

[21 November, 2000) RAJYA SABHA

SHRIMATI SUMITRA MAHAJAN: Madam, I move:

That the Bill be passed. The question was put and the motion was adopted.

STATEMENT BY MINISTER

Revision in prices of Petroleum Products

THE DEPUTY CHAIRMAN: Now, we have a *suo motu* statement by the Minister of Petroleum and Natural Gas, Shri Ram Naik. In the morning, when we had a meeting in the hon. Chairman's Chamber, there were suggestions from the Leader of the Opposition and others to have a full fledged discussbn on that rather than clarifications on that. On how to do it and the procedure to be adopted have to be decided in the BAC.

Mr. Mukherjee, if you remember, in the morning you suggested that there should be a full-fledged discussion, not clarifications, on this statement by the Minister of Petroleum and Natural Gas. I would like to take the House into confidence on this. Would you like to have a full-fledged discussion straightaway? If so, in which form?

SHRI PRANAB MUKHERJEE (West Bengal): Madam, I had some discussion with my colleagues on this side; we agree and we suggested this in the morning that we would like to forego the practice of seeking clarifications, which we normally do, and we would like to utilise that time for a full-fledged discussbn. Naturally, the discussbn would not be on the substantive motbn and it will have to be under rule 176 so that after the Members make their observations, the Minister, at the end of the debate, can reply.

What we suggested for your consideration and what I would like to submit is that if the hon. Minister agrees and if the Government agrees -Mr. Rajagopal, Minister for Parliamentary Affairs, was also present in the morning - today the Minister can make the Statement. When he makes the statement, we would not like to seek clarifications today. If you have any other business, you can transact. Tomorrow or day after tomorrow, after seeing the convenience of the Minister, we can take up this matter. Preferably, we can do it tomorrow. That is my submissbn. ...*(Interruptions)*...

THE DEPUTY CHAIRMAN: Never mind. We just cannot keep on talking if we do not have any business. *(Interruptions)*... I will adjourn the House. *(Interruptions)* Can he come early? . *(Interruptions)* Do you mean to say that from three o' clock to five o' clock we are going to discuss this? ...*(Interruptions)*...

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND MINISTER OF STATE IN THE MINISTRY OF RAILWAYS (SHRI O.RAJAGOPAL): Madam, the Minister's statement ...*(Interruptions)*...

THE DEPUTY CHAIRMAN: We will adjourn till tomorrow. ...*(Interruptions)*...

I am trying to find out if the Minister for Urban Affairs can come and make a statement so that you can seek clarifications on the points that were raised in the House today. Meanwhile, I can ask the Minister of Petroleum to make his statement.

SHRI MD. SALIM (West Bengal): Madam, I have a point to make. The Minister is going to make a statement regarding revision in prices. I would like to know whether this statement is regarding - upward revision or downward revision.

THE DEPUTY CHAIRMAN: That can be the Government's ...*(Interruptions)*...

SHRI MD. SALIM: The Minister himself is on record during Inter-Session period that it is only the Prime Minister who can take a decision on this. Now why is he coming? He has been making this statement for the last three months that it is up to the Prime Minister. The NDA is meeting, the Cabinet is meeting, the Department is meeting; but only the Prime Minister can take a decision? *(Interruptions)* Now let the Minister come and make a statement.

AN HON. MEMBER: The decision has been taken by the Prime Minister...*(Interruptions)*..

SHRI MD. SALIM: I know it is a joint responsibility. *(Interruptions)* He has no *locus standi* to make a statement. He is on record that he cannot do it and it is up to the Prime Minister to take a decision in this regard. Now why do you compel us to listen to him? *(Interruptions)* He cannot take a decision. It is only the Prime Minister who can do it. ...*(Interruptions)*...

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श्री दीपांकर मुखर्जी (पश्चिमी बंगाल): बाहर के लिए प्राइम मिनिस्टर और पार्लियामेंट के लिए पेट्रोलियम मिनिस्टर हैं। ... (व्यवधान) ...

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI RAM NAIK): This is a new thesis. *(Interruptions)* He is preaching a new parliamentary practice.. *(Interruptions)*...

SHRI MD. SAUM: What *Mjrtd* of parliamentary practice we you preaching? *(Interruptions)* He is a veteran parliamentarian.

THE DEPUTY CHAIRMAN: Please take your seat. I am not allowing anything, *(interruptions)*...

Mr. Nitopal Basu, please sit down.

SHRI MO. SAUM: They have said it publicly-... *(Interruptions)*,...

THE DEPUTY CHAIRMAN: Sit down. Please sit down. ... *(Interruptions)*... Please take your seat. You do not make such frivolous arguments which have no standing. He is the Minister of Petroleum and Natural Gas. He has to answer. Whether he asks the Prime Minister or whoever he may ask, he is answerable to the House about his Ministry, and he will answer it.

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI RAM NAIK): Hon. Members are well aware that the oil prices have been showing a volatile trend for the last eighteen months. They have increased to more than three times. The price of Brent crude which was \$ 10.23 per barrel (Rs. 3,313 per tonne) in February, 1999, increased to \$ 27.26 per barrel (Rs. 8,944 per tonne) by March, 2000, and to a ten year high of over \$ 37 per barrel (Rs. 12,000 per tonne) in September, 2000. The average price, during the period of October 1 and November 19, 2000, has been \$ 31.65 per barrel (Rs. 10,828 per tonne).

India imports seventy per cent of its total crude oil needs. The import bill which was Rs. 53,500 crores in 1999-2000, is expected to reach over Rs. 80,000 crores in 2000-01. On account of the volatile trend in the prices of crude oil and petroleum products in the international market, the oil pool deficit which had come down to Rs. 3,408 crores at the end of 1998-99, increased to around Rs. 6,300 crores as on 31-03-2000 and would have gone up to Rs. 23,600 crores by March 31, 2001, at the prices that were put in place on March 23, 2000, and continued up to September 29, 2000. Such a high level of deficit in the oil pool account was not

sustainable as it would have affected the liquidity of the oil companies adversely making it extremely difficult either to import or process crude oil and market products. The Government, therefore, decided to increase the prices effective 29/30* September, 2000.

After the revision in the consumer prices, the Government had received many representations from various quarters. Hon. Prime Minister had directed to have a re-look on the price correction. The Government, after considering all aspects of the matter, have now decided to reduce the retail selling price of PDS kerosene, the domestic fuel of the poor, by around Re. 1 per litre; and of domestic LPG, the fuel used for cooking in about 5.5 crore households by housewives, by around Rs. 10 per cylinder. These reductions in the prices of PDS kerosene and domestic LPG will come into force from the midnight of 21/22* November, 2000.

Before the price increase" of September 30, 2000, estimated subsidy on kerosene for public distribution was Rs. 8.21 per litre, on domestic LPG Rs. 171 per cylinder, on diesel Rs. 5.29 per litre and on ATF Rs. 2.64 per litre, considering an average crude oil price of \$ 30 per barrel.

Taking into account the sharp increase in the oil prices in the international market, the Government decided to pass on to the consumers only 1/3" of the Oil Pool Deficit by the end of the current financial year. While taking the decision, the Government recognised that it would not be possible to burden the consumers to a steep increase and, therefore, decided to absorb a substantial portion of the deficit into its own revenues by reducing the duties of customs and excise.

HIGH SPEED DIESEL (HSD)

The price of diesel was revised upwards along with reduction in the duty of excise from 16 per cent to 12 per cent. The increase at the retail level ranged between Rs. 2.52 per litre to Rs. 3.63, per litre, depending upon local levies, etc. Price increase in most places was within Rs. 3 per litre. The current level of subsidy, based on November, 2000 prices, is estimated to be Rs. 3.43 per litre.

KEROSENE

The price of kerosene for public distribution was revised upwards that resulted in the increase at the retail level between Rs. 2.7 per litre to Rs. 2.98 per litre, depending upon local levies, etc. The level of subsidy, at November, 2000 prices, is estimated to be Rs. 6.98 per litre today. After

3.00 P.M.

the reduction in the retail selling price by around Re. 1 per litre as announced just now, the subsidy would go up to Rs. 7.87 per litre from November 22, 2000.

DOMESTIC LPG

The price of domestic LPG was revised upwards that resulted in the increase at the retail level between Rs. 36.20 per cylinder to Rs. 37.65 per cylinder, depending upon local levies, etc. The level of subsidy, at November 2000 prices, is estimated to be Rs. 143.76 per cylinder today. After the reduction in the retail selling price by around Rs. 10 per cylinder as announced just now, the subsidy would go up to Rs. 152.31 per cylinder from November 22, 2000.

AVIATION TURBINE FUEL (ATF):

ATF is to be de-regulated before March 2001. To bring the domestic price to international level, the price of ATF was increased. The increase ranged between Rs. 3.60 per litre to Rs. 3.76 per litre, depending upon local levies, etc. ATF is currently priced around import parity level.

MOTOR SPIRIT (MS)

The MS was cross subsidising PDS kerosene and domestic LPG. Consequent to the revision effective 30.9.2000, prices at the retail level increased in the range of Rs. 2.35 per litre to Rs. 3.47 per litre depending upon local levies, etc. Price increase in most places was within Rs. 3 per litre. Currently, MS carries a cross subsidy of Rs. 7.04 per litre.

The increases in the selling prices effected from September 30, 2000 were expected to give an amount of about Rs. 8,000 crores to the oil pool account during the current financial year. After the downward revision in the prices of kerosene for public distribution and domestic LPG announced by me just now, the inflow into the pool account during the current financial year from the price increases of September 30, 2000 would now be around Rs. 7,4000 crore, i.e., Rs. 600 crore less than the amount estimated earlier. As I mentioned a little while ago, the Government have reduced customs duties on crude oil from 15 per cent to 10 per cent and on petroleum products (including transportation fuels like MS, HSD, ATF) from 25 per cent to 20 per cent. Further excise duties have been reduced from 16 per cent to 12 per cent on HSD and from 32 per cent to 16 per cent on MS. Since kerosene and LPG carry an excise duty at the

lowest rate of 8 per cent, it could not be reduced further. These import duty concessions amount to Rs. 2400 crores and those of excise duty to Rs. 1600 crores, making a total of Rs. 4,000 crores. As the crude oil prices after the price revision continue to be over US \$ 30 per barrel, add the dollar-rupee ratio also has an adverse impact, it is estimated that the deficit would further add at the rate of Rs. 250 crore per month for each one dollar increase in the oil price.

I may also mention here that the final prices to the consumers include an element of State sales tax also, which in some of the States is as high as 34 per cent. Whenever basic prices are increased, the ad-valorem rates of sales taxes have a cascading effect on the retail selling prices. Therefore, I have suggested to all the Chief Ministers to suitably adjust the sales tax rate so as to neutralise the impact of ad-valorem sales tax levy on the consumer prices when the basic prices are increased. I am happy to state that the Chief Minister, Goa has favourably responded by reducing the sales tax.

The increase in the Consumer prices had become inevitable in view of the abnormally high prices of oil and products in the international market. If the corrections in the consumer prices announced were made, it would have been impossible for the oil marketing to source crude oil and products to meet the domestic demand. We can hope that the crude oil prices would come down to the levels that are affordable to our country.

Madam, I would like to share a very good news with the hon. House. The ONGC has made a maiden gas strike in the well AD-11 in the deep waters - we are doing it in the deep waters for the first time - in the Krishna-Godavari Basin on the East coast of India. This is the first major breakthrough in the country's search for oil and gas in the deep waters. The well AD-11 is located at a water depth of 844 metres, and was being drilled by the ONGC's upgraded rig Sagar Vijay, since 27th June, 2000. The gas was found on 18-19th November, 2000, at a depth of 2525 metres, that means, 2.5 Kms. below the mean sea level. While detailed production testing is in progress, the flow rate of gas from the well is around 4 million cubic metres per day through a half-inch choke.

The ONGC proposes to drill another well shortly in the deep sea location KDAB on a separate fault block on the same structure. This gas find has opened the KG deep water offshore as a potential, commercial habitat for hydrocarbons. I have exhorted the ONGC to intensify their

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efforts. I hope the House will join me in congratulating the ONGC. *(Interruptions)* [Placed in Library. See No. LT. 2365/00]

SHRI DIPANKAR MUKHERJEE (West Bengal): But it should not be handed over to Reliance..*(Interruptions)*...

SHRI RAM NAIK: I am ready for discussions, Madam. ...*(Interruptions)*...

श्री दीपांकर मुखर्जी: यह किसको बचोगे, शौरी जी से पूछ लीजिएगा।

AN HON. MEMBER: I would like to congratulate the hon. Minister for the fact that the demand for reducing oil prices has been more strengthened.... *(Interruptions)*...

SHRI DIPANKAR MUKHERJEE: Secretary, Disinvestment, says he would dispose it of. ...*(Interruptions)*...

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND MINISTER OF STATE IN THE MINISTRY OF RAILWAYS (SHRI O. RAJAGOPAL): Madam, if Members want to discuss it, the time is available; we can make use of it for having a proper discussbn.

THE DEPUTY CHAIRMAN: Shri Ram Naikji, how long it would take to commercialise these findings?

SHRI RAM NAIK: We will have to drill another well and that would establish the fact whether sufficient gas is available in that area or not. Once that is done, it would take about a minimum of one to one-and-a-half years to commercialise that finding.

THE DEPUTY CHAIRMAN: Okay. Now there are two suggestions. The Minister of Parliamentary Affairs has suggested that we can have a discussion on this. Shri Pranab Mukherjee and others feel that it should be a much more structured discussion than just clarifications. So, I would like to have the sense of the House.

SHRI PRANAB MUKHERJEE (West Bengal): We ^an hold the discussbn, Madam. The Government business has been transacted. The Government has no other business to transact. Had there been any Government business, we would have no problem in transacting that business. As the Government is not pressing hard, and as it would be bringing its business from next week onwards, we can discuss it tomorrow.

THE DEPUTY CHAIRMAN: I have got one business to transact. According to the Supplementary List of Business, papers have to be laid on the Table by Shri G.N. Ramachandran.

Papers Laid on the Table-Contd
Notifications of the Ministry of Finance

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI GINGEE N. RAMACHANDRAN): Sir, I lay on the Table:

I. A copy each (in English and Hindi) of the following Notifications of the Ministry of Finance (Department of Revenue), under sub-section (1) of section 25 of the Customs Act, 1962, together with explanatory memoranda on the Notifications:-

1. No. 142/2000-Customs, dated the 21st November, 2000 seeking to amend Notification No.16/2000-Customs so as to revise the concessional rate of basic duty of Customs applicable to edible oils (both crude and refined).
2. No. 144/2000-Customs, dated the 21st November, 2000 seeking to amend Notification No. 61/2000-Customs, dated the 12th May, 2000 so as to exempt specified edible oils from the levy of surcharge.

II. A copy (in English and Hindi) of the Ministry of Finance (Department of Revenue) Notification No. 143/2000-Customs, dated the 21st November, 2000, seeking to amend Notification No.18/2000-Customs, dated the 1st March, 2000 so as to prescribe Nil rate of Special Additional Duty on specified crude vegetable oil of edible grade., under sub-section (1) of section 3A of the Customs Tariff Act, 1975, together with an explanatory memorandum thereon.

***श्री मोहम्मद सलीम**(पश्चिमी बंगाल): मैडम, यह नोटिफिकेशन को अमेंड करने का स्टेटमेंट था। हमारे देश के अंदर एडिबल आयल की स्थिति बहुत सिरियस हो रही है, पूरी इंडस्ट्री खत्म हो रही है और हमारी बिजिनेस कैपेबिलिटी खत्म हो रही है। तिलहन से संबंधित किसान भी मारे जा रहे हैं। कस्टम ड्यूटी रिडक्शन करने की स्टेटमेंट आई है, कुछ सलेक्टेड आईटम्स में बह एग्जेंट करने की बात कर रहे हैं, इसके लिए फाइनेंस मिनिस्टर को एक फुल फ्लैज्ड स्टेटमेंट लानी होगी कि एडिबल ऑयल की मार्केट में जो हालत है और इंडस्ट्री को जो परेशानी हो रही है

*Transliteration of the speech in Persian script is available in the Hindi version of the debate.