, is bent upon spoiling the traditional trade of the Western powers. That may be correct. But, the point is, normal business considerations demand that we should be able to strike a better bargain in regard to the prices of crude oil and other petroleum productions. Sir, I have tried to put up a realistic picture of the whole matter and it is left to the House and the Government to decide over the issue.

Mr. Speaker: The hon. Member should conclude now.

Shri P. G. Deb: I require a few more minutes.

Mr. Speaker: No more minutes please. I have given him 20 minutes.

Shri P. G. Deb: I require a little more time.

Mr. Speaker: The total time allotted for this is only two hours. If the hon. Member, even though he may be the mover himself, takes more than twenty minutes, what can I do?

Shri P. G. Deb: I require only two minutes more.

Mr. Speaker: Ten hon. Members have given their names. Anyhow, I will give him one more minute.

Shri P. G. Deb: In summing up my remarks, I would thus suggest to the Government that the following measures should be adopted to overcome all difficulties in future. There should be an oil policy committee of Parliament, with, of course, some outside experts, to go into the whole matter and make suitable recommendations regarding the petroleum products of our country. I wish to end up by saying that it is high time the three foreign refineries in the private sector in India rise to the occasion, or else a stigma would be found to mean in any way the public likes.

Mr. Speaker: Motion moved:

"That this House takes note of the oil policy of the Government of India with special reference to the import of crude oil from abroad."

There is a notice of an amendment by Shri Vidya Charan Shukla. Is he moving it?

Shri Vidya Charan Shukla (Baloda Bazar): Yes.

Mr. Speaker: All right. The time limit on speeches will be ten minutes.

Shri Vidya Charan Shukla: The oil policy which the Government have followed and which has been pursued is almost the only logical course that our nation could take in its best interest, and I must congratulate the hon. Minister for giving us his dynamic leadership in this field. Our economic freedom, in spite of our achievements in other fields, would have remained severely restricted if we were not able to develop a promising national oil industry in our own country. However, we are still in the initial stages of development in this all important industry and extreme care is necessary so that the foundations of this industry are well and truly laid.

In the beginning lots of mistakes have been committed, and they have been quite costly. But I hope the Government have learnt a lesson from those steps and those mistakes will not be repeated in the future. The Naharkatiya oil was firmly established by 1953 but all these seven years, for one reason or another, we have failed to take advantage of this oil. The oil from Naharkatiya will be refined in Barauni and Gauhati to the tune of 2.75 million tons which is a substantial quantity, which could have saved us Rs. 25,30,00,000 in foreign exchange every year. For some reason or other, the Government could not come to terms with the Assam Oil Company. There might have been some legal difficulties, but, whatever they are we are aware of the failure of our Government to come to grips with the situation or problem, which has resulted in a severe loss all these seven years. If we allow two years for the construction of refineries and pipe line and all that, we should have had the Naharkatiya oil in our consumption centres for these five years. Pakistan discovered Sui gas at about the same time. Now they were able to utilize the Sui gas in two years and they have constructed a pipeline to Karachi, and another pipeline to Multan is almost ready.

Though we discovered our oil at that time, we have not been able to do that.

I am very sorry to say that looking at the Third Plan I get the impression that our planners have not very seriously taken to this question of oil production. The four private oil refineries that are at present operating are refining 5.5 million tons of oil annually.

The public sector refineries will refine 2.8 million tons of crude oil annually bringing the total refining capacity in our country to 8.3 million tons. Another one million tons' capacity refinery will be established in Cambay region contingent upon the Cambay oil. All this will total up to 9.3 million tons, whereas it is estimated that by the end of the Third Five Year Plan period we shall require 14 million tons of crude oil. That means that we shall have a big deficit of 4.7 million tons in our refining capacity.

Shri Harish Chandra Mathur (Pali): Where from did you get the figure of 14 million tons?

Shri Raghunath Singh (Varanasi): 14 million tons is too much.

Shri Vidya Charan Shukla: I have taken this from the text of the broadcast talk which Shri Sahni gave from the All India Radio. It is not mentioned in the Draft Outline of the Third Five Year Plan. Shri Sahni, Joint Secretary, said in that talk that it is estimated that our requirements will go up to 14 million tons at the end of the Third Plan period.

This means that if our industrial growth achieves the growth that is required, we shall have to import 44 million tons of finished petroleum products because we do not have any refining capacity in our own country. That would, of course, mean a tremendous strain on our foreign exchange resources. If this tremendous

strain is to be avoided, we must do two major things. First of all the basic thing is to try to find the necessary oil in our own country. To undertake an exploration job which will be looking after this huge deficit between our production and consumption will probably take Rs. 800 crores or Rs. 900 crores. That is obviously out of the question.

The second alternative that is open to us is to try and fill this gap of refining capacity in our own country so that we are required to import only crude oil and not refined petroleum products. It will mean a substantial saving in foreign exchange. I am sure the foreign exchange that will be saved in importing crude oil in place of refined petroleum products will pay for the establishment of additional refineries which I am pleading for establishment in our country.

According to the economic trends at present in the world oil refineries are now located in the main consumption centres. So whatever refineries we might establish today would be very handy and very useful, in case we strike oil in our own country because it will save the time lag between discovery and refining of oil. As soon as we get the necessary oil discoveries in our own country we can stop importing crude oil from abroad and use those refineries for refining our own oil. These refineries, because they have to be located in the main consumption centres, can easily be located in South India, in Madras or in Cochin or in places like that which are far away from the present refineries. However if these advantages have to be fully derived, I am of the firm opinion that these refineries must be located in the public sector only, because according to the present policy that our Government is following there is no other course that is open. Even if we do not have enough funds to do it we should try to find the funds from the friendly countries. There is a very important passage in the Draft Outline of the Third Five

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Year Plan which, while discussing mineral oil says on page 215 that—

“....the additional funds required for developing production and for refining capacity and pipelines will be provided in accordance with the requirements as assessed from time to time.”

This clearly indicates that the Planning Commission recognises the importance of refining capacity, but since we do not have our own indigenous oil they have not provided for any fixed allotment for the establishment of refineries. But I request the hon. Minister to take this matter up again with the Planning Commission for allotment of sufficient funds so that during the Third Plan period we establish oil refineries which will refine crude oil that we might have to import to meet our requirements.

As the Second Plan was the plan of steel, this Third Plan must be the plan for oil, because in my opinion oil is no less important for industrial growth than steel. We should not be faced with the prospect of regretting later on, as we regretted now that we did not establish a steel plant in the First Plan, that we did not establish enough refining capacity in our country and we lost so much of foreign exchange by that. I hope the hon. Minister will keep this in view and accept my plea.

Shri Braj Raj Singh: (Firozabad): What is the amendment.

Mr. Speaker: He has not formally moved the amendment.

Shri Vidya Charan Shukla: I move:

That at the end of the motion, the following be added, namely:—

“and approves of the said policy”. (1)

Mr. Speaker: Both the motion and the amendment are now before the House. Shri Damani.

Shri Jaipal Singh (Ranchi West—Reserved—Sch. Tribes): May I submit that the amendment is out of order? If Shri P. G. Deb had put in the words “takes into consideration” in his motion, the amendment would be in order. But he has used the words “takes note of” and so the amendment is out of order.

Mr. Speaker: There is a change now. Formerly the words “takes into consideration” were in vogue in our country, but the use of the words “takes note of” is the practice or the form that is adopted in the House of Commons. We have since adopted that form. Amendments can be moved to it. The words “takes into consideration” merely mean discussion and then we go away. The motion is then not put to the vote of the House. But in this case even without an amendment being there, this motion will be put to the vote of the House. That is the change that has come over.

Shri Jaipal Singh: Will we vote on this?

Mr. Speaker: Yes, we will vote on this. Even without this amendment, we vote on it.

Shri Jaipal Singh: We have not done that in the past.

Mr. Speaker: Hon. Member will look into the proceedings of the recent past.

Shri Naushir Bharucha (East Khandesh): May I know whether the form “takes into consideration” has been abandoned? There will be many occasions when it may not be desirable for the House to vote and it may be desirable only to discuss.

Mr. Speaker: True, but the difficulty with respect to “takes into consideration” is that if we put it to the vote after the consideration is over, it is meaningless. ‘Takes note of’ means that we have taken note of this discussion. In a way we approve of this policy. We have taken note of it and

the Government is directed that all that has been said has been taken note of by the House and the Government must act upon what has been said. Though we have not codified it or we have not enunciated a particular proposition, generally, to take note of is the first step towards a formal resolution that has to be made in those terms extracting whatever has been said for and against and ultimately the majority opinion prevails. This is as near to it as possible. To adopt a motion with the words "takes into consideration" at the end of a long discussion is meaningless. What is the effect of the discussion that has taken place? Therefore "takes into consideration" is not voted. That has been found to be impracticable and useless. I am considering giving up the old form of "takes into consideration". It seems to be meaningless.

Shri Damani (Jalore): Mr. Speaker, Sir, at the very outset I want to congratulate and appreciate the work of the Ministry and the policy framed for future exploration of oil. Oil is one of the major items of our imports. During the year 1959 our total imports were to the tune of Rs. 924 crores out of which the import of oil was to the tune of Rs. 82 crores. That is about 8·6 per cent. of the total imports. The import of crude oil and petroleum products is the next biggest item after foodgrains. For the Third Five Year Plan the target for the import of petroleum products and crude oil is fixed at Rs. 100 crores annually. A huge amount of foreign exchange will be required for making payments on our imports.

About a year back the hon. Minister informed the House that an abundant quantity of oil will be available in the Cambay region. Since then we have not heard as to what developments have taken place in that area. It will be very nice if the hon. Minister informs the House by what time the oil from Cambay region and from those areas where exploration work is going on will be available and the

oil will come into use. As the question of such big payment of foreign exchange is involved on this item of import, it will be of benefit to the public if a statement is made by the hon. Minister giving a time schedule about obtaining oil, putting it to the refineries and making it available for consumption.

The previous speaker has mentioned about the shortfall in respect of our refinery capacity. That is also a matter of great importance. Our present capacity is small and therefore we have to import finished petroleum products. If, therefore, from now we start thinking of working more capacity of the refineries, as our demand increases our capacity also can be increased accordingly and we can meet the demand and can save the foreign exchange by importing crude oil only and stopping the import of finished petroleum products. It will be a good thing if it is properly planned, and the earlier the decisions are taken and the work started the better.

According to me both the public sector and the private sector should be given a chance to enter into this field, so that early steps may be taken in this regard. (Interruption). My hon. friend may be thinking of something. I am thinking from the national point of view. There is no difference between one sector and another sector, and our supreme command is the Government.

We also want to know the reasons why the Russian deal about supplying crude oil at lower prices, where they had agreed to receive payment in rupee currency, could not be gone through. In view of the present difficult position of our foreign exchange if payment in rupees had been agreed to, that would have helped us to a great extent. Government should also consider the question of imports of crude oil, petrol etc., if possible, on a barter basis, so that we can save foreign exchange and increase our export of other

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commodities which we can afford to export.

With these few words I request the hon. Minister to clarify the position with regard to the matters I have raised.

Shri Jaganatha Rao (Koraput): I thank my friend Shri P. G. Deb for bringing this motion which has given an opportunity to the House to discuss the whole policy of the Government and to assess the same.

While speaking on the Demands of this Ministry on the 7th April 1960 I pleaded for a firm policy of the Government in this regard. The hon. Minister gave an assurance and said that "there is no deviation in the policy and if within the concept of our policy there are parties who are willing to come and search for oil I see no reason why we should not consider their proposals."

And later he went on to say: "All I can say is that any future agreement with any party who wishes to come here will be strictly based on two factors: that is, within the framework of our Industrial Policy Resolution, and that the agreement is consistent with our national interests".

Replying to Question No. 205 on the 8th August 1960 the hon. Minister said that within the framework of the Industrial Policy Resolution, private companies' offers will be considered.

So, Sir, in the first place in April he said that in the matter of exploration of oil he has no objection to foreign companies coming and collaborating in the process of refining, and on the 8th August he said that he had no objection to take any foreign company either in the matter of exploration or in the process of refining, subject to the Industrial Policy Resolution.

Oil occupies an important place in our national economy. Like iron and steel, the consumption of oil is an indication of the technical advancement of a nation. I said on the previous occasion and I repeat today that not only exploration but production, refining and distribution of oil should be in the State sector. The State must be able to control the prices of various petroleum products which can effectively increase the tempo of industrialisation and transportation in the country.

The main objectives of the oil policy of the Government should be to see that this industry makes its contribution to the expansion of the nation's economy and to the raising of the standards of living and providing suitable employment. Secondly, it should supply essential materials to all industrial units. And, thirdly, the policy should be in keeping with the political and economic set-up of our country.

In order to attain these objectives the national oil policy should be so evolved as to keep pace with the new conditions resulting from the economic changes and the scientific and technological progress. A healthy and sound domestic oil industry is essential for the welfare of the nation and for national security.

India's present production of crude oil is about 3 million tons, whereas the demand is about 6 million tons. This demand is going to increase during the Third Plan period to 14 million tons; it is likely to increase to 25 million tons during the Fourth Plan period and to 50 million tons in the Fifth Plan period. So, to attain self-sufficiency in oil and oil products by the end of the Third Five Year Plan period we have to spend, according to me—I may be correct or wrong—Rs. 3,600 crores in search for and development of oil resources, refining of crude oil and distribution of its products. Every year we have been importing petroleum products

to the tune of Rs. 100 crores. So it is all the more necessary to intensify our efforts to discover new oil fields and develop refineries of crude products.

In the Third Plan period there will be a heavy imbalance between production of motor spirit, and kerosene, diesel oil, furnace oil and residuals such as bitumen. Even at present, due to the greater production of the refineries there is a surplus already of gasolene over the middle distillates.

Shri Rajendra Singh (Chapra): Sir, should we read out our notes or should we make our speeches?

Mr. Speaker: I think the hon. Member is only referring to his notes.

Shri Jaganatha Rao: And not reading like the hon. Member who does it always.

Shri Rajendra Singh: I never do it.

Mr. Speaker: Very well. The House knows who reads and who does not read.

Shri Jaganatha Rao: Sir, with the increasing use of diesel oil in transport, agriculture and industry this imbalance will assume serious proportions during the Third Plan period. Taking into consideration the estimated demand and the estimated production of refined oil during 1965-66, motor spirit will show a surplus and the rest a deficit.

So the oil industry has to face a serious difficulty. How is the Government going to meet the situation? In the Third Plan outline we find that the planners have suggested three remedies. They say that the solution to the imbalance problem will have to be found by the adoption of the following measures. Firstly, technological measures to increase the production of middle distillates. That is correct. Second is, appropriate fiscal measures which will retard the

growth of consumption of high speed diesel oil. According to me, this is a retrograde step. Nowadays, diesel oil is being used for transport. Even the Railways are taking to diesellisation. If an impost is levied on the use of diesel oil, certainly, it does not add to the tempo of industrialisation. On the other hand, it will increase the cost. The aim of the Government should be to see that more diesel oil is produced to meet the demand. Looking at the consumption trends in recent years, there is greater demand for diesel oil. The consumption of motor spirit in all countries is coming down. The Government should take care to see that diesel oil is produced in greater quantity to meet the situation. Otherwise, Government have to import it at huge cost. At present, we have no foreign exchange. I have a feeling that the Government have not taken too seriously to this situation.

I would suggest that the primary duty of the Government now is to discover more oil fields in the country. The rate of progress in discovery of oil fields, according to me, is very slow. In fact, at the present rate it will, I think, take 5 to 10 years to discover new oil fields in the country. What are you going to do in the meantime? The total area in India of oil-bearing land is about 400,000 square miles. But, it has to be explored and test drilling has to be carried out. Government should increase the tempo of activity in this direction. I agree, the Oil and Natural Gas Commission is doing a good job. But, I am not very happy at the rate at which this discovery is going on. The Government should take care to see about the distribution of petrol and petroleum products. At present, there is no storage capacity for the Government. They are using the tankers of the Defence Ministry. Even they are not sufficient to meet the situation.

There is the Petroleum Products Advisory Council. Its terms of reference have to be enlarged to cover

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utilisation of natural gas, manufacture of petro-chemicals, synthetic oils, and utilisation of the by-products of the oil refineries, etc. Unless its activities are increased, the Petroleum Products Advisory Council will not be very much useful.

I would like to say a word about the steps taken by the Minister to reduce the price of petroleum products. Really he deserves the commendation of the House. But, this is only a temporary measure. What are we going to do with the refineries? I consider the refineries not as foreign refineries, but as refineries belonging to India. If not today, tomorrow they will become ours though at present we cannot touch the agreements. These agreements were entered into by the Government at the time when there was no Industrial Policy Resolution. In view of our economic development, certainly, the Government should take serious steps to see that the agreements are revised. At least, the period should be reduced first. They wanted a 25 year immunity so that these projects could not be acquired. We may try to reduce the period to 15 years or by the end of the Third Plan, the refineries should be at the disposal of the Government on payment of compensation. Or, these firms should be allowed to be worked in such a way that there is equal participation in the working of the refineries. At present, there is only preference shareholding. There is no equity shareholding. Something has to be done.

I would like clarification of some of the points. The hon. Minister has given information on the floor of the House about the Cambay region. The Cambay region will produce some oil. To what extent is oil expected to be produced there? The House has to be informed. Secondly, we should be told whether any analysis has been carried out about this oil in Cambay and whether it is useful

for the production of motor spirit or middle distillates. What is the capacity of the Ankleswar oil fields? All this information is necessary. Without that, only declaring that a medium-sized refinery would be established in Cambay may lead to various complications. Every region wants a refinery. We cannot give a refinery to every region. The other day, there was a question about South India. South India wants a refinery. Oil refining is not an industry which could be located anywhere wherever oil is found. There are other economic considerations. I would like the hon. Minister to enlighten the House on these points, to take the House into confidence and give the necessary information.

Then, I would like to know whether the Barauni refinery and the Nahorkatiya refinery would produce motor spirit and middle distillates, kerosene, diesel oil and so on, and in what proportion they are going to be produced and to what extent they would meet the rising internal demand, so that import from foreign countries could be reduced to a minimum.

Shri Jaipal Singh: Mr. Speaker, if you will not take away a couple of minutes from my time, I would like to go back to the point I raised. I feel we have slipped up in discussing what we are attempting to do at the present moment.

First of all, have the Government, at any stage, placed before this House or Parliament any definite, specific, concrete policy? What are we discussing today? Is there anything before us about the oil prospecting policy, or the policy for production, policy for refineries, or policy for distribution and marketing or the policy towards the foreign refineries? Personally, I am pretty vague about it all. I really do not know what we are discussing. If the hon. Minister had started with his policy, if he were the first to begin, I could understand.

Shri K. D. Malaviya: The policy is well known.

Shri Jaipal Singh: I feel, by voting on this, we would be embarrassing the Government, because this House would be committing the Government in a very vague way. To what? As the wording here goes, nothing is specifically worked out. Having said this,—I still feel, with due deference to your ruling, that the old method is better—I bow down to your ruling.

Mr. Speaker: We have been adopting this for some time past.

Shri Jaipal Singh: I am thinking from the point of view of voting. The hon. Minister must have laid the policy before the House. What are we talking about?

Mr. Speaker: All that is required is that the House has to take note. The Minister may consider all that has been said in the House and revise his policy if a revision is necessary.

Shri Jaipal Singh: Here, we accept the policy according to the amendment.

Mr. Speaker: That is all. It means nothing more. The amendment says that the policy is approved. Hon. Members may feel that there is no policy at all. The hon. Minister will state what the policy is.

Shri Jaipal Singh: The only one thing that is floodlit in the discussion according to the sponsor is in regard to the import of Russian crude oil. That is the only thing he has come forward with. However, I want to say right at the outset that I am not going to be a party either to supporting or opposing this, because, I am very clear in my mind that we are talking in a vacuum, with nothing definite from the hon. Minister.

Mr. Speaker: The hon. Member may say what he likes.

Shri Jaipal Singh: I am going to come to that straightaway.

Looking at the Minister, I am reminded of an English proverb, you are a sweet nut if you were well cracked. The whole picture of our petroleum policy seems to be this. We have done well; we have launched upon something very very ambitious; it cannot but be extravagant; it will be very expensive; nonetheless, we have to make a start. But, I think, we have tried to run before we can walk. What has been referred to in this particular motion about Russian offer of crude petroleum, for example, to my mind, is nothing other than a blackmailing process in our country. If there had been an offer to set up a Russian refinery and then a continuous supply of crude petroleum, I could have understood it. But, the argument put across the country is, here are Russians willing to supply crude petroleum at so much cheaper rate, why are you not pressing the people who are at present in the country, to accepted that.

17 hrs.

I think this is a thing that we should consider very seriously. I my extreme youth I was in the petroleum business, and I know some of the tactics that these people are used to employing, but in this particular context I cannot but say that the hon. Minister has somewhat, not altogether, shall we say in the generous folly of youth, somehow or other fallen a victim of blackmailing tactics.

Shri Rajendra Singh: Is he young?

Shri Jaipal Singh: Whenever we are dealing with Russia, we must always remember that not one of us is competent enough to assess how the price structure is made up there. We do know something about the western world, but I do not know anything about the Russians. All that I can say is that, somehow or other, I have not been able to under-

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stand why this one single offer has suddenly been made. If they had made an offer that was to continue the flow into our refineries, I certainly could have been with the hon. Minister. But one single supply is not going to solve the problem.

Shri K. D. Malaviya: It will be continuous.

Shri Jaipal Singh: I am glad to hear that. I want the hon. Minister to tell us that it will be continuous, because that is an important thing.

Next, with your permission let me quote what the retiring Comptroller and Auditor-General has said about some of the Government endeavours:

"A comprehensive assessment of the waste that has taken place of our limited resources as a result of delayed planning and execution would, I fear, present a staggering picture."

My hon. friend Shri Vidya Charan Shukla has already pointed out how we were years and years too late in taking full advantage of the discovery of the oil fields in Assam, and yet I am asked to approve of the policy. That is why I say I am sorry I cannot be a party to it. Let him come forward with something more concrete and helpful, something that I can see before my very eyes.

That does not mean that I am against the basic policy of trying to carry out exploration, trying to be self-sufficient if we can. The petroleum industry is not a joke. Let us look at the history of the other countries, even the Russians. After all, the Russians inherited what the Royal Dutch Shell group had developed in the Baku oilfields. It was not something that they originated, but it was something misappropriated when communism came into the country. But if you look into the history of the petroleum industry,

maybe, in America, in Iran and elsewhere, you will find that enormous, astronomical figures have to be wasted in this exploration process. So, my own difficulty in this particular endeavour is the fact that here we are very short of funds. If we can get the same work done,—the work is being done in our own country, not elsewhere—if the work could be executed by others, call them foreigners if you like, who have the wherewithal, knowhow and everything, and who could be persuaded to assist us in this respect, I say what we save thereby would go to other better, better in the sense of quicker, nation-building activities. One of my difficulties in not being a complete supporter of our present endeavour is that.

There is my hon. friend the hon. Minister of Transport and Communications. Every time you talk about an aircraft, he will tell you we are short of foreign currency, but next door his junior Minister comes forward with the announcement—the leader of the House announces, or he himself announces—that we have struck oil somewhere. He will be the luckiest man, and we will be the happiest country, if we can strike petroleum on a commercial basis, something that would be commercial, economical, paying, not just like the sort of sensation that is created in Agra. Somebody must have poured a tin of kerosene, and some sadhu discovers it. That type of sensationalism, I am afraid, does not impress us. It is going to be an expensive affair. But if you are going to do it, it cannot but mean money. Taking the inevitabilities of nature, it is my contention that this job should have been assigned to other people who were willing to do it, who are willing to do it, who will be willing to do it, if our attitude towards them is of the proper order.

I do not want to say anything more about it because I have my difficulty

of neither supporting nor opposing it. So, I will end up with a German proverb this time, and I would tell my hon. friend the Minister: "You are an honest man and I am your uncle, and that is two lies."

unable to go into details or to put forward figures.

The other question that has been touched upon by other Members also is the question of distribution and the question of storage. During the Budget session the Minister very nicely evaded and skirted this question of distribution and storage. While on the one hand he agreed with the hon. Member, Shri Narayanankutty Menon, when he pointed out that the storage capacity left a great deal to be desired, on the other hand he made certain generalised observations and generalised promises. These are becoming a bit too common on the part of the Minister, and I hope that he takes us into greater confidence and tells us in detail how this question of storage is going to be solved practically because this is seriously linked with the question of the crude oil offer of the USSR not being taken up because the distribution and storage and refinery capacity happen to be in the hands other than those of the Government. We are told it is the Government's policy to take the help of anybody who is willing to come forward on favourable terms with regard to the supply of crude oil, with regard to exploration. Here, when an offer is actually brought on favourable terms, is there before the Government, what is it that stands in the way? What really stands in the way is that every time we are being told about the aspects of the oil policy piecemeal, whenever issues are discussed, criticism made and answers given on the floor of the House and elsewhere. Neither are we given nor am I aware of any particular literature published by Government on the subject, nor am I aware that Government has a completely comprehensive approach towards this question of oil. The reason I feel is that more and more the Stanvac and the other oil companies which have a foothold already in this country do not want to give up what they have already got. It is not only we who have been saying it on the floor of the House but we find a series of

Shrimati Parvathi Krishnan (Coimbatore): I welcome this opportunity to discuss the oil policy of the Government. I only regret that the time allotted is so short, because when we discussed it during the Budget session, it was discussed before the draft outline of the Third Plan was made available to us, but today we are discussing it in the context of the draft outline. I therefore feel that the Minister is called upon today to take us into confidence as to why it is that even the original allotment of Rs. 200 crores is being cut down to Rs. 130 crores, when we are told at the same time that fresh oil wells have been struck during these past few months. We find it hard to understand this drastic cut, and then we are told that it is the Ministry of Finance that is bringing pressure because foreign exchange is not available, and that if more money is to be allotted to oil, it would mean a great strain on our foreign exchange resources. To me this seems a very penny wise and pound foolish policy, because we have had the benefit of very detailed and elementary education by the hon. Minister himself on the floor of the House, in the very many press conferences that he holds and in the various speeches that he makes whenever he is called upon, that oil is very important for our developing economy. If that is so, why is it that more money is not to be allotted for the exploration of oil, for developing the finds that are already there, and for setting up refineries, by which we can become less and less dependant on the foreign oil supplies which drain such a large part of our foreign exchange? That is a question I would like the hon. Minister to clear in his reply. In view of the shortage of time, I am

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articles and comments in various magazines, both in America and in our own country, pointing in this direction. For instance, *The Time* magazine has said:

"Two years ago, seeing its Second Five Year Plan in deep trouble and lacking foreign exchange, India sent high Government officials and Indian businessmen to the US to seek more dollars and also to sound out what was wrong, from the US point of view, with investing in India. The Indian emissaries got plenty of straight-from-the-shoulder advice in Washington and New York. When they got home, they made many policy changes. No longer in any new venture must Indians hold majority stock control. No longer are such fields as petroleum and synthetic rubber to be dominated by the 'public sector', i.e. State-owned. American investors have been guaranteed dollar compensation if the Indian Government should decide to expropriate a business."

This is not Shri Damani who is saying this, but it is *The Time* magazine that has made this commentary which has been echoed also by the hon. Member on the opposite side.

Not only do these magazines make these commentaries, but the Stanvac people and these business companies seem to be more efficient at lobbying hon. Members of Parliament than even the Minister himself. When here we are saying to the Minister that we are here to strengthen your hands, in the demands that you might make on the Planning Commission, and in the demands that you might make on the Finance Ministry, he seems to have made some wishy-washy and milk-and-water-speech, 'Yes, this can be done, but what can I do? This is what happened when I went here, and that is what happened when I went there.' And of course, he does smile on very nicely, as Shri

Jaipal Singh has said, while Stanvac in the last week has been lobbying Members of Parliament from the moment this resolution has been made known in the press. We got from Stanvac a beautifully brought out four-page whatever-one-likes-to-call-it, in which Stanvac pat themselves upon their back, and here is an advertisement which reaches the Members of Parliament far more efficiently than even the answers that the Ministry sometimes tries to give.

For instance, this is what Stanvac is trying to tell us:

"In the last five years Standard-Vacuum's total profits have been less than the amount invested and further sums had to be brought in from overseas to meet the requirements."

I am not sure whether it is a missionary society or Stanvac. They further say:

"In effect, no profits had been remitted overseas by Stanvac in the last five years."

Apparently, it is a philanthropic society that we have here. Further, they say:

"See in this context, the concept of profit becomes a little different from what is usually understood."

And then, they go on to argue. And today, we find that this is really preparing the ground for the sell-out that the Government are making to pull across us. That is, the Stanvac, having done or rather having not done anything in West Bengal, now want to creep in into Rajasthan. And we hear that they have also been telling their employees that they should be ready to go to Rajasthan. Therefore, I would like to know what Government's policy is in this regards.

Is the question of exploration of oil, the question of the refining of oil

and the distribution of oil going to be in the public sector under the control of Government wholly or in agreement with some company with the major part of the shares being in Government hands, or is it that in the name of the shortage of foreign exchange, in the name of the difficulties that we are facing, namely that resources are not available, even though people like Shri Vidya Charan Shukla are there ready to help in the matter of resources, with this argument in hand, we are going to have the foreign sector creep in into the oil industry more and more instead of the national sector spreading out?

Apart from this, there are also other aspects of the Ministry to which I would like to draw attention. For instance, about the Oil and Natural Gas Commission, we have often pointed out on the floor of the House the necessity for overhauling the whole set up of this. It is not only we who say it, but willy-nilly, the cat was out of the bag when the Prime Minister visited Cambay. There, in the welcome address given to him, it was stated:

"Our administrative and financial procedure are hedged in by rules, regulations and formalities, which do not fit into the requirements of peculiar work like oil exploration. These rules and regulations, therefore, should be modified and perfected with a view to handling risky decisions so that we can maintain the continuity of our operation. We are trying to fit ourselves into the existing pattern of administrative limitations as much as we can but we do hope that the efforts of our Chairman will succeed in relaxing some of the formalities of purchasing and other difficulties so that our planning could be made flexible and made easier".

This is again a question on which we want the House to be taken into confidence. What is it that has been holding up? What is it that has been referred to in this welcome address

saying that there is not sufficient flexibility in the matter of purchase and in the matter of making further progress, when certain discoveries have been there? We find that we are not told what the policy in regard to purchase is? Would it not be advisable, as far as possible, to see to it that the machinery that is being imported for our oil industry is imported as far as possible from one country, because we know that this is intricate machinery, it costs us crores of rupees, and then once we have imported it, we have to get the spare parts, and for developing, we have to develop on the very base that is already laid, and we cannot keep jumping from one place to another? What is the policy with regard to purchases? What is the system that we are going to follow? That is another matter that has to be cleared by the hon. Minister.

Lastly, I cannot but, on behalf of my Group, pay a tribute to the work that has been carried on by our technicians in the Cambay area, particularly as the hon. Minister himself has indicated during the budget session how the work there is being carried on in such a manner that they are promising quicker and quicker results. We know also the great difficulties under which these technicians work, because, as has already been referred to on the floor of the House, the service conditions that they have, the remunerations that even the top technicians in the Cambay area are given are certainly not such that you can say that they are going there because they have got well-paid jobs, or because they are going to some comfortable work. It is against great odds that they are working, but I would appeal that in the name of economy, in the name of austerity, it should not be those technicians who are doing such magnificent work who should be given the lower scale of salary which they are now being given. We know very well how well-paid are the technicians of a similar rank and with similar qualifications in the private sector. I do not say that we should go to that very extent. We know why they do it, and we know

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what the purpose behind it is. But the fact remains that the work that they do is so highly technical, the results that they have produced are so highly beneficial that it is something that has to be shown appreciation. Certainly, we do not want our technicians and our people who are there employed in the public sector to feel that their welfare is being neglected. Therefore, I would appeal to the Minister that the demands and the difficulties of our technicians and of our employees in the public sector need improvement, and should be looked into.

Finally, in concluding, just as Shri Jaipal Singh, gazing upon the hon. Minister remembered, was it, an English saying or a proverb, when I saw our Minister smiling so benignly on this House, as he always does, I was reminded of an article that he wrote, from which his smiling face comes on, as one reads the article. There, he says:

"Oil is assuming more and more a fundamental importance in the evolving economy of our country. Elsewhere also, excepting one or two countries in the world, there is a tendency to switch from coal to oil and gas. Even when atomic energy is produced in abundance, and its economics proved to be within the reach of the country, oil and gas will continue for decades and perhaps, more, to dominate a fuel role."

Since he himself feels that and he has admitted it, I hope that he also as a Minister of Oil will dominate the Third Five Year Plan, and will be inspired by what we have seen around us in the world, and by what happened in Ceylon and in Cuba, and will remain true to these sentiments that he has expressed in this article.

Shri Raghunath Singh: I want to speak on the freight policy in regard to oil. Nobody has spoken so far on the freight policy.

Shri Raghunath Singh (Vranaasi): Nobody has spoken so far on freight. I want to speak on that aspect.

Mr. Speaker: Every one can speak on that. I will call one hon. Member from the PSP. They must decide whether it is to be Shri Hem Barua or Shri Rajendra Singh.

Shri Raghunath Singh: I want five minutes only.

Shri Harish Chandra Mathur: I want less than 10 minutes.

Shri Joachim Alva (Kanara): Kindly extend the debate to 6.30. P.M.

Mr. Speaker: It so happens that we have got a half-an-hour discussion today at 6 P.M. I am told the hon. Minister wants 45 minutes. So with the time available, whom am I to call.

Shri Harish Chandra Mathur: We have got certain very important points to make which are not at all covered by any Member. It is a very important Resolution. The half-hour discussion could be switched on to day after tomorrow.

Shri Raghunath Singh: It is a very important question regarding foreign exchange; it cannot be postponed. Why should it be postponed?

Mr. Speaker: Then he will not have five minutes now. We will have the half-an-hour discussion on some other day. I will call the hon. Minister at 6 P.M. Meanwhile, I will try to give opportunity to as many Members as possible.

Shri K. D. Malaviya: I was to be called at quarter to six.

The Minister of State in the Ministry of Transport and Communications (Shri Raj Bahadur): So what about the half-hour discussion, Sir?

Mr. Speaker: It will stand over of some other day, day after tomorrow. Tomorrow we have got another discussion.

Shri Raghunath Singh: All right.

Shri Rajendra Singh: In spite of the fretting and fuming of the Minister of Fuel, the fact remains that the achievement and the performance of this Ministry is extremely disappointing. Petroleum as a source of power and energy to us and to the rest of the world, is a thing on which modern industrial civilisation has to depend to an extent which is unparalleled in the history of mankind. Even today, the development that we envisage in the industrial life depends largely on increasing production of petroleum and, we could not be able to do what we should have done.

If in the course of the Third Five Year Plan the picture remains the same as has been given in the *Draft Outline*, then we will have to import to the tune of over Rs. 200 crores worth of crude oil and petroleum products every year, if the situation remains the same. That would be a great drain on our already poor resources. Therefore, when we, in the light of this fact, judge the performance of the Oil and Natural Gas Commission, we find that the results have been exceedingly disappointing.

It is said that we have to explore and prospect an area of 6 lakh square miles, of which we could not be able to do more than a few thousand square miles. At this rate of progress, even after a century, we will be nowhere in tapping the possible petroleum reserves in our country. It is said that all the prospecting, exploration, extraction, distillation and distribution should be in the public sector. So far as the expansion of the public sector is concerned, neither I as a socialist nor for that matter anybody who calls himself a socialist, can have any dispute on that point. But the fact remains that we cannot be doctrinaire on this point; we cannot be so hide-bound as not to look at the results but only at certain ideology. I am told that if those parties who were

willing, who are willing and who would be willing to explore, prospect and extract oil, could be given certain reasonable basis to work, we would achieve quicker results and could save much-needed foreign exchange resources. I had a talk with the hon. Minister a few minutes before and I told him that if with a chequered control system we worked, that is to say, there is a private party at one stage, public sector at the other end, again at the third point there is the private sector and so on, we could work it; if the private sector is given only licence to explore and to extract but not to refine oil, we would be absolutely in control of the situation and the private sector would not become strong enough to dominate us and to control the price.

Therefore, this is an extremely opportune moment, opportune from every viewpoint. I do not distinguish in this regard very much between a foreign party and an indigenous party; any party which is willing to invest in prospecting or in exploration or in extraction should be given to work on a basis which is so well designed that they could be controlled from the beginning to the end. An element of elasticity in our approach to the problem has to be provided so that we can have some quicker results than what we have so far achieved.

Shri K. D. Malaviya: May I inform the hon. Member that expert opinion is that top-ranking oil explorers are most reluctant to come to any country where they are only given the right to explore and produce crude oil; unless they have the right to refine and distribute, they consider themselves to be most unhappy.

Shri Rajendra Singh: As far as my information goes, with the cold war entering the field of petroleum and with the emergence of Sahara as a reserve of oil, the picture is going to change very fast. Also the political situation in the Middle East points to a possibility that the old parties which are there may be driven away and

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they have to go to other countries. I am talking of an eventuality.

Shri K. D. Malaviya: Future.

Shri Rajendra Singh: That eventuality is not very far. It is going to come soon, much sooner than what we expect. Of course, the right of refining and distribution must not be given to them. Subject to that, if there is any scope to make our present policy a little bit elastic and invite them to explore and prospect, steps should be taken to get them.

Shri Hem Barua (Gauhati): The hon. Minister said just now that no foreign party would be interested in doing the job of exploration unless they are given the right to refine the oil. But very recently an offer was made by the U.S.S.R. to Pakistan. It was hanging fire for 2½ years. Now, they have decided to accept that offer. The U.S.S.R. has stepped into Pakistan to explore oil. Also the U.S.S.R. has not demanded the right of refining.

Shri Rajendra Singh: Under the enlightenment of the information given by my hon. friend, the Minister might act to the advantage of the country.

Then the question is about the attributes of petroleum. Petroleum has certain peculiar attributes of transportability and high concentration of power. So the industrialisation that we envisage would naturally depend very largely on the increasing production that we can have in this country of petroleum. These attributes were also the factors responsible for the birth and emergency of the big, cartelism all over the world. But now new factors have emerged. Russia has come into the field; maybe it is not for commercial purposes but just for seeking to export certain political ideology. Then again, because of the efforts of Italian magnates and the discovery of oil in Sahara and especially in Tunis, Morocco and Algeria, the situation has completely changed.

Here also in our country, my reports are that if wide-scale prospecting is done, there is no reason why we cannot strike oil which we need today.

I think during the last session a most disgusting thing appeared. A news-item appeared that Russia had struck a deal with a private firm in this country for the supply of petroleum products—crude oil. My friends on the other side talk of the public sector. They go on talking about it to the point of idealisation. I do not idealise. But, when Russia, which is a champion of the public sector, a champion of socialism and communism, was dealing with a private Indian firm, did they not realise that Russia was doing something which is utterly anti-socialist. Where was the Government sitting when Soviet Russia was dealing with a private firm?

Today I am told that Government has entered into a deal with Russia. Out of that Government is thinking of giving some part—the petroleum products—to the Hindustan organiser. What is this? You have found a company which shall be responsible for the distribution of petroleum in our country that is owned by Government. Now Russia is willing to offer crude oil and petroleum to this country, as a socialist it behoves the Minister to see that the distribution of the oil products that we would be importing from Russia shall be done through the public sector only.

The most important point is that Russia has made—as Shri Jaipal Singh has brought it out—an offer of crude oil. I would be most happy and it would be to the credit of Soviet Russia and the friendship that we have with them if Russia would come out with help to give a refinery somewhere on the coastal line so that....

An Hon. Member: Cochin.

Shri Rajendra Singh: I do not mean Cochin. I am not provincial minded.

An Hon. Member: Why not near your province? (Interruptions).

Shri Rajendra Singh: Here are two friends quarrelling. Bengalis and Assamese are fighting. The Biharis do not fight.

Mr. Speaker: One minute is lost.
(Interruptions.)

Shri Rajendra Singh: If Russia is really sincere or if it does not have anything other than the commercial viewpoint or the desire to help our country so that we could be free from the international oil cartels, then Russia would be judged by her willingness to give us a refinery. I had a talk with some Russians; and I think they are willing to come out with help if the Ministry moves in this matter.

There is one more point. After having said that I will resume my seat. Russia will be selling petroleum products on a rupee basis. Out of that rupee fund which Russia would be creating in this country, she would be making some purchases. We have certain items which we export outside the Soviet zone, I mean the socialist country zones and certain items which we export to socialist country zones. If Russia enters our market to purchase those things which we are exporting to England or America, to that extent, our export business would be demagnetized. Therefore, through you and through this Ministry, I want to tell the Commerce and Industry Ministry that the items that we are exporting to Soviet Russia and other Soviet countries should be produced in increasing volume so that the Fund that would be created here by our purchasing petroleum products could be utilised towards purchasing those items only which we are exporting to the Soviet countries so that our existing pattern of international export and import is not disturbed.

श्री रघुनाथ सिंह : अव्यक्त महोदय दो तीन रोज पहले मैंने मालवीय जी से एक प्रश्न पूछा था कि रिफाइनरीज से जो एप्रीमेंट दुआ है उसमें यह शर्त रखो गई है कि नहीं कि जो आइल हिन्दुस्तान में

स्प्रोट होगा वह हिन्दुस्तानी टैकर के द्वारा इम्पोर्ट होगा। मालवीय जी ने उत्तर दिया कि हमने रिफाइनरीज से जो एप्रीमेंट किया है उस में यह शर्त नहीं है।

हमारे मित्र शुक्ल जी ने इस बारे में बहुत अच्छा कहा है। हम हिन्दुस्तान में तीसरी योजना के अन्त तक १४ मिलियन टन कूड़ आइल इम्पोर्ट करने जा रहे हैं। अगर २० हजार जी० आर० टी० के टैकर लें तो ७०० ट्रिप में इतना कूड़ आइल हिन्दुस्तान में आ सकता है। अर्थात् २०,००० जी० आर० टी० के ३६ टैकरों की हमको यह सारा तेल हिन्दुस्तान में लाने के लिये आवश्यकता होगी।

इसका दूसरा एसेंट यह है कि हमने यह पालिसी बनाई है कि टैकर को पब्लिक सेक्टर में रखा जाए। लेकिन हमारे पास आज एक भी ओवरसी जाने लायक टैकर नहीं है। हमारे पास एक भी टैकर नहीं है जो इस १४ मिलियन टन तेल में से एक बूंद भी हिन्दुस्तान को ला सके।

अभी हमारे दोस्त ने कहा कि ५० करोड़ रुपये का तेल हिन्दुस्तान में आता है, अगर आप रफती जोड़ें तो इतना तेल लाने में करीब १५ करोड़ रुपया फ्रेट का लग जाएगा। लेकिन इस १५ करोड़ में से हिन्दुस्तान को कुछ नहीं मिलता।

An Hon. Member: Is all this relevant?

Shri Raghunath Singh: So far as the policy of Government about freight is concerned, freight is included in the import of crude oil.

The Minister of Transport and Communications (Dr. P. Subbarayan): Why have you gone to English now?

श्री रघुनाथ सिंह : आप देखें कि हिन्दुस्तान में जो रिफाइनरीज हैं वे या तो

[श्री रघुनाथ सिंह]

अमरीका की हैं या इंग्लिश हैं और ये रिफाइनरीज खुद टैकर्स को चार्टर करती हैं। इस प्रकार फायदा होता है अमरीका और इंग्लैंड का। हम हिन्दुस्तान के पैसे से इंग्लैंड और अमरीका को फायदा पहुंचा रहे हैं। इसका एक प्रतिशत फायदा भी हमको नहीं मिलता। इसलिये हमारा कहना है कि जब आपने टैकर को पबलिक सेक्टर में रखा है तो इस ड्रेनेज को रोकने की कोशिश करनी चाहिये। हमको कारोबारी खोज करने की ज़रूरत नहीं है, हमको तो बाहर से लाकर हिन्दुस्तान में तेल डालना है। हमारे पास कारोबारी भौजूद है, हमको दुनिया में मार्केट नहीं खोजना है, लेकिन फिर भी एक पैसा भी हमको फ्रेंट में नहीं मिलता। ऐसी अवस्था में आवश्यक है कि हिन्दुस्तान के पास कम से कम ३६ टैकर हों, जिन के द्वारा हम बाहर से कूड़ आइल हिन्दुस्तान में ला सकें।

दूसरी बात मुझे यह कहनी है कि हम गेहूं अमरीका से इम्पोर्ट कर रहे हैं। उसको अमरीका टैकर्स में भेजेगा। इस समय दोनों ट्रांसोर्ट मिनिस्टर साहिबान यहां भौजूद हैं। मैं उनसे कहना चाहता हूँ कि चार बरस के बास्ते गेहूं का कारोबार हमारे पास है। आप सैकिंड हैंड टैकर खरीद लीजिये। चार बरस तक उनसे गेहूं लाइए और चार बरस बाद आप उनका प्रयोग आइल इम्पोर्ट करने में कर सकते हैं। इस प्रकार आप हिन्दुस्तान के फारिन एक्सचेंज की रक्षा कर सकेंगे। और भारत की गरीब जनता का जो रुपया सेन्ट-परसेंट फारेन एक्सचेंज के रूप में, फ्रेंट के रूप में विदेशी कम्पनियों को दिया जा रहा है, उस का ड्रेनेज बंद होना चाहिये।

मुझ से जो क्वश्चन पूछा गया है उसका जवाब यह है कि एक सैकंड हैंड टैकर की कीमत बीस लाख रुपये से ज्यादा नहीं होगी।

Shri Harish Chandra Mathur: Mr. Speaker, the other day when a spate of questions were asked about the Russian offer for the import of crude oil and the impact it was likely to have on our prices, we had nothing but cleverly given evasive answers and never in this House were more evasive answers given. I am very happy that this discussion has been raised today and I hope the hon. Minister will take note of the feelings in this House and make a clear reply to the questions asked here.

I do not propose to make any long speech but I will develop a few points and expect the hon. Minister to give a concrete and specific answer to the questions which I am raising. It is not only that this Russian offer has come for the supply of crude oil at a cheaper rate. If the hon. Minister remembers more than two years back, I sent to him a note that we should get crude oil at much cheaper rates. It is not only Russia that is prepared to give us crude oil at a cheaper rate. There is a consortium of companies even on the Continent and if we had a free play of competition it would be prepared to supply crude oil at a much cheaper rate. Now possibly because the Ministry is bound hand and foot, they find themselves in a strange difficulty. Let us not blame then that Russia has certain ulterior political motives in making this offer or that it is blackmailing these companies by making these offers. We have got concrete evidence in our possession that crude oil could be got at a much cheaper rate than we are getting at present only if there was a free competition. But unfortunately, it is not there. It is also obvious from the fact that these very companies are prepared to cut down their prices. It should leave nobody in doubt that there had been a large margin of profiteering in this. So far as the Russian offer is concerned, I think the Minister possibly, in his own way, is taking advantage of this offer to bring pressure upon these companies to bring down the prices. I do not know whether

this Russian offer is intended in a genuine way or it is not intended to be so. It is quite correct, as my hon. friend Shri Ja'pal Singh says that in Russia there is nothing which will determine the cost structure. They cannot determine the cost structure. Even when they submit tenders for various machineries and other things, they say that they have not a perfect system of cost structure and they say: you take it for whatever is its reasonable market value. There is a lot of force in what he says. There was a certain other information which was somehow put in the papers which indicated that the Russian offer to India was at a rate cheaper than the rate available even to their own East European countries on the Continent. They were wanting to give this crude oil at a rate much cheaper than the rate at which they were supplying to their own associates like Poland, Czechoslovakia, etc. That definitely rouses certain suspicions that even though they wanted to help us, there was a certain intention to hit these companies. But we are not concerned with it now. I am clear in my mind that the crude oil could be got cheaper and we should now take steps so that we may not find ourselves tied hand and foot in the hands of these companies. I would like the hon. Minister to tell us the rate of this Russian offer, whether it is really cheaper than the rates at which it is supplied to East European countries and if we accept this offer what its impact would be.

We cannot overemphasise the importance of oil exploration. We are in an absolutely miserable condition. According to most conservative estimates our present consumption is 6.28 million tons and during the Third Plan period, it will rise to 10 million tons. The Joint Secretary of the Ministry of Mines and Oil might have given 14 million tons which runs counter to what has been stated in the Second Plan and he would have done well to stick to the estimates which have been accepted in the Second Plan. Be that as it may, the fact is that our performance has been extremely poor

Now, we have already proved that at Naharkot'a, on a business basis crude oil could be exploited and 2.75 million tons is expected at the end of the Third Plan. We have lost seven valuable years in this matter without doing really any substantial work. Really much more could have been done and if the hon. Minister expects us to support the public sector, it will have to give a better performance. There's the least doubt about it.

It is unfortunate that I have to make a complaint further that the same unfortunate story is being repeated in Jaisalmer. For three years, I think my hon. friend has almost suspended the activities there when we were almost certain that there was a great possibility and potentiality in that area. I think the Standard Vacuum Oil Company was mentioned to offer the exploration of oil here in this area of Jaisalmer. I am mentioning this because the STANVAC is absolutely a business company and it would take care of every pie and it would not make this offer to go to Jaisalmer and explore oil there had there not been a clear indication of success there and had there not been some assurance for them that a lot could be done there. My hon. friend has been doing absolutely nothing. Questions were asked in this House as to why steps were not taken in this regard. Sometimes we are told that the place is very hot or water is not available. It looks as though these answers convince nobody. I understand that the STANVAC is not able to utilise its equipment in West Bengal. Let the hon. Minister take that equipment if he wants to go ahead in the public sector. The public sector cannot be permitted to pursue a policy of dog in the manger. It must give a better performance. I have always supported the public sector and I wish the public sector to go ahead but if it is to go ahead it must give a better performance.

Now, I will pass on to another important point. In this Five Year Plan, another important factor has been mentioned in the Plan. It is stated in the Plan that appropriate fiscal mea-

[Shri Harish Chandra Mathur]

sures which will retard the growth of consumption of high-speed diesel oil had been taken to some extent this year. They want to pursue that policy by fiscal and monetary measures and want to discourage dieselisation. I would like to invite the attention of my hon. friends to what has appeared in today's papers. The National Council of Applied Economic Research of which Dr. P. S. Loka Nathan is the Chairman had made clear studies and in a very strong article had recommended to the Government that this dieselisation must be encouraged. It is a very wrong policy that is being pursued by the Government. It has been stated that the Five Year Plan must be reversed. I would like to know whether Government has given any attention to it. That was my firm conviction that the Government was going to discourage a very efficient method of fuel and road transport. I made the same point in the Budget speech also but then I was not equipped with this study that has appeared today, which is in full support of what I had stated and I hope the hon. Minister will take a clear note of the entire situation and let us know what he proposed to do in the matter.

Now, Sir, that I mentioned about Jaisalmer, I would like to stress one more point. I stress that point from the all-India context. It is not a question of regional development. Apart from that, apart from its importance as an all-India point, it has a great bearing on the future development of Rajasthan. As you know there is very little scope for hydel power in Rajasthan. So far as steam power is concerned, we are so removed from coal-fields that steam power is also a great difficulty. If we had gone through this and if we could have got this gas, it is very likely and very possible that it would have completely changed the face of Rajasthan. Moreover, generation of power through gas is rather cheaper than even the power generated from coal. Rajasthan has been completely starved so far as development of electricity is concerned. Though

we had all these geographical difficulties, here was a golden opportunity. I wish the hon. Minister to take note of this fact. Where is it that we want this particular development to take place? Where you are taking your Rajasthan Canal, the entire area will be developed, so many townships will come up. From where will they get electricity? Here is a golden opportunity. Here is a potential source, which has been so strongly advocated even by the private sector.

I do hope that the hon. Minister will give us some convincing reply as to what his attitude towards this source is, towards this particular area is, what his attitude towards dieselisation is and what steps he proposes to take to accelerate the pace of oil exploration. Let them not believe in their own wisdom and be immune to all sorts of criticism that is offered in this House, but that has been, unfortunately, our experience in the past.

Shri Joachim Alva: Sir, once we were slaves of the British Raj, now we are the hand-maids of an empire of oil stretching from Texas to Tokyo via Kuwait and Abadan. Six powers are trying to grab the oil of the Middle-East, but the British and the Americans have got away with it. The Japanese, the French, the Dutch and the others are all exploiting in these oilfields. However, the war between the British and American powers reached such an extent that they were compelled to come to an agreement in September, 1945 devilding the spheres of exploitation. We, Sir, having been caught up in this web, have not been able to get out of it.

But, thanks to the dynamic policy of the Prime Minister in drawing up three great Plans, we have been able to have at last some outlines of a firm oil policy. The inspiration has been of the present Minister of Oil. He has been able to do not very much for us, not as much as he wants to do for us, but within the framework of the Ministry of Mines and Oil and also per-

haps with the help coming from the Ministry of Steel, he has been able to do something.

We had to start from scratch with our independence minus all our economic power and strength. Today we are able at least to look up with these three oil companies standing like an empire over us with three leg drives—the Ca'tex, the Standard Vacuum Oil and the Burmah-Shell. The Burmah-Shell along with the Dutch Company is the largest foreign company in the world. The Royal Dutch Firm in which the British and the Dutch are combined together, are the largest company in the world with their eight million dollars.....

An Hon. Member: We know all this.

Shri Joachim Alva: I have known it long ago but no speaker brought out the patent facts. Why I am saying this is, we are all victims in that big empire, in that big rampage. Unfortunately, the only discordant voice in this debate was that of Shri Jaipal Singh. I wish Shri Jaipal Singh had stayed here at least to hear the hon. Minister, Shri Braj Raj Singh struck another voice altogether. At least he said that he was not satisfied with what was being done.

Sir, we are in a very awkward position today. It is like a jilted lover who is afraid to strike but who wants to wound. We cannot straightaway expropriate these companies nor can we nationalise these companies. Are we in a position to do it five years hence? From a concrete and practical point of view I will say an emphatic 'no'. There was an agreement arrived at in 1952 with 25 years to run. Supposing it runs only for 13 years, can we stop it? We cannot do it. I hope this House, under this Government or any other government, ten years hence will not wait for the year 1977 when the 25 years period of the agreement will expire, and it will at

least by 1970 be able to lay down a firm dynamic policy, a policy by which if the companies do not know how to yield gracefully with the onward rush of time at least the then Government will be able to enforce a policy which will be suited to the dignity and self-respect of India.

Sir, it is no use saying like Shri Jaipal Singh that Soviet Russia has done this and done that. If the iron curtain has been smashed in Pakistan, if a military dominated SEATO country like Pakistan has opened its doors and asked the USSR to go in and solve its oil problems, we with our talk of co-existence and *panchsheel*—wherever we go we try to take the best from anybody—should benefit in a better way. The Russian offer today has benefited the underdeveloped and under-committed world. The under-committed and under-developed world has definitely been benefited by the Russian offer of oil to India and the companies have been compelled to reduce the prices which otherwise they would not have done.

Sir, the late President Roosevelt fought very hard for Indian independence with Mr. Churchill in a number of international conferences, but it was the voice of Molotov at the San Francisco Conference that brought Indian freedom nearer us, and thereafter the British could not look back. There are hard facts and it is no use under-estimating or over-estimating anybody.

As I asked, are we in a position to nationalise the oil companies today? We have not got the guts, we have not got the strength. Situated as we are, taking enormous foreign exchange facilities from every country here and there, we are unable to do that, and if in the next ten years we are not able to do that then we shall indeed be a weak nation and not a nation of strength that can remove the wrong principles out of a policy thrust by foreign companies who will still then sit entrenched on our backs.

[Shri Joachim Alva]

We are not like Cuba. We appreciate Cuba's enormous difficulties, but a little island exists standing up against the huge physical giant like the United States of America. We cannot say anything about Cuba. We are neither in the position of Cuba nor are we in the position of other countries, like Mossadegh's Iran. We are in a peculiar position. Therefore, the oil policy enunciated by the Prime Minister and fulfilled by this Ministry is indeed the right and correct policy, but in that policy also we have to be warned and inspired by examples abroad.

18 hrs.

I was in Rumania. Rumania is a small country. Rumania ranks amongst half a dozen countries in the world in regard to production of oil. What happened to Rumania. Rumania is not even equal to two or three districts of Punjab. In 1948 the British and the Americans walked out and said: "We shall see how you are going to work your oilfields. We shall see how you are going to get your oil. We shall see how you get your oil drilling machines." Rumanians asked their next door neighbour, Russia. Russians came and collaborated. From three million tons their production of oil shot up to nearly 10 million tons and Rumania was in a position to offer oil to other countries including Egypt in the beginning.

There has also been a silver lining in this. Egypt has been able to produce $2\frac{1}{2}$ million tons of oil—much more than us. It is a silver lining in the sense that even small Egypt, situated as it was under the suzerainty of the British, has been able to come out of the shell and say that it has been able to produce $2\frac{1}{2}$ million tons of oil.

This is a peculiar position. The hon. Minister must see that he carries out the policy of this House. He must see that no future oil exploitation shall be handled by any foreign private firm in years to come. We have had enough of foreign companies here, we have

had enough of foreign enterprise here. So far as they are already here, they can carry on with it, do well and get along. In 1951 I raised the matter of 13 large foreign firms where we did not have enough Indians carrying Rs. 1,500 as salary. That position is very much changed today. Today, unfortunately, most Indian young men want to enter the foreign companies for employment. I want to ask the hon. Minister to enquire into the position of our young men who want to take jobs in foreign firms and find out why they are not attracted to our own service. I do hope and trust and pray that he will make the oil sector of our Government as attractive as possible, though the hon. lady Member said that their work is very hard and difficult and we wish them well. But, all the same, the emoluments of the service and the conditions in the oil sector of our Government must be attractive to draw in our best men and to enable them to fulfil their ambitions and to make them nationalists, and not make them say all the time, as some of our young men say so—"I want a job in any one of the three oil firms and not in any other." So, our Government's activities must be large enough, dynamic enough and vigorous enough to draw in the activities and ambitions and inspirations of our young men.

Hence, I would urge upon the Government to see in the future that no foreign or Indian firm or enterprise or a consortium of foreign firms in conjunction to Indian firms, however, large and influential and strong they may be, exploit any oil resources in our country and whatever policy the foreign company might lay down and say, "we want this tract to be exploited for oil and make Indians our partners." We must see such things do not happen, for, oil is money; oil oozes out money and when that money goes out in different pockets and even tempts us in Parliament—we are all human beings, and are not above temptation—what will happen? That is why oil exploitation will have to be

handled only by the Government and by public enterprise and it should not go into private hands.

These are some of the points I want to press before you and, as I said, we must train up a number of our young men in this oil business. A day will come when the oil sector of the Government of India perhaps will be the most powerful sector, perhaps yielding more profits and yielding more income than from any other sector. What are the arguments put forward by the foreign companies? They say, "We'll, you do not enter this business. This business is very costly. You need more money. Even after you spend an enormous amount of money, you are not going to succeed." But these things are not going to stand in our way. They perhaps put these kinds of excuses naturally to defend their own position. But these things shall not come in our way. We have to spend a lot of money on drilling machinery and thereafter perhaps we shall reach the millennium.

There is one more point and I shall sit down. As I told you, I raised the matter of foreign firms ten years ago.

Mr. Speaker: The hon. Member's time is up.

Shri Joachim Alva: I am finishing. I want the hon. Minister and his Ministry to see that in every branch of the oil exploitation, production and refining, Indians are associated. There are still some sectors in foreign oil companies where Indians are not associated. Perhaps out of ten sectors there may be seven where Indians are associated. I want the Minister today to take a survey, just as the Ministry of Commerce and Industry did, and find out whether there are enough Indians in all the sectors especially in the essential sector or sectors which perhaps are marked confidential and are barred entry to Indians. Government must make a probe into this sector so that our young men may learn the hard job and even the most important

jobs of oil drilling and oil refining and we may be ready to take over when the time comes. As I told you, the time is not ready. We shall have to look forward for one more decade, at the end of which perhaps we shall be ready to run an independent concern of oil for the whole of India.

Shri Braj Raj Singh: May I put one question? I want to know whether the Government are prepared to learn a lesson from Cuba and teach the same lesson to foreign companies operating in India, and whether in the alternative—if they are not prepared to do so—they are prepared at least to take steps to get the agreements with the foreign oil companies amended in the national interests of the country and especially for the sake of security of the country and also whether....

Mr. Speaker: These are suggestions. No Minister can answer. The hon. Minister will certainly answer if there is a revolution like that of Cuba.

Shri Braj Raj Singh: There is no revolution. I want to ask him whether....

Mr. Speaker: what is the good of comparing Cuba with us? Independently, the hon. Member may say that immediately oil business should be nationalised; then I have no objection.

Shri K. D. Malaviya: Mr. Speaker, within the short time available and on the occasion on which this question has been raised, I do not think it would be possible for me to deal with this question of oil in all its aspects, much less the comprehensive way in which the policy of the Government of India is being implemented today. I would be very happy to deal with all these questions if any other occasion is created for this. This occasion has been specially specified in respect of the proposed import of crude oil from the USSR, and in this regard, the Mover of the resolution wanted to discuss certain aspects of oil policy.

The House will remember that I replied to a question in this connection

[Shri K. D. Malaviya]

in the Lok Sabha on the 8th August. Regarding the proposal to import crude oil from USSR, I informed the House that the existing refineries had declined to accept the Soviet crude on the ground that they were committed to their own suppliers. I also conveyed to the House the disabilities of the Government owing to the clauses of the existing refinery agreements which give the refineries the right to choose their own sources of supply. I further informed the House that while declining to use the Soviet crude, the oil companies had themselves offered to reduce to some extent the price of their own crude oil supplies. The implication of the offer of reduction in price of the crude oil was examined and, in the meantime, with the posted price of supplies in the Persian Gulf immediately after, all the companies informed us that their offer of reduction in the price of crude oil by a particular rate indicated by them was temporarily withdrawn, as, owing to the fall in the posted price they had to reconsider the various implications. Anyway, the offer was frozen temporarily. Soon after, perhaps, in five or six or seven days' time, the whole matter was considered by them and they made the final offer of reduction in the price of crude oil taking into consideration the fall in the price indicated by the Persian Gulf quotation. Originally, the offer roughly amounted to 7½ per cent. Thereafter, one of the oil companies increased it to about 12½ per cent., and the others followed and, the uniform offer, before the posted price fell, was about 12½ per cent.

Later on, when the posted price fell, the offer was withdrawn and the oil companies reduced their price-reduction percentage from 12½ per cent. to 7½ per cent. because, according to them, perhaps the five per cent. reduction in respect of the fall in price was indicated by a fall in the posted price. So, in the totality of circumstances, the offer of reduction of the price of crude oil was more or less the same

which was offered before the fall of the posted price.

Today, the implication of all this is that there could be, roughly, a saving of foreign exchange of about Rs. 5½ crores to Rs. 6 crores per year, and the allotment that will be made periodically by the Government of India to the oil companies for the purchase of crude oil will take into consideration the fact that five to six per cent. of foreign exchange will be less; that is, the foreign exchange to be allotted will be five to six per cent. less.

With regard to the offer of the Soviet oil, I did not give any specific information at that time, because I did not consider desirable to refer to the terms in any detail when the Government of India expressed its inability to purchase crude oil from the Soviet side. I made it quite clear that the crude oil from the USSR was not needed because there was no refinery to refine it. As the House might be aware, the oil explorers are a big organisation and they have arrangements for refining their oil and also distribution. There is an integrated organisation and refineries like the Bombay refineries are known as the 'tied refineries'. That is, the Burmah-Shell explorers will search for oil in some part of the country, produce the crude oil and sell it to a refinery of their own. According to the agreement to which we are all committed, the price that will govern the conditions of purchases by the refineries will be the price that will be quoted by the Burmah-Shell through the posted price in the Persian Gulf. It is a fact that the price quoted in the Persian Gulf to the refineries in India was a price which was going on for about 18 months.

The first fall in price occurred in February, 1959. Since then no offer of reduction of price of crude oil was made. It was only when the Soviet group offered oil at the port of Bombay in this free world market that the oil companies offered a reduction. It is also a fact that the same oil explorers

and producers of crude oil were offering discount on the posted price to all such refineries which were not known as the tied refineries and which were functioning as independent refineries in various countries in Europe like the Scandinavian countries, Denmark, France and Italy. So, the advantage of discount was passed on to refineries which were not tied refineries, but tied refineries like ours had to pay at the rate of the posted price.

This has got to be considered in the background of large investments. I am only referring very briefly and in an abstract way to the conditions as I see. I do not wish to add to the conditions as I see. I do not wish to add to the arguments or sentiments or any future conditions I would like to be added on to this. This imposition of the posted price on the tied refineries has to be considered in the background that large investments were made by the Burmah-Shell and the Stanvac in 1952-53 when they agreed to come here and instal a refinery in order to save a good part of foreign exchange. Government took all aspects into consideration prevailing at that time and agreed to the terms referred to in the agreement, which have been variously commented upon by the House.

Subsequent to the fall in price of crude oil, the price of petroleum products also fell. Those facts were also taken into consideration. I would not like the House to go into those details. It is a complicated matter, what amount of money...

Shri Rajendra Singh: Is it so complicated for the House to understand?

Shri K. D. Malaviya: The House is much more competent than a single individual like me. But because of the short time available to me, I would not like to deal with those matters. I would only confine my remarks to the fact that the various factors involved in the accounting of profits in the petroleum products and crude oil, between the oil explorers,

producers, refiners and distributors must have all been taken into consideration and ultimately a reduction of 7½ per cent. was offered to us after the rate fell in the posted prices.

The Soviet offer was a bit more attractive no doubt...

Shri Sinhasan Singh: The hon. Minister said that the offer of reduction was 12½ per cent. before the fall in price in the Persian Gulf and after the fall, they withheld the offer of reduction and said they were further considering it. When there was a further fall in the price in the Persian Gulf, how is it that their offer of reduction has gone down from 12½ per cent. to 7½ per cent.?

Shri K. D. Malaviya: My hon. friend will follow what I say. There was no fall in the posted price when the first offer was made. The first offer was made on the price which had been continuing since February, 1959. This offer of reduction was made perhaps after a few weeks before the posted price fell. When the posted price fell, then the offer was withdrawn and adjustments were made. Perhaps the fall in posted price amounted to 5 per cent. Therefore, the balance of 7½ per cent. was given to us. So, in a nut shell, 12½ per cent. was offered as reduction.

Shri Sinhasan Singh: When there was a fall in price in the Persian Gulf to the extent of 5 per cent. they should give 5 per cent. more reduction to us. Why was it reduced from 12½ to 7 per cent.?

Shri K. D. Malaviya: It is very easy to understand. Because of that 5 per cent. fall in the posted price, the 12½ per cent. reduction offered earlier was reduced to 7½ per cent. That 12½ per cent. was apparently, manifestly, split up into 5 per cent. and 7½ per cent. I hope it is clear and I will not dilate on it, because I have to deal with some other points.

I do not wish to go into details as to what should be done to persuade

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the oil companies to give us further reduction.

Shri Harish Chandra Mathur: Are you satisfied with the present reduction?

Shri K. D. Malaviya: I am not satisfied with the present rate of reduction. I do hope that the oil companies will reconsider very seriously the entire conditions that prevail to day. In a few words, I would like to remind the House of the actual conditions that have been prevailing since 1951. For the first time in the world, international oil figures were compiled and the world was informed in 1951-52 that about 340 million tons of crude oil was being produced. Somehow or other this is my view that since then it was realised that there was more oil in the world than was perhaps likely to be consumed. Since then, therefore, a process of competition started within them. Now in 1959, the production has almost doubled. It is now 780 million tons and there is much more oil than what is being consumed. This condition of glut in the production of oil is likely to continue for some more time. It has, therefore, a tendency to become a buyer's market. Therefore, there is no reason why every buyer should not get the advantage of getting oil at a very competitive rate. It is our desire and it will be our effort to see today that we get the cheapest crude oil possible from those who have bound us to the refinery agreements. I do hope that our friends—the oil companies—will consider this matter very seriously and find out ways and means by which they will satisfy the refineries which have so far been called 'tied refineries' and the entire thinking in this respect will be revised by them. I have been telling them, and I repeat it today in the House, to those who cry for a better price for the international oil industry that it is high time for those who have been holding the monopoly of oil to radically

change their approach. Unless they are conscious of the new and vastly changing conditions and the new impact of necessities of those countries which are rising now, and whose economies are now progressing, and unless they consider oil as a cosmopolitan commodity which must be used to build up the economy of the country which has to be taken out of the morass if you want to keep control over it, I do not think the prospects would be very bright for oil industry and those who control it.

Shri Braj Raj Singh: Suppose they do not change? What will you do?

Shri K. D. Malaviya: I now come to certain other aspects which have a direct relation to the changed conditions in our country. Now, my friends opposite perhaps gave me the impression that they believe there is no oil policy adopted by the Government of India. I totally deny it. I think they are the most uninformed people. If I may be allowed to say so, if they have not realised what the policy of the Government of India is.

Shri Rajendra Singh: May I ask...

Mr. Speaker: I will give him an opportunity at the end.

Shri K. D. Malaviya: Since 1956, the policy has been clearly declared that oil is in Schedule A, and it will be controlled by the Government and operated by the Government and initiated by the Government. Since then, no oil concession has been given to any authority which might have taken away the initiative of the Government and which can in any way be called as against public interest.

Recently we have invited the oil interests from all over the world to come and join us in the search for oil provided they agree to fall generally within the pattern of the Industrial Policy Resolution. As the House is aware, a few proposals have been received by us and it is the difficulty,

the intricate matter of negotiations that is perhaps delaying any conclusions on the proposals made by various parties and the counter-proposals that have been made by us.

Now there is one aspect which I would like to be noted by the House. When these prices have fallen in the Middle East countries it is said that those host countries which are producing oil, where oil is produced, are hit hard because their royalties are bound to go down if the income of the producing companies goes down. It is a fact that countries like Iran, Iraq and Saudi Arabia, which are the sources of supply of crude oil, may get less royalties as a result of fall in price of crude oil. Of course, it is for them to deal with this matter, and I am quite sure they have experts, they have good relations with the oil companies, they are working for and will amicably settle the matter themselves. So far as we are concerned, it only reminds us that the agreement that has been entered into between the oil explorers and the host countries should be so elastic as to leave a margin and increased profit for such eventualities. For instance, if we have to depend only on royalties, then if the capacity for production falls, the income falls. Therefore, it is for us to devise how to increase our share of profit in the entire venture. Certain interests, important political and economic ones, have been throwing out a suggestion that on account of the offer of Soviet crude to India the Middle East countries are being hard hit. I do not think that the situation is like this. It is for those countries to pursue with their friends, the oil explorers to revise their terms to increase their share of profit so that their income might not go down. It is not my concern. But it reminds us that if we have to enter into an agreement on the so-called 50:50 basis, an agreement which is always thrown before us, it has to be taken with a pinch of salt. As I said once, and I repeat it, it will be most difficult to accept the general pattern

of this 50:50 arrangement, as has been offered, and which is still being offered, and not much improvement is being indicated by those who are anxious to come to an agreement. I want to assure the House that we want the assistance and co-operation of such experts who wish to come and join us in the search, but the national interest is a much more important thing and it has always to be before us while we examine these terms.

So far as refining is concerned, it reminds us again and again that we should have as many refineries in the public sector as we can. It is our own national refineries which can control the economy of oil and which can be ultimately responsible for the expansion of our economy, be it transport, industry or anything. Therefore, the policy of the Government is to have as many refineries in the public sector as possible.

Coming to the question of oil exploration and the finances involved in it, I would like to submit that this story is being exaggerated, and I would like the House to note one or two very important features that are facing us. In the next five years, perhaps six years, even if there is no oil discovery in our country, we will have to spend about Rs. 600 crores to 700 crores in importing crude and petroleum products for our present standard of economy. By the end of 1966 we will have to spend about Rs. 700 crores just . . .

Shri Rajendra Singh: Annually?

Shri K. D. Malaviya: I am talking of the totality, Rs. 700 crores—Rs. 70 crores, 80 crores, 90 crores, 130 crores and so on. So, about Rs. 700 crores will have to be spent in importing various petroleum products and also crude oil, which will have to be refined. This is the minimum sum which must be spent. Now, considering the background, our Ministry in the Government have been allotted a share of Rs. 115 shares for oil exploration under the public sector, out of which Rs. 60 crores will be in foreign

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exchange. About Rs. 60 crores will be available to us in foreign money, as against Rs. 700 crores that we are bound to spend in importing petroleum products and crude oil. We will spend in about 7 to 8 months' time about Rs. 55 crores to 60 crores in foreign money; for purchasing petroleum products and crude oil. Our Ministry is going to spend that amount in six years' time from now in order to produce, in order to make a serious effort to search and produce, about 8 to 10 million tons of crude oil. This is not a staggering figure. This is not a figure which should be thrown at us by the great experts in the field and arguments produced that India is lavishly spending and wasting all the foreign money which it needs and, therefore, they should hand over all oil fields to foreigners so that the work could be expedited and more oil could be searched.

I will quote one instance which will give you an idea as to what is happening in Turkey. It reads:

"A concise summary of exploration activities is contained in a study made recently, at the invitation of the Turkish Government, by Mr. J. Baur. . . ."

He is a great oil expert of the OEEC.

"which shows that at the end of 1959. . . ."

It relates to the period from 1955 to 1959—exactly the same period in which we functioned through the Oil and Natural Gas Commission.

"about 20 concerns held 222 concessions. . . ."

20 international oil explorers held 222 concessions.

"out of a total of 243, the state concern, Turkish Petroleum, holding the remaining 21 concessions."

Out of these 243 concessions, 21 were

held by the Turkish Government and 222 were held by the various international oil explorers. It says further that from its existing oil fields it produced oil from 45 pumping wells. Further—

"Exploration expenditure by all companies during 1955-59 amounted to \$ 68.5 million, of which 10 per cent by Turkish Petroleum, and is continuing at a rate of more than \$ 2 million a month. . . . Extensive use is made of contractors at all stages: for helicopter work, for geophysical survey, for drilling and for various well services. Foreign specialists were employed to help draft the law and during the starting-up period and UN Technical Assistance experts are sometimes consulted; but the senior staff of the Petrol Dairesi, the Government department which administers the 1954 Petroleum Act, are all qualified Turkish nationals."

Even then they had to spend about \$ 69 million and so far, they have not been able to find more than two small oil-fields. The only oil accumulation discovered in this period is by American Overseas at Kahta, about 200 kilometres west of Raman. I am trying to make out that if we give away all our oilfields to about 400 concessionaires and ask them to spend double the amount that they have spent, the necessary conclusion should not be drawn that oil will be discovered in this period. Even after this we may have to spend Rs. 700 crores and we will have lacked all that self-confidence in ourselves.

As against this what we have done so far is this. We have spent about Rs. 20 crores in this five years' time out of which Rs. 12 crores have been invested in capital investment, which is still lying there, and about Rs. 8 crores to Rs. 9 crores must have been spent in operations. Perhaps it may be Rs. 10 crores, roughly speaking—I am speaking from memory. We have

discovered an oilfield in Cambay and another in Ankleshwar. Ankleshwar is likely to prove, according to all expert opinion, a better oilfield than Cambay. A nucleus has started roundabout which more and more oilfields may be discovered.

Generally, this point should not be forgotten that it takes about four to five years between the first oil discovery and the actual production of oil. Never anywhere in the world on an average is less time taken between the first oil discovery and the actual production. So much has to be done.

The first well which struck oil in India in the public sector was in the month of September, 1958. Please do not forget this that the first oil well was struck in September, 1958.

An hon. Member: Where?

Shri Rajendra Singh: In Cambay.

Shri K. D. Malaviya: In Cambay.

Now we are running in 1960. We have every hope that by the middle of the next year we shall start producing crude oil from Cambay. The first oil well in Ankleshwar gave us oil about three or four months' ago. We have a programme of drilling about 30 to 40 wells by next year.

Now let me read out certain figures about Assam for which I have been criticised. It has been said that we delayed matters there and that if we had negotiated earlier, perhaps oil could have been available to us and a lot of foreign exchange could have been saved. The story is not so clear and easy for all of us to understand. When an oil concession is granted to a party, they start with making all sorts of arrangements. They take a couple of years to get set on the actual work of drilling.

The prospecting licence for Assam was given in June, 1954. The House

will remember that the Assam Oil Company had been conducting work in that area since 1938. Then the War came in between and a moratorium was granted. Work was stopped. They again started work in 1946. Some oil was discovered roundabout 1950-51. Then they started drilling. The number of wells that were drilled up to 1st January, 1958 was 35. From 1946 to 1st January, 1958 they drilled 35 wells because in the very nature of things oil exploratory wells are very difficult to complete. Up-to-date they have drilled 72 wells. They are going to complete the requisite number of wells by next year which will produce and assure us a supply of 2.5 million or 2.6 million tons of oil for the two refineries at Gauhati and Nunmati.

So, actually the work started in 1946. Drilling operations were started in 1954 and by the end of this year they have done about 73 to 74 wells. I do not know how many will be dug next year. Perhaps they are much more skilled and experienced than we are and I hope that they will increase the number of wells and we shall get an assured supply of 2.5 million tons. I am only trying to make out the point that in a few months' time you cannot discover and produce oil and pass it on or transport it, refine it and then say, "Look here, you have not been very quick in your work." The entire complexion of the work is such that from exploration to the refinery point it must take five to six years' time. We hope that by sheer dint of hard work, enthusiasm and the ability of our younger technicians in the Oil and Natural Gas Commission, we shall save some good time. I am confident of this. We do not talk about it because it is not proper and good to talk about the achievements that the Oil and Natural Gas Commission is making. We only want to finish the work and then show the result to the House saying that in a record time we have done something for which the House has to be proud.

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About the quantity of Cambay and Ankleshwar oil I have to be vague. I still propose to continue to be vague on this account. I said last year that by the end of this year we shall be able to start planning for a medium-sized refinery somewhere in Gujarat—in Cambay or Saurashtra or somewhere there. I stick to that promise given by me to the House, namely, that by the end of this year we shall start planning for a medium-sized refinery or perhaps a bigger one. Who knows? But what we propose to do is to start planning for a medium-sized refinery, where to have it, how to get the money and finances and all that. I am glad to inform the House that in the mean time our refineries at Bombay have agreed to refine the oil that we shall produce as trial production. We propose to start trial production sometime in the middle of next year and transport it to Bombay refinery so that it will refine it. In our refinery agreement there is a provision that they will try their level best to process the oil that is produced indigenously. So we hope that for some time oil that will be produced in Cambay and Ankleshwar will be refined at Bombay. In the mean time we are planning fast for our own refinery in Gujarat. Then we shall go ahead with our advance work. We are searching for oil roundabout there most intensively. As the House knows, we are also searching for oil in Assam. We are also searching for oil in the foothills of the Himalayas. We were searching and are still searching for oil in the Jaisalmer area. I admit that the tempo of the work in Jaisalmer has been slowed down somewhat. It is sheer disability of the Oil and Natural Gas Commission which has compelled us to go slow. And I plead guilty to my friend. I wish I could have gone faster. But to search for oil and gas in a desert region where there is no road, no water, no electricity, we have to spend five to six times more and take that risk. The idea and the strategy of the Oil and Natural Gas Commission was to

spend as little and to discover as much as possible in a short time so as to create a prestige, to learn by ourselves and to prove to others that we have learnt something. I am glad to inform the House that some of the topmost International technicians, oil explorers, have paid high tributes to the young workers of the Oil and Natural Gas Commission.

Shri Harish Chandra Mathur: And would you give us some hope for Jaisalmer?

Shri K. D. Malaviya: As I said in the earlier part of my speech, we are already examining various proposals for collaboration, with parties which may come from abroad and join us in this survey for oil either join us or do it in a way that it falls within the pattern of our Industrial Policy Resolution. There is some possibility of gas or oil being found in that region, but we cannot be sure. On the other side some gas has been found by the Standard Vacuum Oil Company, in Pakistan. The gas is reported to be not of a very good quality. Nevertheless, there is some quantity of gas. No one can say that the same structures are likely to extend to this side; but no one can say the other way also. It will be our very serious effort to examine the possibility of expediting the work of search for oil and gas in that area either by ourselves or through an independent source, foreign oil companies, if they want to come here and generally fall within the pattern of our policy. I hope that we will not take long to come to some sort of arrangement in this connection, whether this way or that way.

With regard to the other aspects of oil, the totality of it, the House is aware that we have already embarked upon more activities than mere exploration and refining. We have now created a public distribution company, and we propose to hand over the retail distribution to co-operatives in various states and to control the distribution of petroleum

products that we may import from other countries at cheaper rates. Government is determined to pursue the policy of procuring as cheap products—crude oil, petroleum products—as it can possibly get. I fervently hope that the oil companies which have been co-operating with us for such a long time, and whose co-operation I welcome, will continue to examine this proposal of changing their conditions in this buyer's market. This buyer's market is likely to continue for some time and there is no reason why India should not get the fullest advantage of it.

With these words.....

Shri Raghunath Singh: What about freight?

Shri Harish Chandra Mathur: What about dieselisation?

Shri K. D. Malaviya: With regard to dieselisation, I beg to differ from my friend who just quoted an expert of the National Council of Applied Economic Research. There is no doubt, it is admitted that the efficiency of diesel oils is better. But there are many allied questions. If we produce motor spirit, what shall we do with it? In a refinery it is absolutely certain that an equal quantity of motor spirit will be manufactured. If twenty tons of diesel oil is produced, then twenty tons of motor spirit is also bound to be produced—I am talking very vaguely; it may be 18, 19 or 21 tons. The problem that will face us is, what is to be done with the motor spirit that is likely to be produced in our refineries? We are going to increase our refineries. And as we increase our refineries, the quantity of motor spirit produced will increase. We are already surplus in motor spirit. We have to find a market for our motor spirit. When Nunmati and Barauni go into production and when the Cambay refinery also goes into production we will have plenty of surplus motor spirit. That must be used, and the only better use is that we have to in-

crease road transport through this motor spirit in engines.

Shri Harish Chandra Mathur: Have you read this report to which you are referring? They have dealt with all these questions.

Shri K. D. Malaviya: Therefore the whole question of creating a pattern of transport system based on diesel and motor spirit has to be carefully thought of. Government is very actively engaged in this, both in the Commerce and Industry Ministry and in the Oil and Natural Gas Commission. We are actively considering the question as to how best to dispose of all the products that we are likely to get. Some products we badly need—diesel, kerosene. There will be such a terrific demand for diesel. Now we have to import diesel. If we go on dieselising our roads and using diesel engines, we must import more and more diesel. In order to do that we must find out foreign exchange. Therefore, in this transitory period till we become self-sufficient in oil and can say confidently that we need not import oil, in this five to fifteen years' time facing us, we have got to adjust our policy in such a way that there is no avoidable strain on our foreign exchange due to unnecessary import of products. Even if our efficiency has to decrease to a certain extent in order to save foreign exchange, there is no way out of it. We have to do it. We must find out some use for our motor spirit. All over the world motor spirit is in surplus. Nobody wants to purchase our motor spirit. Therefore we have to find a use for it. Our planning should be so adjusted that we need not be worried about the surplus that we produce in our refineries.

Sir, there is nothing else which I need touch.

Shri Raghunath Singh: Freight.

Shri K. D. Malaviya: Freight is a very important question. Our objective is to have our own freighters so that we can save all the money which goes out. And it is for our sister Ministry, the Transport Ministry, and

[**Shri K. D. Malaviya**]

they are actively considering it. I am told that some freighter has already been purchased, some more are being proposed, and I think that in the distant future we will be controlling the transport on sea also in some measure.

With regard to the internal distribution system I want to inform the House that the Government are already considering very actively spreading a network of pipelines in order to relieve the Railways of the burden of transporting oil from place to place. It has been found out that it is the most economic way to transport oil by one pipeline from Bombay to Delhi, Barauni, Calcutta. We are now planning to spread a network of pipelines. We can only make a small beginning and we hope that in the near future, say in five or six years' time, we shall be able to have a network of pipelines. We have now our own pipes in the public sector. I have to remind the House that we shall soon have pipes in the public sector. As soon as the Rourkela steel plates are available to us we will start fabricating pipes. We have already got it on our programme. The part of our crude oil transport pipeline from Nunmati to Barauni will be done by our own pipes, by the National Pipe Mills. And as soon as this programme is finished we will extend it, and we shall have more pipes and lay more pipes throughout the country for the economic distribution of our oil products.

Shri D. C. Sharma: Good luck.

Shri P. G. Deb: I am thankful to the hon. Minister of Mines and Oil for the long explanation that he has given to us, and I do not wish to add anything now. I am also grateful to the hon. Members of the House for the interest they have taken in this discussion.

Shri Rajendra Singh: The hon. Minister has said that the hon. Members are not well informed in the matter of having adequate information about the oil policy of the Government. I would like to know, through you, Sir,

from the Minister whether he or his Ministry has taken care to see that we are up to date in matters of oil policy and in everything that is going on in his Ministry.

Shri K. D. Malaviya: Yes, we are absolutely up to date, we are very up to date.

Mr. Speaker: I will now put the Motion to the vote of the House. So far as the amendment is concerned, it is out of order for the reason, that there is no definite, comprehensive oil policy that has been set out by the Government of India?

Shrimati Parvathi Krishnan: The Minister himself said that he could not do it.

Mr. Speaker: The amendment is, therefore, out of order. I will put the Motion to the Vote of the House.

Shri Harish Chandra Mathur: Why is this amendment out of order? The hon. Minister said clearly on the floor of the House that there is a definite policy of the Government. It would be unfortunate....

Shri Rajendra Singh: What is that definite policy? He has not explained it to us.

Shri Harish Chandra Mathur: It would be a tragedy if the House does not understand that.

Mr. Speaker: The Motion is that this House takes note of the oil policy of the Government of India with special reference to the import of crude oil from abroad. When I admitted this motion for discussion, the other day, the matter arose on a question as to the offer by Russia that they would sell oil cheap. Then, a number of questions were put as to why the hon. Minister was not able to persuade these companies to accept that oil and refine it and so on. This Motion is with special reference to the import of crude oil from abroad. The general policy relating to oil is not in question. The amendment is, "and approves of

the said policy". Whether it is policy with reference to import or the policy as a whole, that is not here. Whenever on a policy matter the opinion of the House is asked, the Minister himself comes forward and starts with a statement of the policy. The discussion starts on a Motion that this be taken into consideration. Then some hon. Member may say, having considered or having taken note of the policy, it shall be approved. This is a queer method of some hon. Member making a Motion. The Minister does not want to take the vote of the House with respect to policy. If there was such a motion, Members will know definitely whether the policy is in question or not. This is a side issue. Therefore, it is not right that the House should be committed with respect to the oil with respect to which there are differences. Some are in favour of nationalisation straightaway in the public sector. Some are in favour of the private sector. What is definite? That is why I think the hon. Minister left it vague. It ought not to be open to any hon. Member to take advantage of a side issue and say, we approve of this policy. Ultimately, when the Minister is asked why he did not stick to this particular policy, it is open to him to say, I never said that this is the policy, the House said, your policy is approved; this is my policy.

Shri K. D. Malaviya: You are perfectly right. The whole question was considered in relation to the import of crude oil. It was considered in a limited way.

Mr. Speaker: The amendment is out of order. The question is:

"That this House takes note of the oil policy of the Government of India with special reference to the import of crude oil from abroad."

The motion was adopted.

Mr. Speaker: So far as the half-an-hour discussion is concerned, it is too late now. The House is not likely to sit. We will have it...

Shri Raghunath Singh: Day after tomorrow.

Mr. Speaker: I understand there is a half-an-hour discussion for every day of the session except the 31st.

Shri D. C. Sharma: May I submit that it should be postponed to the next session?

Shri Raghunath Singh: No.

Mr. Speaker: I shall find some suitable day for fixing it up. Every day there is this half-an-hour discussion.

The House will stand adjourned till 11 A.M. tomorrow.

18-53 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, the 30th August, 1960/Bhadra 8, 1882 (Saka)..