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STANDING COMMITTEE ON PETROLEUM & NATURAL GAS (2008-09)

FOURTEENTH LOK SABHA

MINISTRY OF PETROLEUM & NATURAL GAS

'Marketing, Supply, Distribution, Dealerships and Pricing of Kerosene and other Petroleum Products'

TWENTY-FIFTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

February, 2009/ Magha, 1930 (Saka)

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Presented to Lok Sabha on 24.02.2009

Laid in Rajya Sabha on 24.02.2009

सत्यमेव जयते

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NEW DELHI

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<u>COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM & NATURAL GAS</u>
(2008-09)

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Secretariat

1. Shri J.P.Sharma - Joint Secretary
2. Smt. Anita Jain - Director
3. Shri P.C.Tripathy - Deputy Secretary

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Natural Gas (2008-09) having been authorised by the Committee to submit the Report on their behalf, present this Twenty-Fifth Report on '*Marketing, Supply, Distribution, Dealerships and Pricing of Kerosene and other Petroleum Products*' of the Standing Committee on Petroleum & Natural Gas.

2. The Committee took evidence of the representatives of the Ministry of Petroleum and Natural Gas and the concerned Public Sector Undertakings/Organisations at their sitting held on 27.11.2008.

3. The Committee considered and adopted the Report at their sitting held on 19.02.2009.

4. The Committee wish to express their thanks to the representatives of the Ministry of Petroleum and Natural Gas and the concerned Public Sector Undertakings/Organisations for placing their views before them and furnishing the information desired in connection with examination of the subject.

5. The Committee also place on record their appreciation for the invaluable assistance rendered to them by the officers of the Lok Sabha Secretariat attached to the Committee.

New Delhi;
<u>19 February, 2009</u>
30 Magha,1930 (Saka)

N. JANARDHANA REDDY,
Chairman,
Standing Committee on
Petroleum & Natural Gas.

REPORT

CHAPTER- I

INTRODUCTORY

The Ministry of Petroleum & Natural Gas is concerned with exploration and production of oil and natural gas (including import of Liquefied Natural Gas), refining, distribution & marketing, import, export and conservation of petroleum products.

1.2 Petroleum products viz. Motor Spirit (MS), High Speed Diesel (HSD), Superior Kerosene Oil (SKO), Furnace Oil (FO), Light Diesel Oil (LDO), Aviation Turbine Fuel (ATF), Naphtha, Packed products (like Bitumen, Lubes), Benzene, Toluene, etc. are supplied from Depots / Terminals. These Depots/ Terminals are the major centres for the receipt, storage and distribution of petroleum products. These locations are provided with large tankages and allied facilities for onward distribution.

1.3 SKO is mainly supplied from Depots / Terminals to SKO dealers through the tank trucks arranged by them at their risk and cost. In some locations delivered supply is resorted to. These SKO dealers supply to PDS Re-sellers appointed and controlled by the State Governments.

1.4 Bulk LPG is transported from the supply sources to the bottling plants through rail, road and pipeline.

1.5 The demand of the general public is met through the distribution channels which consist of retail outlets, SKO dealers and LPG distributors.

CHAPTER- II

SALE, SUPPLY, DISTRIBUTION & MARKETING OF PETROLEUM PRODUCTS OTHER THAN LPG

A. CONSUMPTION AND PRODUCTION OF PETROLEUM PRODUCTS

Petroleum products produced (in MMT) by refineries during the 10th Five Year Plan was as under:

2002-03	2003-04	2004-05	2005-06	2006-07
104.2	113.2	118.4	119.9	136.1

2.2 The Ministry has informed the Committee that the projected products availability from refineries in the terminal year (2011-12) of the 11th Five Year Plan would be 214.1 MMT.

2.3 The Committee have also been informed that the products produced by refineries in the year 2007-08 were 145.8 MMT. The demand of products in terms of domestic consumption during 2007-08 was 131 MMT.

2.4 The consumption of petroleum products during the 10th Plan, year-wise, is given below:-

(Million Tonnes)

Year	2002-03	2003-04	2004-05	2005-06	2006-07	CARG(%)
Quantity	104.126	107.751	111.634	113.213	120.749	3.8

2.5 The Committee have been informed that as per Planning Commission document on 11th Five Year Plan, demand is projected to be between 131.77 and 141.79 million tonnes for the terminal year of 11th Plan (2011-12).

B. SUPPLY OF PETROL AND DIESEL

2.6 When asked as to whether there was a shortage of diesel/petrol in Tamil Nadu, Maharashtra, Gujarat, Bihar, Jharkhand, Madhya Pradesh and other States in the recent past, the Ministry submitted the following in a written reply:-

> "There is no shortage of diesel/petrol in the states of Tamil Nadu, Maharashtra, Gujarat, Bihar, Jharkhand, Madhya Pradesh and other states. There are some stray incidents of dry outs reported from the various parts of the country.
>
> Oil Marketing Companies (OMCs) have been directed to take urgent steps to ensure adequate supply and availability of both unbranded and branded variants of diesel and petrol at the Retail Outlets across the Country. OMCs have also been directed to take all necessary steps to build sufficient stocks of petroleum products at different locations in the Country to take care of any unforeseen contingency including any temporary disruption in the movement of petroleum products".

C. EURO III & EURO IV NORMS

2.7 On being asked about the availability of Euro III and Euro IV equivalent fuel with the oil companies for implementation of Euro III norms in the entire country and Euro IV norms in the designated cities in April 2010, the Ministry furnished the following information in its written reply:-

> "1st April, 2010 is the date set by the Auto Fuel Policy for commencing supply of Euro-III equivalent diesel and corresponding emission norms in the entire country and Euro-IV equivalent diesel and corresponding emission norms for Delhi and certain other major cities. The Refineries are working to upgrade their operations to meet the above target date. Preparedness of Oil Companies for implementing Euro-III/Euro-IV fuels is being reviewed by the Ministry of Petroleum & Natural Gas regularly. Recently a combined letter dated 8.7.2008 from CMDs of IOCL, BPCL and HPCL was received by the Ministry asking for relaxation in the implementation date of Euro-III/IV standard Diesel from 1.4.2010. In pursuance of this letter, a meeting was taken by Secretary (P&NG) on 19.8.2008 with CMDs of IOCL, BPCL and HPCL in which CEOs of Oil Marketing Companies confirmed that all refineries except IOC Digboi, Guwahati and Barauni (Euro-III MS & HSD), CPCL, Manali (Euro-IV HSD) and HPCL Mumbai and Vizag (Euro-IV HSD) will be producing Euro-III/IV MS and HSD

w.e.f. 1.4.2010. Petroleum Planning & Analysis Cell (PPAC) has been asked on 16.9.2008 to convene a meeting of refinery and marketing executives of Oil Companies to find out whether the supply of Euro-III/IV HSD and MS in the above mentioned refinery fed areas can be met by sourcing products from alternate refineries or imports".

D. SUPPLY OF KEROSENE

2.8 When asked about the present position regarding supply of kerosene to various states and progress made in working out the modalities for restricting the subsidy on PDS Kerosene to BPL families only, the Ministry submitted as under:-

"Kerosene (SKO) is one of the items distributed through Public Distribution System (PDS). Allocation of PDS SKO is made by the Government of India to different States/Union Territories (UTs) on a quarterly basis for distribution under PDS for cooking and illumination only. Further distribution within the States/UTs through their PDS network is the responsibility of the respective States/UTs.

Secretary, MOP&NG held a meeting with the representatives of State Governments/UTs in December, 2005 to discuss the National Council of Applied Economic Research (NCAER) recommendations/ findings. In March, 2006, the State Governments/UTs were formally requested to give their views/comments with regard to the following:-

(i) Whether allocation could be made as per demand estimates based on the NCAER recommendations;

(ii) Whether SKO distribution could be restricted to BPL families;

(iii) Whether APL families under PDS could be supplied at a price higher than PDS.

Comments received from major PDS SKO consuming States briefly revealed that they were not in favour of restricting the supply of subsidized kerosene to BPL families only and were also against excluding APL families out of the purview of the PDS. State Government did not support the dual pricing of SKO under PDS.

Some of the State Governments/UTs have been constantly approaching the Ministry of Petroleum and Natural Gas for enhanced allocations for one reason or the other. OMCs make available the allocated quantity of SKO to the State Governments through their wholesale distributor network. Further, distribution at retail end is the responsibility of the state Government. The scale of distribution per card is also determined by the

State Government which varies from State to State. The State Governments have also been requesting for providing PDS SKO for economic activities like fisheries, agriculture, anganwadi, mango growers etc. The SKO Control Order provides that the PDS SKO would be used for cooking and illumination purposes only.

From the above, it may be seen that the Ministry of Petroleum and Natural Gas has taken steps in right earnest to implement the decision of the Government to restrict subsidy on PDS SKO to BPL families only. However, the State Government, who are principal implementing agencies, are not in favour of restricting the distribution to BPL card holders only and intend to cover not only the APL card holders but also project demand of SKO under PDS for economic activities such as fisheries, agriculture, anganwadi and mango growers etc. In view of the absence of any favourable response from the State Governments who implement the PDS scheme, this Ministry has not been able to finalize the proposal of rationalizing the allocation of PDS SKO and also restricting the same to BPL card holders only. In view of the position, explained above, it may not be possible to rationalize the PDS SKO allocation in the immediate future".

2.9 When the Committee desired to seek details regarding the proposals sent to the centre by the Government of Bihar and other State Governments to increase their Kerosene quota, the Ministry submitted as under:-

"A request for enhancement of PDS SKO quota was received by this Ministry from the Chief Minister of Bihar. Similar requests were also received from Uttar Pradesh, Assam, Tamil Nadu, Kerala, West Bengal, Orissa, Rajasthan and Uttrakhand etc. These requests were examined by this Ministry and not agreed to as the recommendations made by NCAER in their report during 2005 and Dr. Rangarajan Committee regarding rationalizing and restructuring the subsidy on PDS SKO to BPL families is still under examination. However, the PDS SKO quota to the States/UTs has not been decreased after the financial year 2004-05.

However, this Ministry also makes additional allocation of PDS SKO to meet emergent situation arising out of natural calamities like floods, earthquake, drought etc. Recently additional allocation of PDS SKO of 10000 MT was made to each States of Bihar and Orissa as a relief to the flood affected people"

2.10 When the Committee desired to know about the studies conducted in last three years to find out the extent of adulteration of petroleum products and outcome thereof, the Ministry informed as under:-

“To undertake a field-based study of the present system of kerosene allocation and to assess the genuine demand for kerosene via the Public Distribution System (PDS) , National Council of Applied Economic Research (NCAER) was approached by this Ministry through its Petroleum Planning and Analysis Cell (PPAC).

NCAER submitted its study report in October 2005. The study indicates that certain percentage of PDS kerosene is misused for black marketing/diversion. The NCAER study estimated three different kinds of diversion / leakage-siphoning-off of PDS kerosene, which are as under ;

(i) Non-household usages
(ii) Diversion from PDS to market
(iii) Purchase by households without a ration card or entitlement card.

Diversion/leakage of PDS kerosene through all the above three channels together is estimated as 38.6 % of total sales of PDS kerosene during the year 2004. Further, NCAER has recommended re-allocation of PDS kerosene across different states”.

CHAPTER- III

DEMAND, SUPPLY, MARKETING AND DISTRIBUTION OF LPG

The Ministry has apprised the Committee of the broad details of LPG marketing, sale, enrolment of new LPG customers and LPG distributorships as under:-

> "LPG is marketed by Oil Marketing Companies for domestic and non-domestic use. LPG for domestic use is marketed in 14.2 kg and 5 kg LPG capacity cylinders. Public Sector Oil Marketing Companies (OMCs) have reported that at present, there is no overall shortage of LPG in the country and LPG supplies to distributors are being made by the OMCs through indigenous production and imports in accordance with genuine demand of customers registered with the LPG distributors.
>
> The enrolment of new LPG customers and release of new LPG connection is a continuous process. OMCs are striving hard and releasing new connections across the counter on verification of documents as per laid down procedure. The same is achieved on a continuous basis in most of the markets in the country. However, due to non-availability of product and/or equipments, waitlists are generated at certain pockets temporarily which are cleared expeditiously. Any person can approach the nearest distributor for immediate release of new connections with the required documents.
>
> Government has given freedom to OMCs to set up LPG distributorships in accordance with their commercial assessment and locations are identified by them on the basis of available refill sale potential for sustaining an independent distributorship. However, Government has advised OMCs to draw up Marketing Plans for covering semi-urban and rural areas. OMCs have finalized a common industry marketing plan covering 1340 locations for setting up LPG distributorships mainly in rural and urban rural (Semi-urban) locations.
>
> The setting up of LPG distributorships is a continuous process and involves identifying suitable location, arranging land for setting up of godown and other statutory clearances.
>
> Domestic LPG is sold at Government declared price and marketing is as per LPG Control Order 2000 through 9365 distributors of OMCs across the country.
>
> LPG is also marketed for commercial use to Industries, restaurants and other commercial Institutions. LPG for commercial use is sold both as bulk and packed cylinders at import parity price. LPG is marketed for commercial use in filled cylinders through LPG distributors as well as directly by the OMCs. Bulk LPG is directly sold by OMCs to the consumers".

A. LPG SUPPLY IN RURAL AREAS

3.2 When asked about the progress made in providing new LPG connections to genuine consumers in the rural areas and steps taken to improve LPG supply/network in such areas, the Ministry submitted the following reply:-

> "As on 01.08.2008, Public Sector Oil Marketing Companies (OMCs) were operating 9369 LPG distributorships in the country, out of which 1166 LPG distributorships have been set up in rural markets to cater to the demand of the rural customers. In addition, 1212 LPG distributorships have been set up in urban/rural areas which also cater primarily to rural LPG customers.
>
> Government have given freedom to OMCs to set up LPG distributorships in accordance with their commercial assessment and locations are identified by them on the basis of available refill sale potential for sustaining an independent distributorship. Government have advised OMCs to draw up Marketing Plan for covering semi-urban and rural areas. OMCs have finalized 1342 locations in the country for setting up of new LPG distributorships, mainly in rural and urban-rural (semi-urban) locations. The advertisements for the same have been released and the selection process is in progress. About 80% of these distributorships are in the rural areas.
>
> OMCs have introduced 5 kg domestic LPG cylinders with effect from August, 2002 in order to meet the demand of low-income groups in urban, semi-urban and rural pockets and also extend the reach of LPG to the hilly terrain and interior areas in the country on account of convenience in transportation".

B. NEW DOMESTIC LPG CONNECTIONS

3.3 The Committee desired to know the status of waitlists for new LPG connections and the States which are having maximum waitlists. In response, the Ministry of Petroleum and Natural Gas submitted as under:-

> "The enrolment of new LPG customers and release of new LPG connections is a continuous process. Public Sector Oil Marketing Compnaies (OMCs) have reported that at present, new LPG connections are available across the counter for genuine domestic customers. During the period from April 2008 to July 2008, OMCs have released 14.38 lakh new LPG connections in the country.

However, Indian Oil Corporation Limited (IOC) has reported that there is a waiting list of 4.70 lakhs as on 21.08.2008 for release of new connections with their LPG distributors in the country. The details of the States where the waiting list is maximum are as under :-

Tamil Nadu	-	90615
Karnataka	-	51773
Rajasthan	-	51123
West Bengal	-	42400
Kerala	-	30477

The waiting list is expected to be liquidated by October, 2008".

3.4 The Committee were informed during evidence that as on 19.8.2008, the waitlist for release of LPG connections was about 8 lakhs, which got reduced to 19,780 as on 1.11.2008. The waitlist was not older than 60 days.

3.5 The Committee were also informed that the OMCs were releasing LPG connections as per demand. However, during May-June 2008 for a brief period, connections were not released due to non-availability of equipments.

C. SECURITY DEPOSIT FOR LPG CYLINDER AND REGULATOR

3.6 The Committee have been informed through a written reply that with effect from 26th May 2008, Public Sector Oil Marketing Companies have increased security deposit amounts for LPG cylinder and Regulator from Rs. 500 to Rs. 900 and Rs. 50 to Rs. 100 for North-Eastern Region and for the States other than North-Eastern Region from Rs. 850 to Rs. 1,250 and Rs. 100 to Rs. 150. The hike is on account of increase in procurement costs, i.e. steep increase in the prices of steel & other manufacturing cost and growing under-recoveries.

D. IDENTIFICATION OF HOUSEHOLDS WITH MULTIPLE LPG CONNECTIONS

3.7 On being asked about the progress made in the identification of households with multiple LPG connections, the Ministry, through a written reply, stated as under:-

"Public Sector Oil Marketing Companies (OMCs) have identified about 104 lakh households with suspected multiple LPG connections in the country, based on same addresses. The verification process is in progress based on which blocking/termination of supplies to such confirmed multiple connections is being done. LPG customers, who have multiple connections are approaching consumer courts for revoking such suspensions and some courts are passing orders against this initiative".

E. REFILL OF CYLINDERS

3.8 When the Committee desired to know about the time being taken for refill of LPG cylinders of genuine customers and the steps being taken to reduce the gap between the booking and delivery of cylinders to 2 days, the Ministry submitted as below:-

> "Public Sector Oil Marketing Companies (OMCs) have reported that at present, there is no overall shortage of LPG in the country and LPG supplies to distributors are being made by the OMCs through indigenous production and imports in accordance with the genuine demand of customers registered with the LPG distributors.
>
> However, the delivery time largely depends upon the number of pending calls at the LPG distributorships and various other un-controllable factors causing disruption in supplies like floods, land slides, riots, strikes etc".

F. DIVERSION OF LPG

(i) Complaints received from LPG consumers

3.9 The Committee desired to know the different types of complaints received from LPG consumers by the OMCs, number of such complaints received during the last three years and remedial measures taken in this regard. In response, the Ministry stated as under:-

> "OMCs have reported 3303 established complaints against their LPG distributors during the year 2005-06, 2006-07 and 2007-08. Generally, complaints received from LPG consumers against the LPG distributors of public sector Oil Marketing Companies (OMCs) on delay in refill supplies, no home delivery, not giving cash and carry rebate, out of turn release of new LPG connections, overcharging, rude behaviour, supply of under weight cylinders etc. Action has been taken by OMCs against all the erring distributors.

In order to stop blackmarketing/diversion of domestic LPG cylinders, the Government has enacted "Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 2000" and formulated "Marketing Discipline Guidelines, 2001" which provides for penal action against LPG distributors indulging in diversion/ blackmarketing of LPG.

Whenever OMCs receive complaints, these are investigated and if the complaint is established, suitable action is taken against the LPG distributor(s) in accordance with the provisions of the Marketing Discipline Guidelines (MDG). MDG provides for following action against the distributor:-

- Fine of Rs. 20,000 plus the price of LPG diverted at commercial rates for 1st offence.

- Fine of Rs. 50,000 plus the price of LPG diverted at commercial rates for 2nd offence.

- Termination of the distributorship for 3rd offence.

In addition to the action taken by the OMCs, State Governments are empowered under the LPG (Regulation of Supply & Distribution) Order, 2000 promulgated under the Essential Commodities Act, 1955 to take action against blackmarketing/diversion of domestic LPG. Similarly, the Weights and Measures Departments of the States / UTs initiate legal action against those LPG distributors found blackmarketing/diversion of LPG cylinders. The State Governments have been alerted from time to time to take steps against the blackmarketing/diversion of domestic cylinders for unauthorized usage.

Government have issued advertisements cautioning the public that use of domestic LPG for non-domestic purposes is illegal, dangerous and against national interest. Through these advertisements, cooperation of the general public has also been sought to report any irregularity / malpractice to the OMCs.

The officials of OMCs carry out random checks at distributors godowns, delivery points, as well as en-route to ensure that no misuse takes place. The distributors of OMCs are under strict instructions to check the weight of cylinders at their godowns before delivery, and only cylinders with the specified weight are to be delivered to the customers. The distributors have also been instructed to ensure that the seals are verified & shown to the customers at the time of delivery. In case any under-weight cylinder is received by the customer, such cylinders are replaced free of charge by the OMCs".

3.10 As regards diversion of LPG, a representative of HPCL informed the Committee during evidence as under:-

> "There is a major menace that we are facing in case of LPG because of the subsidy. Today each cylinder that we sell has got a subsidy of almost Rs.300. So, there is a possibility of diversion taking place. Here also we are trying to take a lot of innovative steps. May be in the long run we will be able to arrest this diversion. There are many cases of domestic LPG getting into the auto LPG segment. But that is not a safe practice. We have taken it up with the Explosives Department to see that stringent action is taken against use of domestic LPG in auto segment".

(ii) Steps to curb diversion

3.11 The Committee were informed during oral evidence about the steps taken by the industry to curb diversion as under:-

- Refill audits on distributors and raids on commercial establishments.
- Change in colour of Non Domestic Cylinder- Red to Oxford Blue.
- Extensive advertisements in media against misuse of domestic LPG.
- Elimination of Multiple Connections-blocking refill supply to identified multiple connections.
- OMCs have been advised to introduce special scheme for termination of LPG connections of customers having Piped Natural Gas (PNG) connections.
- Radio Frequency Identification Device (RFID) and Smart card introduction initiated.

(iii) Refill audits and raids

3.12 The Ministry further enlightened the Committee about the Refill audits and raids conducted on distributors and commercial establishments during 2006-07, 2007-08 and first six months of 2008-09 as under:-

Refill Audits and Raids				
Details of refill audits conducted on distributors and raids on Commercial establishments:				
YEAR	NO OF REFILL AUDITS CONDUCTED	DISTRIBUTORS FOUND INDULGED IN DIVERSION	NO. OF RAIDS CONDUCTED N COMMERCIAL ESTABLISHMENT	NO. OF CYLINDERS SEIZED

2006-07	15878	357	12489	26343
2007-08	16404	430	9182	29442
2008-09 (Apr-Sept)	6246	204	2775	11784

(iv) Radio Frequency Identification Device

3.13 The Committee were also informed during evidence regarding the proposed introduction of Radio Frequency Identification Device (RFID) to check LPG diversion. The salient features of the proposal are as under:-

- Both Cylinders and customer's identify numbers are coded.
- Cylinders when delivered could be tagged with the customer's identify number
- The customer shall return the same cylinder.
- Distributors are required to return the same cylinders delivered to them from plant.

G. COMPOSITE CYLINDERS

(i) Salient features

3.14 During oral evidence, the Ministry of Petroleum and Natural Gas apprised the Committee of the broad features of the proposed introduction of composite cylinders for marketing domestic LPG as under:-

- A new product for high-end customers
- Translucent, lightweight, aesthetically superior cylinders made out of composite material like High Density Polyethelene (HDPE), Polyethelene Tetraphthalate (PET) & Fibre Reinforced Plastic (FRP)
- Cylinders have an inner PET lining & external HDPE jacket.
- 3 known manufacturers- M/s Ragasco, Norway, M/s Komposite Praha, Chekoslovakia & Composite Scandiinavia, Sweden.
- Weight of LPG-10.5KGs. Pricing in line with 'Domestic Non-subsidised'.

(ii) Progress in introduction of composite cylinders

3.15 The Committee, through a query, desired to know the progress made in the introduction of composite cylinders for marketing of domestic LPG in selected cities. The Ministry replied as under:-

"Government has conveyed "in principle" approval to the Public Sector Oil Marketing Companies (OMCs) for expanding the product line by way of introduction of composite cylinders for marketing domestic LPG, subject to there being no subsidy element in the LPG to be marketed through these composite cylinders. To start with, Indian Oil Corporation Limited (IOC) along with Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) intend to import composite cylinders by floating global tender and do test marketing in selected cities. The composite cylinders are translucent and will show the level of LPG present in the cylinder.

OMCs have reported that the approval from Chief Controller of Explosives (CCOE) is awaited for commencement of tendering process".

3.16 Further developments in the matter were brought to the notice of the Committee during evidence as under:-

- OMCs to invite global tender.
- Two Chief Controller of Explosives (CCOE) approved parties available with different technologies.
- Evaluation of technologies presently in progress for finalization of tender specifications.
- Tender likely to be floated in Jan-Feb., 2009.

H. LPG BOTTLING PLANTS

3.17 When the Committee desired to know about the number of LPG bottling plants of the OMCs in operation and the details of such plants proposed to be set up during next three years, the Ministry furnished the following reply:-

"At present, Public Sector Oil Marketing Companies (OMCs) are operating 181 LPG bottling plants in the country with a total bottling capacity of 8697 Thousand Metric Tonnes Per Annum (TMTPA).

LPG bottling plants are set up by OMCs on the basis of techno-economic feasibility after taking into consideration the demand potential of packed LPG.

OMCs have proposed to set up 6 more new LPG bottling plants with a total bottling capacity of 308 TMTPA in the States of Andhra Pradesh, Bihar, Gujarat, Kerala and Karnataka during the next three years which are under construction. The details are as under:-

States	Number of bottling Plants	Bottling capacity (in TMTPA)
Andhra Pradesh	1	44
Bihar	2	44+44=88
Gujarat	1	44
Kerala	1	44
Karnataka	1	88”

I. AUTO LPG

3.18 The government has issued LPG (Regulation of use in Motor Vehicles) Order 2001 which permits PSU OMCs and rated parallel marketeers to import, store, distribute and dispense auto LPG through auto LPG Dispensing Stations. Such Auto LPG can be dispensed only to vehicles having fixed LPG fuel tanks and fitted with approved LPG conversion kits as specified under amended motor vehicle rules.

3.19 OMCs are marketing auto LPG through their existing network of Retail Outlets by adding auto LPG dispensing facilities in line with the directives of Petroleum and Explosives Safety organization (PESO). The pricing of Auto LPG is on import parity basis.

(i) Encouragement to use auto LPG

3.20 On being asked about the steps taken to motivate consumers to use auto LPG in their vehicles and availability of stocks of auto LPG to cater to the requirements of the vehicle-users in the country, the Ministry responded as under:-

> “Auto LPG is an environmentally clean fuel which is also commercially viable to consumers. Public Sector Oil Marketing Companies (OMCs) have been taking constant measures for improving customer awareness in various cities to make them aware of these facts by distribution of pamphlets, putting up hoardings and through media. Recently, special campaigns were carried out by OMCs in the cities of Delhi, Bhopal and Ahmedabad. OMCs have reported that they have sold 135.83 Thousand Metric Tonne (TMT), 200.48 TMT and 71.31 TMT of auto LPG in the

country during the years 2006-07, 2007-08 and April, 2008 to August, 2008 respectively.

Sufficient stocks are available with OMCs to meet the requirement of vehicle users".

(ii) Auto LPG Dispensing Stations

3.21 On further being enquired about the number of Auto LPG Dispensing Stations operating in country at present, the number of such stations set up during the last three years and those proposed to be set up in near future, the Ministry responded in a written reply as under:-

"As on 01.08.2008, Public Sector Oil Marketing Companies are operating 349 Auto LPG Dispensing Stations (ALDS) in different cities in the country. During the last three years, OMCs have set up 221 ALDS in the country. OMCs propose to set up 150 more ALDS during the year 2008-09".

(iii) Complaints regarding short supply

3.22 When the Committee wanted to know about the details of complaints received regarding short supply of LPG by some dealers at the Auto LPG Dispensing Stations and the condition of nozzles at some stations, the Ministry furnished the following reply:-

"Public Sector Oil Marketing Companies (OMCs) have not reported any established complaint of short supply of Auto LPG by their dealers.

OMCs have reported that they have not received any complaints from the consumers for not getting due quantity of gas at their Auto LPG Dispensing Stations (ALDSs). OMCs have comprehensive Annual Maintenance Contracts (AMC) for ALDS to ensure that the equipments are kept in good working conditions by the AMC provider".

CHAPTER- IV

ADULTERATION/DIVERSION OF PETROLEUM PRODUCTS

The Ministry has informed the Committee that the possibility of adulteration of petrol and diesel by some unscrupulous elements cannot be ruled out due to the price difference between petrol/diesel and various adulterants.

(i) Quality and quantity control measures

4.2 The Committee have been informed that the following quality checks are conducted at the retail outlets:

(i) The quality of MS is checked by the dealer with the help of a filter paper (Whatman 2). The filter paper is also made available to the customer on demand if they wish to satisfy themselves of the quality of MS. A suitable message to this effect is also included in the customer education board / poster and is displayed prominently at the retail outlet.

(ii) Daily product samples of both MS & HSD are drawn from the pump nozzle in the morning and are recorded before commencing daily sales.

4.3 The Ministry has also informed that the following quantity checks are conducted at the retail outlets:-

(i) 5 Ltr measure duly verified by the weights and measures department of the concerned State Government is kept at the retail outlet for testing correctness of the pump nozzle delivery before commencement of sales everyday.

(ii) The weights and measures department duly stamps all measures used for dispensing bulk lube oil on the pump island and service bays.

(iii) It is ensured that after each delivery from the pump, the pump meter is brought back to Zero before commencing the next delivery. A message to this effect is displayed on each pump unit and the pump attendant shows the Zero setting to the customer before start of each delivery.

(ii) Measures to check adulteration

4.4 The Committee have been informed that checking adulteration is a continuous process and the Ministry of Petroleum & Natural Gas has been reviewing steps taken to curb adulteration from time to time. In the process, several technological and institutional measures have been taken to contain adulteration. Some of the steps taken by the Ministry are summarized below:

(i) **Essential Commodities Act, 1955**: Under the Control Orders issued by the Government to prevent fuel adulteration, under the Essential Commodities Act, 1955, State Governments are empowered to take action against those indulging in adulteration. Government have requested the State Governments/ Union Territory Administrations to take steps to control adulteration.

(ii) **Inspections**: OMCs undertake regular and surprise inspections of Retail Outlets and also take action under Marketing Discipline Guidelines (MDG) and Dealership Agreements against those indulging in adulteration and malpractices. MDG provide for termination of dealership in cases of adulteration being established.

(iii) **Tamper proof locking system**: OMCs have introduced new tamper proof tank-truck locking systems to prevent en-route adulteration by transporters.

(iv) **Canalization of import of SKO**: Keeping in view the misuse/diversion of SKO for adulteration, the import of SKO by private parties has been canalized through OMCs.

(v) **Creation of separate wing**: As advised by the Government, Oil Marketing Companies (OMCs) have created a separate wing to report to a Director other than Director (Marketing), which will oversee and monitor all activities and operations to curb adulteration and specify norms and guidelines in this regard.

4.5 When specifically asked about the technological innovations introduced by the oil companies to curb adulteration of petroleum products, the Ministry submitted the following in a written reply:-

"Some of the major initiatives taken by OMCs to curb adulteration of petroleum products are as under:

(i) **Automation of Retail Outlets:** In order to monitor the activities at retail outlets by adopting the latest technological improvements, automation of retail outlets is being implemented. This Ministry has directed the OMCs to complete automation of retail outlets selling more than 200 KL per month. Automation involves monitoring of receipts and sales of petroleum products (Petrol/Diesel) from the underground tanks electronically without human interface.

(ii) **Third Party Certification of Retail Outlets**: OMCs have been directed to complete third party certification of all the retail outlets selling more than 100 KL per month. This involves inspection of Retail Outlets by a duly appointed independent agency of international repute on various pre-defined parameters like quality and quantity (delivery) of petroleum products dispensed through the dispensing pumps, customer service, housekeeping, availability and operation of various facilities etc.

(iii) **Monitoring of Movement of Tank Trucks through Global Positioning System (GPS):** In order to prevent adulteration during transportation, OMCs have been directed to install GPS for complete monitoring of the movement of all the company owned / dealer owned / contractor owned tank trucks. The route which the trucks are required to take for delivering supplies of Petrol/Diesel from OMCs storage locations to Retail Outlets and direct customers are pre-determined and the same is plotted on a digital map. Subsequently, the actual route being taken by the trucks are monitored electronically in comparison with the pre-determined route mentioned above and deviations, if any, are investigated to establish the reasons for the same.

(iv) **Marker System in Kerosene**: To check adulteration in auto fuels, Government has asked public sector Oil Marketing Companies (OMCs) to take various steps, including introduction of marker in Kerosene. OMCs have commenced introduction of marker in kerosene on all India basis with effect from 01.10.2006. Under the new system, Marker is being put in kerosene in all depots/terminals. This system heralds the introduction of world class technology to curb and eventually eliminate the menace of adulteration of transportation fuels along the supply chain. With the marker's presence, adulteration even with very low levels of kerosene can be detected".

(iii) Automation of retail outlets

4.6 While apprising the Committee about the significance of automation of retail outlets, a representative of HPCL stated during oral evidence as under:-

"This is the latest thing that all the oil companies are doing. This gives in real time the operational details of all retail outlets in the country. Sitting anywhere in the country we can see the operation of retail outlets. Details like how much product is coming, how much is going out including the densities are recorded on real time basis".

4.7 When asked about the progress of automation of retail outlets of oil companies, the Ministry submitted the following data in a written reply:-

"As per decision of the Ministry all retail outlets of OMCs selling more than 200 KLs/month are targeted to be brought under automation. As per information provided by OMCs in April 2007 there were 5092 retail outlets selling more than 200 KLs/month.

Due to high growth in MS/HSD sales in 2007-08, the number of retail outlets selling more than 200 KLS/month has gone up. Accordingly, the target has been revised based on MS/HSD sales during 2007-08 for each company. The revised target along with actual completion as of 31.7.2008 is as under:

OMC	Original Target	Revised Target	Total ROs completed
IOC	2357	3060	1180
BPC	1600	2200	1602
HPC	1135	1530	1140
Total	**5092**	**6790**	**3922**

IOCL has informed that their pace of automation is slow because their target includes 250 ROs pertaining to erstwhile IBP, for which the rollout gathered necessary momentum after attaining the desirable synergy level in post-merger scenario. IOCL has further informed that work order for 544 ROs under Phase-II is already in place. Substantial rate difference between two vendors delayed placement of Work Order for another 634 ROs in phase – II. Process of negotiation with the vendor has now been completed and approval is being sought for early placement of work order".

(iv) Inspection of retail outlets

4.8 When asked about the inspections conducted by the Oil Marketing Companies in their retail outlets, the instances of discrepancies in stocks and other malpractice noticed and action taken/penalty imposed during the last three years, the Ministry furnished the following data:-

"Type of Malpractices	**2005-06**	**2006-07**	**2007-08**
No of inspections	106310	122255	132524
1. Discrepancy in stock	136	234	122
2. Others irregularities	1889	2769	2513
Total	2025	3003	2635
Action Taken			
1. Termination	87	145	160
2. Other Actions incl. Court Cases	1938	2858	2475
Total	2025	3003	2635"

CHAPTER- V

A. FIANANCIAL PERFORMANCE OF OIL MARKETING COMPANIES

The Committee have been informed that the operating profit of OMCs has been adversely affected due to non-revision of retail prices of sensitive petroleum products in line with international oil prices. The profit realized by the OMCs has been largely due to extraneous factors like issue of Oil Bonds, assistance from Upstream Oil Companies, one-time measures such as sale of shares by IOC, etc. The Profit after Tax (PAT) of OMCs during 2004-05 to 2007-08 is given below:

Rs. Crore

Company	2004-05	2005-06	2006-07	2007-08
IOC	4891	4915	7499	6963
BPC	966	292	1806	1581
HPC	1277	406	1571	1135
IBP	59	12		
Total	7193	5625	10876	9679

5.2 The committee have further been informed that the PAT reported above includes the following amounts of Oil Bonds, Upstream assistance and sale of shares as given below:

(Rs. Crore)

	2004-05	2005-06	2006-07	2007-08
Upstream assistance	5,947	14,000	20,507	25,708
Oil Bonds	-	11,500	24,121	35,290
Sale of Shares	-	439	3,225	-
Total	5,947	25,939	47,853	60,998

5.3 The Ministry has also informed that if external support in the form of oil bonds, discounts and sales of shares, etc., is excluded, the oil marketing companies would have reported losses.

5.4 The Committee have been informed during oral evidence that the three OMCs viz. IOCL, BPCL and HPCL incurred a combined loss of Rs.14,431 crore in the first six months of 2008-09 i.e. from April to September, 2008.

B. UNDER-RECOVERIES OF OMCS

(i) Difference between under-recoveries and profits/losses

5.5 The difference between price based on trade parity/import parity and actual selling price realized (excluding taxes, dealer commission) represents the under-recoveries of OMCs. The under-recoveries of OMCs are different from their reported profits/losses. Profit takes into account other income streams like dividend income, pipeline income, inventory changes, profits from freely priced products and refining margins.

(ii) Extent of under-recoveries of OMCs

5.6 When the Committee sought details about the under-recoveries of Oil Marketing Companies through a query, the Ministry stated the following in a written reply:

"The under-recoveries of the Public Sector Oil Marketing Companies (OMCs) and the burden sharing by various stakeholders are indicated below:

Rs./Crore

Under Recovery	2005-06	2006-07	2007-08	Apr-Jun'08)
Under Recoveries on sensitive petroleum products	40,000	49,387	77,123	48,817
Government-Issue of Oil Bonds	11,500	24,121	35,290	24,408*
% of Under Recoveries	28.75	48.84	45.76	50.00
Upstream Oil companies-Discount from Upstream Companies	14,000	20,507	25,708	11,250
% of Under Recoveries	35.00	41.52	33.33	23.05
Borne by OMCs	14,500	4,759	16,125	13,159
% of Under Recoveries	36.25	9.64	20.91	26.95

*Ministry of Finance (MoF) has concurred in the proposal to provide budgetary support of 50% of the assessed under-recoveries i.e. Rs.

> 24,408 crores for the first quarter of 2008-09 on a provisional basis in terms of Oil Bonds towards Government share of under-recoveries. The final quantum of Bonds shall, however, be decided by MoF subject to the recommendations of the High Powered Committee on the financial position of oil companies".

(iii) Efforts to reduce under- recoveries

5.7 When asked as to whether the Government/OMCs have devised any strategy to reduce the under-recoveries, the Ministry, in a written reply, furnished as under:-

> "The under-recoveries of the Public Sector Oil Marketing Companies (OMCs) are primarily the result of international oil price volatilities, against which the domestic retail selling prices of four sensitive petroleum products namely, Petrol, Diesel, PDS Kerosene and Domestic LPG are insulated. Recommendations made by the High Powered Committee on Financial Position of Oil Companies including, inter-alia, the one related to change in the pricing mechanism from Trade/Import Parity to Export Parity basis are under examination of the Government".

C. PRICING OF PETROLUEM PRODUCTS

5.8 The Committee have been informed that consumers of sensitive petroleum products, viz. Petrol, Diesel, PDS Kerosene and Domestic LPG, are being insulated from the impact of unprecedented high international oil prices by Public Sector Oil Marketing Companies (OMCs). In spite of international oil prices remaining persistently high, OMCs, on the directions of the Government, continue to retail sensitive petroleum products below the price level required by international oil prices. However, long-term mismatch between domestic retail prices and international oil prices is unsustainable.

5.9 When the Committee sought details about the formula regarding fixation of prices of petroleum products, the Ministry, in a written reply, submitted, inter-alia, as under:-

> "The Public Sector Oil Marketing Companies (OMCs) pay Trade Parity price when they purchase Petrol and Diesel from domestic refineries and

Import Parity price for purchase of PDS Kerosene and Domestic LPG. The elements considered in the Import Parity, Export Parity and Trade Parity Pricing are briefly indicated below:-

Import Parity Price

(i) FOB price at Arab Gulf
(ii) Ocean freight from Arab Gulf to specific Indian ports
(iii) Insurance charges
(iv) Customs Duty
(v) Ocean Loss, LC charges, Port dues and wharfage

Export Parity Price

FOB price at Arab Gulf

Trade Parity Price

This is the weighted average of Import Parity and Export Parity prices in the ratio of 80:20

Based on Rangarajan's Committee recommendations effective 16.06.2006, Government has changed the pricing of petrol and diesel on trade parity basis, which shall be weighted average of import parity and export parity prices in the ratio of 80:20. The principle of trade parity pricing will apply for the refinery gate price as well as for determining the retail price.

Retail selling price of sensitive petroleum products for the consumers is calculated by taking into account:

(i) Price paid to refinery on trade parity basis
(ii) Inland freight from refinery to depot and depot to market
(iii) Marketing Margin (In case of domestic LPG includes cylinder filling charges and Cylinder Compensation)
(iv) Dealers commission
(v) Excise duty
(vi) Value Added Tax and local levies

The basic ex-storage selling prices of sensitive petroleum products are uniform at all refinery locations throughout the country".

D. PRICE STABILIZATION FUND

5.10 The Committee sought the views of the Ministry of Petroleum and Natural Gas regarding the setting up of a Price Stabilization Fund to protect the consumers from the volatility in the international oil market. The Ministry submitted the following response in this regard:-

> "The Standing Committee on Petroleum and Natural Gas has recommended for establishment of a Price Stabilisation Fund, to insulate the consumers from the adverse impact of volatile international prices. The Committee has recommended that funding for the Price Stabilization fund can be provided from the OIDB cess levied on indigenous crude oil. The recommendations of the Committee were sent to the Ministry of Finance. However, Ministry of Finance has not agreed with this proposal.
>
> However, even in the absence of the proposed Price Stabilization Fund, the Central Government has borne a major burden to moderate the impact of high international prices on the consumers, by issuing Oil Bonds to the Public Sector Oil Marketing Companies to the extent of Rs.11,500 crore in 2005-06, Rs.24,121 crore in 2006-07 and Rs.20,333 crore in 2007-08 (April-December 2007). Oil Bonds of Rs.14,957 crore for the period January to March 2008 would be issued after the approval of Parliament.
>
> From the perspective of the Government, the objective is to see that the consumers are shielded from the adverse impact of high international prices. Compensation through the Price Stabilisation Fund or issue of Oil Bonds, both seek to achieve the same objective".

E. TAXES/DUTIES ON PETROLUEM PRODUCTS

5.11 The Committee have been informed that one of the main reasons for high selling prices of Petrol and Diesel is the high level of taxation.

(i) Taxes/duties on petrol and diesel in Delhi

5.12 When the Committee desired to be apprised of the percentage of total taxes and duties to the basic retail selling prices of petrol and diesel in Delhi, the Ministry submitted the following data in a written reply:-

"The break up of taxes and duties forming the components of the retail selling price at Delhi of Petrol and Diesel are as under:-

Break up of taxes/duties on Retail Selling Price(RSP) of Petrol & Diesel at Delhi

(Rs/Litre)

Prices based on Refinery Gate Price (RGP) of the IInd Fortnight of August 2008	**Petrol**	**Diesel**
Price excluding customs, Excise and VAT	27.80	26.24
	(54.93%)	(75.29%)
Custom Duty	0.63	0.79
	(1.24%)	(2.26%)
Excise Duty	13.75	3.71
	(27.16%)	(10.64%)
VAT (including pollution cess of 25 paise on Diesel)	8.44	4.12
	(16.66%)	(11.83%)
Total of Customs Duty, Excise Duty and VAT	22.82	8.62
	(45.07%)	(24.72%)
Retail Selling Price	**50.62**	**34.86**

*Figures in parenthesis give the components of customs duty, excise duty and VAT as a % of RSP.

(ii) Measures to reduce taxes/duties

5.13 When the Committee desired to know about the specific steps being taken by the Government to reduce taxes and duties on petroleum products to lessen the burden on the consumer, the Ministry submitted the following information through a written reply:-

"The Government has taken a number of measures to rationalize taxes and duties on sensitive petroleum products to keep the consumer prices of these sensitive petroleum products within reasonable limits. The details of rationalization in duties on sensitive petroleum products are given below:

The extents of reductions in Customs Duties since 2004-05 are outlined below:

(i) Custom Duty on Petrol and Diesel reduced from 15% in August 2004 to 2.50% in June 2008.
(ii) Custom Duty on Domestic LPG and PDS Kerosene reduced from 5% in August 2004 to NIL in March 2005.
(iii) Custom Duty on Crude Oil reduced from 10% in August 2004 to

NIL in June 2008.

The extent of reductions in Excise Duties since 2004-05 are outlined below:-

(i) Excise Duty on Petrol reduced from 26% (ad valorem) plus Rs.7.50 pr litre (specific) in June 2004 to Rs. 13.35 per litre (specific on unbranded Petrol) in June 2008.
(ii) Excise duty on Diesel reduced from 11% (ad valorem) plus Rs. 1.50 per litre (specific) in June 2004 to Rs. 3.60 per litre (specific on unbranded Diesel) in June 2008.
(iii) Excise Duty on Domestic LPG reduced from 8% (ad valorem) in June 2004 to NIL in March 2005.
(iv) Excise duty on PDS Kerosene reduced from 16% (ad valorem) in June 2004 to NIL in March 2005".

(iii) Taxes/duties levied in other Asian countries

5.14 When asked about the rates/percentages of taxes and duties levied on petrol and diesel in other Asian countries, the Ministry submitted as under:-

"As per the data available from the country's websites, the details of rates/percentages of taxes and duties as percentage of retail selling prices levied on Petrol and Diesel in some other Asian Countries are given below:-

	Petrol	Diesel
India	45.07%	24.72%
Japan	34.34%	24.48%
Pakistan	36.33%	N.A.
Thailand	28.05%	7.62%

Note: Thailand-includes Oil Fund & Conservation Fund.
Pakistan- includes Petroleum Levy"

(iv) Sales tax/VAT on petrol and diesel

5.15 The Committee have been apprised of the current rates of Sales Tax/VAT on Petrol and Diesel in various States/UTs which are as under:

State	Capital	Petrol (%)	Diesel (%)
Maharashtra	Mumbai	28.38	26.00
Delhi	Delhi	20.00	12.50
Tamil Nadu	Chennai	30.00	21.43
West Bengal	Kolkata	22.39	15.81

MP	Bhopal	28.75	23.00
Gujarat	Gandhinagar	25.46	24.63
Goa	Panjim	20.00	19.00
Chattisgarh	Raipur	22.00	22.00
UP	Lucknow	23.62	16.16
HP	Shimla	25.00	14.00
Chandigarh	Chandigarh	20.02	12.54
J&K	Srinagar	22.35	12.00
Uttaranchal	Dehradun	22.57	17.70
Rajasthan	Jaipur	29.22	21.66
Haryana	Ambala	20.00	8.80
AP	Hyderabad	33.00	22.25
Kerala	Trivandrum	26.29	22.71
Karnataka	Bangalore	25.00	18.00
Jharkahnd	Ranchi	20.00	14.50
Bihar	Patna	24.50	18.36
Orissa	Bhubaneshwar	18.00	18.00
Assam	Guwahati	23.32	12.19

Note: Includes Cess, Additional tax & VAT Concession.

(v) Reduction of sales tax/VAT by States

5.16 The Committee have been informed that in order to cushion the burden of the recent price hike on Petrol and Diesel effected on 5th June'2008, several State Governments like West Bengal, Bihar, Maharashtra, Gujarat, Uttar Pradesh, Kerala, Goa, Assam, Tamil Nadu (only on Diesel), Uttaranchal, Haryana (only on Diesel), Jharkhand (only on Diesel) as well as Chandigarh (only on Petrol) have reduced the Sales Tax. State Governments of Maharashtra, Goa, Gujarat, Haryana, Chandigarh, Uttaranchal and Uttar Pradesh have reduced the VAT on LPG to Nil. State Governments of Delhi and Andhra Pradesh have provided State subsidy on Domestic LPG.

5.17 As regards the levy of sales tax/VAT on petrol and diesel, the Secretary, Ministry of Petroleum and Natural Gas stated during oral evidence as under:-

> "The incidence of sales tax is very high. In many States, it is 24 per cent. Now unless the State Governments also cooperate; if it comes to the level of declared goods, it will mean a sizeable reduction".

CHAPTER- VI

MISCELLANEOUS

(i) Setting up of retail outlets in remote and low service areas

As regards setting up of retail outlets in remote and low service areas by the oil companies, the Ministry submitted the following data in a written reply:-

> "As per the Resolution of 8th March 2002, Government have granted authorization to market transportation fuels to four private companies namely, M/s. Reliance Industries Limited (RIL), M/s. Essar Oil Limited (EOL), M/s. Shell India Marketing Pvt. Limited (SIMPL) and M/s. Reliance Petroleum Limited (RPL).
>
> While granting authorization to the above mentioned private companies for marketing of transportation fuels, the following conditions were imposed:-
>
> - Private company would exercise the authorization in its own name and logo and the authorization will not be transferable nor assignable without permission of the Government.
> - Company shall not operate the authorization through a dealer with whom another marketing company has entered into an agreement for marketing of transportation fuels or from the existing retail outlets of another company and there will be no encroachments on the existing retail outlets of any marketing company.
> - Dealer of company would abide by the marketing service obligations and retail service obligations as notified from time to time and company would set up at least 5.6% of its retail outlets in remote areas and 5.3% in low service areas. The time frame for setting up these outlets would run concurrently with the total plan.
> - Company shall inform the Government of any major change in their scheme of marketing and shall furnish the quarterly report, indicating the details of various retail outlets set up location-wise, in different parts of country, to Government.
>
> Government had also advised public sector oil companies namely Oil and Natural Gas Corporation Limited (ONGC), Indian Oil Corporation Limited (IOC), Hindustan Petroleum Corporation Limited (HPCL), Bharat Petroleum Corporation Limited (BPCL) and Numaligarh Refinery Limited (NRL) to set up 5.6% of its retail outlets in remote areas and 5.3% in low service areas of the country".

(ii) Refining cost of refineries

6.2 When the Committee desired to know the refining cost per litre of crude oil, the Ministry of Petroleum and Natural Gas submitted as under:-

"The refining cost per litre of crude oil for 2007-08 is as under:-

Refineries	Refining Cost (Rs per Litre)
Barauni	0.72
Gujarat	0.42
Haldia	0.72
Mathura	0.56
Panipat	0.62
Digboi	3.92
BRPL	0.90
KRL	0.45
MRPL	0.45
CPCL	0.57
HPC – Vizag	0.38
HPC – Mumbai	0.53
BPC – Mumbai	0.44
NRL	0.65

Note: Figures arrived, based on data provided by Oil companies"

(iii) Pipeline Projects

6.3 The Committee, through a query, desired to know about the pipeline projects of the Oil Marketing Companies which are under construction and the time and cost overruns on such projects. In reply, the Ministry of Petroleum and Natural Gas stated as under:-

"S.No.	Project Name/Description	Time Overrun (Months)	Cost overrun (Costs in Rs.Crore)
A	**OWNER : GAIL**		
1.	Dabhol-Panvel Pipeline	13	0.0
2.	Vijaipur Dadri Pipeline	0	0.0
3.	Bawana Nangal Pipeline	0	0.0
4.	Dahej Vijaipur Pipeline Phase-II	0	0.0
B	**OWNER : OIL**		
1.	Numaligarh-Siliguri Pipeline	18	0.0
C	**OWNER :ONGC**		
	Two pipelines Replacement Project for	0	0.0

	Ahmedabad and Mehsana Asset		
D	**OWNER : IOCL**		
1.	Dadri-Panipat R-LNG Spur Pipeline	0	0.0
2.	Chennai-Bangalore Product Pipeline	0	0.0
3.	Panipat-Jalandhar LPG Pipeline	2	0.0
4.	Augmentation of Mundra-Panipat Crude Oil Pipeline	9	0.0
5.	Koyali-Ratlam Product Pipeline	22	0.0
6.	Paradip-Haldia Crude Oil Pipeline	33	72.0
E	**OWNER : BPCL**		
1	Product pipeline from Bina to Kota	0	0.0”

CHAPTER- VII

RECOMMENDATIONS/OBSRVATIONS OF THE COMMITTEE

7.1 Shortage of petrol and diesel in some parts of the country has been reported from time to time. The Ministry of Petroleum and Natural Gas has admitted that there have been some stray incidents of dry outs in different parts of the country. Since petrol and diesel are essential items, even stray incidents of dry outs cause immense hardships to consumers. Shortage of these items, especially diesel, even for a few days, can have an adverse impact on the prices of essential commodities, thereby badly affecting the common man. The Committee, therefore, desire that the oil marketing companies should adequately build stocks of petroleum products at their depots and such other installations to effectively meet the shortage of such items taking place at different locations from time to time.

7.2 As per Auto Fuel Policy, supply of Euro-III equivalent fuel in the entire country and Euro-IV equivalent fuel in some major cities is stipulated to commence w.e.f. 1.4.2010. Accordingly, the refineries in the country are engaged in putting up upgradation facilities to their existing infrastructure to meet the said target date. The Committee have been informed that the oil marketing companies have requested the Ministry of Petroleum and Natural Gas for relaxation in the above-mentioned implementation date. The Committee have also been informed that some refineries may not be in a position to supply Euro-III/IV petrol and diesel w.e.f. 1.4.2010. These refineries are: IOC Digboi, Guwahati and Barauni (Euro-III MS and HSD), CPCL Manali (Euro-IV HSD) and HPCL Mumbai and Vizag (Euro-IV HSD). In the opinion of the Committee, there is no need to make any relaxation in the implementation schedule. Instead, the Committee would like the above refineries to redouble their efforts and finish the job before the stipulated deadline. In case it is still not possible to complete the work within the requisite time schedule, the requirement of Euro-III/IV petrol and diesel in these refinery fed areas should be met through procurements from other refineries or imports.

7.3 Allocation of PDS kerosene is being made by the Government of India to different States/Union Territories on a quarterly basis for distribution under PDS for cooking and illumination only. The Committee have been informed that some of the State Governments/Union Territories have been constantly approaching the Ministry of Petroleum and Natural Gas for enhancing the kerosene allocation. The Committee desire that the allocation of PDS kerosene to States should be enhanced after judging the merits of each case. They further note that the State Governments have also been requesting for providing PDS kerosene for economic activities like fisheries, agriculture, anganwadi, mango growers, etc. However, the SKO Control Order provides that the PDS SKO would be used for cooking and illumination purposes only. Considering the importance of these economic activities, the Committee desire that the request of the State Governments for allocation of kerosene for economic activities should be acceded to by effecting appropriate amendments to the SKO Control Order. However, the Committee would like that the kerosene for the said economic activities is supplied to States at a price higher than PDS rate.

7.4 The Committee note that out of 9369 LPG distributorships of the oil marketing companies in the country as on 1.8.2008, 1166 LPG distributorships are located in rural areas to cater to the demand of the rural consumers. Besides, 1212 LPG distributorships have been set up in urban/rural areas which also cater primarily to rural customers. Thus, 2378 LPG distributorships (about 25% of the total) have been set up to cater to the requirements of the rural customers, which the Committee do not consider to be adequate taking into account the huge rural population in the country. They have been informed that the OMCs have finalised 1342 locations in the country for setting up of new LPG distributorships, about 80% of which are to be set up in rural areas. The Committee appreciate this initiative of the Government/OMCs and desire that these new distributorships be set up at the earliest. They also desire that the distribution mechanism in the rural areas needs to be further improved by setting up more distributorships in these areas. The Committee further desire that marketing of 5 kg domestic LPG cylinders in rural and hilly areas should be done on a larger scale for the benefit of the rural people.

7.5 The Committee understand that an initiative was taken to open some new petrol/diesel retail outlets and LPG/Kerosene distributorships/dealerships in Bihar, Andhra Pradesh and other States. It appears that the matter has not yet been finalised. Considering the increase in population and demand for the products, the Committee desire that the process should be finalised/completed at the earliest. The Committee also desire that some provision should be made to accommodate the families of victims of bomb blasts and other terrorist incidents, in the allotment of such outlets/dealerships on compassionate ground.

7.6 The Government has informed the Committee that at present new LPG connections are available across the counter for genuine domestic customers. At the same time, the Government has also furnished the wait list details in respect of release of new LPG connections by the IOCL to genuine consumers. The Committee note that the wait list for release of LPG connections got reduced to 19,780 as on 1.11.2008 from about 8 lakhs as on 19.8.2008, which is no doubt a positive sign. The Committee desire that the waiting lists of the oil marketing companies for release of new LPG connections should be liquidated at the earliest and effective steps taken to make available LPG connections to genuine consumers across the counter. For this purpose, the availability of LPG should be enhanced through increase in production as well as procurement through imports.

The Committee have also been informed that for a brief period during May-June 2008, LPG connections could not be released to customers due to non-availability of equipments. They advise the OMCs to ensure adequate availability of equipments with them and prevent the recurrence of such a situation in future.

The Committee understand that some LPG distributors in different parts of the country are often compelling the consumers to purchase gas stoves from them at the time of getting new LPG connections. The Committee desire the Government/OMCs to advise the distributors to desist from such acts.

7.7 The Committee have been informed that the OMCs have increased the security deposit amounts for LPG cylinder from Rs.850 to Rs.1250 and for regulator from Rs.100 to Rs.150 in the States other than the North-Eastern Region. For the North-Eastern Region, the increase has been from Rs.500 to Rs.900 and from Rs.50 to Rs.100 in case of cylinder and regulator, respectively. The hike is stated to have been effected on account of increase in procurement costs and growing under-recoveries. The Committee desire that these enhanced rates should not be applicable to the economically backward classes of the country.

7.8 The Committee are concerned to note that there are over one crore households in the country with suspected multiple LPG connections. They believe that the allotment of multiple LPG connections is leading to idling of equipments, thereby delaying the process of release of new LPG connections and refill of cylinders of consumers. The action taken by the oil companies in the matter does not appear to be adequate. In order to fast-track the work, the Committee recommend that a separate cell comprising officials from the marketing division of the three oil marketing companies viz. IOCL, BPCL and HPCL should be set up to exclusively deal with this issue. The immediate job of this cell should be to finalise the confirmed cases of multiple LPG connections in the country. The Committee further desire that advertisements should be issued by this cell on behalf of these companies in the national and vernacular newspapers requesting people to voluntarily surrender their extra LPG connections. In case this initiative does not produce the desired result, appropriate penal action should be initiated against the multiple LPG connection holders. If need be, necessary amendments to the existing enactments/guidelines should be initiated to effectively tackle such cases.

7.9 The Committee have been informed that at present there is no overall shortage of LPG in the country and LPG supplies to distributors are being made by the OMCs through indigenous production and imports in accordance with the genuine demand of customers registered with the LPG distributors. However, they are given to understand that considerable delay is taking place these days in refill of LPG cylinders in various parts of the country, especially in rural areas. The Committee, in their 20th Report (14th Lok Sabha), had recommended for strengthening of delivery mechanism so as to reduce the gap between the booking and delivery of cylinders to two days in all eligible cases. The Committee reiterate the said recommendation in view of the hardships being experienced by the consumers owing to excessive delay taking place in the refill of cylinders.

7.10 Diversion of domestic LPG and PDS kerosene has assumed serious proportions. Domestic LPG is reportedly being used by various restaurants/dhabas and also for driving cars in different parts of the country. Similarly, large scale diversion of PDS kerosene is also taking place in the country. Though a number of important measures have been taken by the oil companies to curb the menace, the problem has remained very much the same. The Committee feel that some immediate measures need to be taken by the Ministry of Petroleum and Natural Gas to remedy the situation. Since the enforcement of many of these measures is the responsibility of the State Governments, the Committee desire that an initiative should be taken by the Ministry to set up small teams comprising officials of oil companies and police personnel at different locations of the country. These teams should be assigned the job of checking diversions and other malpractices on an exclusive basis. The Committee further desire that the Secretary of the Ministry should hold a meeting of Chief Secretaries/police DGs of all States and request them for deploying policemen for the said job.

7.11 A number of steps have been taken by the oil marketing companies to check the diversion of domestic LPG cylinders. Some of these are cautioning the public against the illegal use of domestic LPG for non-domestic purposes through advertisement, making random checks at distributors godowns/delivery points/en-route, conducting refill audits and raids, etc. However, the Committee regret to note that the number of raids conducted on commercial establishments during the period from April, 2008 to September 2008 is proportionately much less as compared to the number of raids made during 2006-07 and 2007-08. The Committee recommend that the Government should impress upon the oil marketing companies to increase the number of such raids and constantly review the performance of these companies in this area.

7.12 The Government has conveyed 'in principle' approval to the public sector oil marketing companies for the introduction of composite cylinders for marketing domestic LPG, subject to there being no subsidy element in the LPG to be marketed through such cylinders. The composite cylinders are stated to be translucent, lightweight and aesthetically superior. The Committee have been informed that the OMCs intend to do test marketing in selected cities by importing such cylinders for which global tender would be floated by February, 2009. The Committee desire the OMCs to finalise the tendering process and introduce the product at selected cities as early as possible. Thereafter, based on the response of the consumers to the product, the OMCs should initiate steps to expand the reach of the product to other areas in the country.

7.13 The Committee have been informed that as on 1.8.2008, the public sector oil marketing companies are operating 349 Auto LPG Dispensing Stations in different cities of the country. In the opinion of the Committee, this infrastructure is grossly inadequate to cater to the requirements of the vehicle users of the country. The Government has stated that sufficient stocks of auto LPG are available with OMCs to meet the requirement of vehicle users. However, the Committee feel that irrespective of the quantum of stocks available with the oil companies, consumers would not be tempted for the product if they have to travel several kilometres and spend a long waiting time for refill purpose. The Committee, therefore, desire that adequate number of Auto LPG Dispensing Stations should be set up in different parts of the country at the earliest. The Committee also desire the Government/OMCs to aggressively promote the use of auto LPG by the vehicle users, keeping in view the fact that it is an environmentally clean fuel.

The Government has further informed the Committee that public sector oil marketing companies have not reported any established complaint of short supply of auto LPG by their dealers. However, in the opinion of the Committee, the possibility of short supply by some dealers cannot be ruled out. The Committee, therefore, desire the oil marketing companies to regularly check the nozzles and other equipments installed at their Auto LPG Dispensing Stations and take appropriate measures in case some deficiency is noticed.

7.14 The Committee are unhappy to note the tardy progress in automation of retail outlets of the oil marketing companies. Against the revised target of 6790 retail outlets of OMCs selling more than 200 KLs/month, automation has been completed in respect of only 3922 retail outlets as on 31.7.2008. While HPCL and BPCL have done relatively better by completing the automation work in 75% and 73% of their retail outlets, IOCL has lagged behind, with a meagre 39% of its retail outlets getting automated as on 31.7.2008. The reasons cited by the IOCL for slow progress i.e. addition of 250 retail outlets of erstwhile IBP to its quota and delay in placement of work order due to substantial difference in rates quoted by vendors, are not very convincing. Since automation of outlets is expected to go a long way in checking adulteration, the Committee desire the company to attach utmost importance to the work and complete the process at an early date.

7.15 The Committee are concerned to note that the financial condition of the oil marketing companies viz. IOCL, HPCL and BPCL is not very healthy. During the first six months of 2008-09, these companies incurred a combined loss of Rs. 14,431 crore. The Committee understand that the primary reason for the losses was the under-recoveries incurred by these companies on the sale of sensitive petroleum products. As per the present scheme of things, these under-recoveries are being shared amongst the oil marketing companies, upstream oil companies and the Government. In the opinion of the Committee, the loss-making oil marketing companies should not be made to bear the under-recoveries. Instead, the extent of under-recoveries being borne by such companies, should be compensated by the Government through issue of oil bonds. The Committee further desire that the under-recoveries borne by such companies should be reflected in their balance sheet as 'Contribution to Exchequer' in order to eliminate any doubt or misconception that these Navaratna companies have turned negative.

7.16 The public sector oil marketing companies pay Trade Parity price when they purchase petrol and diesel from domestic refineries. Trade Parity price is the weighted average of Import Parity and Export Parity prices in the ratio of 80:20. The principle of Trade Parity pricing applies for the refinery gate price as well as for determining the retail price. They have been informed that the High Powered Committee of the Government to review the financial position of oil companies has made recommendation relating to change in the pricing mechanism from Trade/Import Parity to Export Parity basis, which is under examination of the Government. The Committee desire the Government to take an early decision on the said recommendation, under intimation to them.

The Committee understand that there is a demand from some quarters to align the domestic prices of petrol and diesel in line with the international fuel prices. In the opinion of the Committee, such a move would not be prudent until the international crude oil prices stabilise at lower levels. Meanwhile, as recommended by this Committee on a number of occasions earlier, a Price Stabilization Fund should be constituted by using the money collected from cess on indigenous crude/revenues collected from the petroleum sector, to insulate the consumers from the volatility in international fuel prices.

7.17 The Committee find that the taxes/duties levied on retail selling price of petrol and diesel in Delhi amount to about 45% and 25%, respectively. In contrast, in Japan and Thailand, levies on petrol are about 34% and 28% and the same on diesel, about 24% and 8%, respectively. Similarly, in Pakistan, the taxes/duties levied on petrol amount to about 36%. Thus, the rates of taxes/duties on petrol and diesel in our country are higher as compared to other Asian countries. The Committee, therefore, desire that taxes/duties levied on petrol and diesel in the country should be moderated. The Committee also find that there are wide differences among the rates of sales tax/VAT levied on petrol and diesel in various States/Union Territories. While the sales tax/VAT levied on petrol is 18% in Orissa, it is as high as 33% in Andhra Pradesh. Similarly, the rate of sales tax/VAT on diesel is 8.8% in Haryana, while the same stands at an unreasonably high level of 26% in Maharashtra. The Committee desire that the Central Government should impress upon the State Governments to take measures to bring down the rate of sales tax/VAT on petrol and diesel to a reasonable and uniform level across the country.

7.18 The Committee note that the Government has granted authorization to four private companies viz. Reliance Industries Limited, Essar Oil Limited, Shell India Marketing Private Limited and Reliance Petroleum Limited to market transportation fuel with a pre-condition of compulsory setting up of at least 5.6% of their retail outlets in remote areas and 5.3% in low service areas. Further, the Government has also advised the concerned public sector oil companies to set up identical percentages of their retail outlets in remote and low service areas of the country. In the opinion of the Committee, the imposition of similar conditions on both public and private sector oil companies would not only give a level playing field to these companies but would also expand the petroleum product supply network in the remote and low service areas of the country. The Committee desire the Government to ensure that the above pre-condition/stipulation is implemented by the oil companies – both public and private – in letter and spirit.

7.19 The refining cost per litre of crude oil during 2007-08 in respect of public sector refineries varies from Re. 0.38 to Rs. 3.92. The Committee find that all the refineries have managed to keep this cost below Re. 1.00 except IOCL Digboi which has incurred a cost of Rs. 3.92 per litre of crude oil. They desire the company to analyse the reasons for this unusually high cost and take effective measures to bring down the same to a reasonable level. The Committee are pleased to note that five refineries (IOCL Gujarat, KRL, MRPL, HPCL Vizag and BPCL Mumbai) have done well to keep their refining cost below Re. 0.50. The Committee desire the other public sector refineries to take a cue from these refineries and bring down their refining cost to the extent possible.

7.20 The Committee note that 13 pipeline projects are under construction in the country at present. They have been informed that out of these 13 projects, 6 projects are incurring time overruns ranging from 2 months to 33 months. These projects are Dabhol-Panvel Pipeline Project of GAIL, Numaligarh-Siliguri Pipeline Project of OIL, Panipat-Jalandhar LPG Pipeline, Augmentation of Mundra-Panipat Crude Oil Pipeline, Koyali-Ratlam Product Pipeline and Paradip-Haldia Crude Oil Pipeline Projects of IOCL. Out of these six projects, progress in respect of the Paradip-Haldia Crude Oil Pipeline Project of IOCL has been extremely slow, with a time overrun of 33 months and a cost overrun of Rs. 72 crore. The Committee desire the concerned companies to analyse the reasons for slow pace of work on these projects and complete the same without any further delay.

NEW DELHI;
19 February, 2009
30 Magha, 1930(Saka)

N. JANARDHANA REDDY,
Chairman,
Standing Committee on
Petroleum & Natural Gas.

ANNEXURE-I

MINUTES

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS

(2007-08)

ELEVENTH SITTING

(23.7.2008)

The Committee sat on Wednesday, the 23rd July, 2008 from 1530 hrs. to 1700 hrs. in Committee Room 'E', Parliament House Annexe, New Delhi.

PRESENT

Dr. N. Janardhana Reddy - Chairman

MEMBERS

Lok Sabha

2 Shri M.Appadurai
3 Shri Kirip Chaliha
4 Shri Lal Muni Choubey
5 Shri Jai Prakash
6 Shri Sukdeo Paswan
7 Shri Nakul Das Rai
8 Lt. Gen. (Retd) Tej Pal Singh Rawat (PVSM, VSM)
9 Shri Ramjilal Suman
10 Shri Ratilal Kalidas Varma
11 Shri A.K.S. Vijayan
12 Shri Ram Kripal Yadav

Rajya Sabha

13 Ms. Mabel Rebello
14 Shri Rajeev Shukla
15 Shri Ramdas Agarwal
16 Shri Tapan Kumar Sen
17 Shri Subhash Prasad Yadav
18 Shri Dilip Singh Judev
19 Shri Sabir Ali

Secretariat

1.	Shri J.P.Sharma	-	Joint Secretary
2.	Smt. Anita Jain	-	Director
3.	Shri P.C.Tripathy	-	Deputy Secretary
4.	Shri Ram Kishan	-	Under Secretary

Representatives of the Ministry of Petroleum & Natural Gas/Public Sector Undertakings and other Organisations

1.	Shri M.S.Srinivasan	-	Secretary (MOP&NG)
2.	Shri S.Sundareshan	-	Additional Secretary, (MOP&NG)
3.	Shri D.N. Narsimha Raju	-	Joint Secretary, (MOP&NG)
4.	Shri L.N.Gupta	-	Joint Secretary, (MOP&NG)
5.	Shri S. Behuria	-	Chairman, Indian Oil Corporation Limited
6.	Shri Ashok Sinha	-	C&MD, Bharat Petroleum Corporation Limited
7.	Shri Arun Balakrishnan	-	C&MD, Hindustan Petroleum Corporation Limited
8.	Dr. B.Mohanty	-	Director (PPAC)
9.	Shri Ram Singh	-	Director (Finance), PPAC

2. At the outset, the Hon'ble Chairman welcomed the Secretary of the Ministry of Petroleum and Natural Gas and other accompanying officials to the sitting of the Committee.

3. Thereafter, the Committee were briefed by the representatives of the Ministry/PSUs on the subject "Marketing and Supply of Petroleum Products by Oil Companies". During the course of the briefing, Members were enlightened on various issues relating to the subject such as quality control checks of petroleum products at various levels, measures to curb adulteration of products, introduction of marker system in kerosene, ways to check the prices of petrol and diesel, strategy for price fixation of petroleum products, contribution of private oil

operators to country's development and exchequer, progress in production of ethanol/bio-fuels, shortage of LPG, problems of diversion of domestic LPG cylinders and supply of spurious LPG cylinders, increasing gap between demand and supply of gas, supply and preservation of ATF, problem of poorly recycled lubricants in the market, scarcity of petrol and diesel on the Indo-Nepal border in Bihar, shortage of bitumen, rationale behind the composition of Indian basket of crude, under-recoveries and losses of Oil Marketing Companies, etc.

4 The Members sought a number of clarifications on some issues relating to the subject and the representatives responded to some of them. The representatives assured the Committee that the data which were not readily available with them, would be furnished to the Committee in writing later on.

5. A verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned

ANNEXURE-II

EXTRACTS OF MINUTES

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS

(2008-09)

FOURTH SITTING

(27.11.2008)

The Committee sat on Thursday, the 27th November, 2008 from 1100 hrs. to 1300 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Dr. N. Janardhana Reddy - Chairman

MEMBERS

Lok Sabha

2 Shri M.Appadurai
3 Shri Kirip Chaliha
4 Shri Lal Muni Choubey
5 Dr. M. Jagannath
6 Shri Jai Prakash
7 Adv. Suresh Kurup
8 Shri P. Mohan
9 Shri Sukdeo Paswan
10 Shri Nakul Das Rai
11 Lt. Gen. (Retd) Tej Pal Singh Rawat (PVSM, VSM)
12 Shri Ram Kripal Yadav

Rajya Sabha

13 Shri Rajeev Shukla
14 Shri Amir Alam Khan
15 Shri Tapan Kumar Sen
16 Shri Subhash Prasad Yadav

Secretariat

1.	Smt. Anita Jain	-	Director
2.	Shri P.C.Tripathy	-	Deputy Secretary

Representatives of the Ministry of Petroleum & Natural Gas/Public Sector Undertakings and other Organisations

1.	Shri R.S.Pandey	-	Secretary (MOP&NG)
2.	Shri S.Sundareshan	-	Additional Secretary, (MOP&NG)
3.	Shri D.N. Narsimha Raju	-	Joint Secretary, (MOP&NG)
4.	Shri L.N. Gupta	-	Joint Secretary, (MOP&NG)
5.	Shri Arun Balakrishnan	-	C&MD, HPCL
6.	Shri S. Behuria	-	Chairman, IOCL
7.	Shri Ashok Sinha	-	C&MD, BPCL
8.	Dr. B. Mohanty	-	Director ,PPAC

2. At the outset, the Hon'ble Chairman welcomed the Secretary of the Ministry of Petroleum and Natural Gas and accompanying officials to the sitting of the Committee and explained the purpose of holding the sitting, i.e. oral evidence of the representatives of the Ministry and PSUs on the subject 'Marketing, Supply, Distribution, Dealerships and Pricing of Kerosene and other Petroleum Products'.

3. Then, two power-point presentations were made by the representatives of the Ministry, highlighting the various aspects relating to the subject.

4. Thereafter, the Members raised a number of queries on various issues relating to the subject. The main issues raised by the Members included opening of LPG distributorships in the country, especially in Bihar, prices/taxes levied on aviation turbine fuel, diesel and petrol, prices/taxes imposed on petroleum products in other countries, commercial use of domestic LPG cylinders, setting up of a Price Stabilisation Fund, financial health of oil marketing companies,

supply of LPG cylinders to the BPL families of Tamil Nadu, fraudulent distribution of dealership meant for SCs and STs, usurpation of women's category LPG dealerships by mafias especially in Assam, guidelines regarding distribution of dealerships for retail outlets, multiple LPG connections in the country, pricing of petroleum products, adulteration of petroleum products, price of crude oil, supply of kerosene, etc. Some of the queries raised by the Members were responded to by the representatives of the Ministry/PSUs. The Ministry was asked to furnish written answers to the remaining queries.

5. The witnesses, then withdrew.

6. XX XX XX XX XX XX XX XX XX XX XX

7. XX XX XX XX XX XX XX XX XX XX XX

8. A verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

XX Matters not related to the subject

ANNEXURE-III

MINUTES

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS

(2008-09)

SEVENTH SITTING

(19.02.2009)

The Committee sat on Thursday, the 19th February, 2009 from 1030 hrs. to 1100 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. N. Janardhana Reddy - Chairman

MEMBERS

Lok Sabha

2 Shri R. Dhanuskodi Athithan

3 Shri Kirip Chaliha

4 Dr. Tushar A. Chaudhary

5 Shri Nakul Das Rai

6 Shri Lakshman Singh

7 Shri A.K.S. Vijayan

8 Shri Ram Kripal Yadav

Rajya Sabha

9 Shri Ramdas Agarwal

10 Shri Tapan Kumar Sen

Secretariat

1.	Shri J.P. Sharma	-	Joint Secretary
2.	Smt. Anita Jain	-	Director
3.	Shri P.C.Tripathy	-	Deputy Secretary

2. At the outset, the Hon'ble Chairman welcomed the Members to the sitting of the Committee.

3. Thereafter, the Committee took up for consideration the draft Report on 'Marketing, Supply, Distribution, Dealerships and Pricing of Kerosene and other Petroleum Products' and adopted the same without any modification.

4. The Committee authorised the Chairman to finalise the Report after making consequential changes, if any, arising out of the factual verification of the Report by the Ministry and present the same to both the Houses of Parliament.

The Committee then adjourned.