

SHRI ANIL K. CHANDA: This is Assam Government's land. The Central Government have no authority-there.

SHRI SANTOSH KUMAR BASU: (West Bengal): Will the hon. Minister be pleased to enquire as to why these buildings at Jadavpur have not at all been attractive in spite of the fact that they have been recently constructed? There has been considerable discussion in the public press of a very valuable character. If you only care to enquire as to why these buildings have not been attractive yet, it would be of considerable use to those people for whom they are intended.

SHRI ANIL K. CHANDA: One of the reasons is very clear. Whereas you are now occupying buildings where you do not pay any rent, there you will be required to pay rent and you will therefore, not move out. Of course, there have also been certain other criticisms about the construction^ of those buildings.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill, as amended, be passed."

The motion was adopted.

MR. DEPUTY CHAIRMAN: The House stands adjourned till 2-30 P.M.

The House then adjourned for lunch at one of the clock.

The House reassembled after lunch at half past two of the clock, MR. DEPUTY CHAIRMAN in the Chair.

**THE MINERAL OILS (ADDITIONAL DUTIES OF EXCISE AND CUSTOMS) BILL, 1958**

THE MINISTER OF REVENUE AND CIVIL EXPENDITURE (SHRI B. GOPALA REDDI) : Sir, I beg to move:

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

duties of excise and customs on certain mineral oils, as passed by the Lok Sabha, be taken into consideration."

The object of the Bill is to replace the Ordinance that was promulgated by the President on 30th June 195\$ by which additional duties of Central Excise and Customs were imposed on certain mineral oil products with effect from 20th May 195fT

As hon. Members are probably aware, the Government of India were negotiating for some time past with the private companies responsible for the distribution of petroleum products, in India, with a view to obtaining some reductions in the prices of petroleum products marketed by them. As a result, the oil companies agreed to certain reductions in the prices effective from the 20th May 1958. The actual reductions varied from item to item. In the case of kerosene, it was 6 nP. per gallon, in the case of refined diesel oil, it amounted to 7 n.P. per gallon and in the case of motor spirit, 14 nP. per gallon.

An important point about these reduction is that they are provisional. The companies have agreed *to* an examination being made of the cost structure of the petroleum products in question and dependent on the results of such examination the reductions now made will have to be re-negotiated, and finalised, and necessary adjustments made.

The question naturally arose as to whether these price reductions should be passed immediately on to the consumer. After carefully considering the matter, Government decided that the reductions should be mopped up in the form of additional duties of Excise and Customs. One of the main considerations which weighed with Government in arriving at this decision was that the reductions were provisional and would call for readjustment in the light of the Cost Accountant's examination of cost structure. If the reductions were

[Shri B. Gopala Reddi.] passed on to the consumer, and subsequently it was found that the price adjustments alluded to above were mainly upward, there would be no means of recovering the excess payments already made. In other words, the net amounts due to the companies from such readjustment would have to come out of the general revenues.

There was also another reason. The price reductions were not of a magnitude which even if passed on to the consumer, would be reflected to any significant extent in the consumer prices. To make the point clear, in the case of kerosene the reduction agreed to was 6 nP. per gallon which works out to 1 nP. per bottle. The retail price of kerosene is roughly about 28 nP. per bottle. Thus in terms of the retail unit in which kerosene is ordinarily bought by the bulk of the consumers, the effort- of the price reductions is almost negligible. In the case of motor spirit, the effect on the user of a car which does about 25 miles per gallon, would be of the order of half a nP. extra per mile. For the class of consumers who use cars, this cannot in any way be considered significant. Even for a bus or for a truck which does about 12 to 14 miles per gallon, the reduction would only have meant a difference of about 1 nP. per mile. Indeed, reverting to the example of kerosene, if we consider the large number of middlemen and retailers through whom the oil passes before it actually reaches to ultimate consumer, it is doubtful whether the small benefit of reduction would have at all been passed on to the consumer.

SHRI H. P. SAKSENA (Uttar Pradesh): It would have checked upward prices at least.

SHRI B. GOPALA REDDI: As I have stated already, the companies agreed to make reductions with effect from 20th May 1958. The method here adopted of levying additional duties of Customs and Excise, appeared to Government to provide the most

able way of transferring to Government the sum in question. Any other method of recovery such as a voluntary lumpsum payment, was likely to have created legal difficulties in computing their business income for the purpose of income-tax. Such a step would also have been open to the objection that the amount so transferred was in fact a tax and therefore, required the backing of law.

Having regard to all the attendant circumstances, Government also came to the conclusion that it would not be desirable to postpone the accrual to Government of the financial benefit resulting from these price reductions. Since Parliament was not in Session,

~~the difference of about 1 nP. per mile~~ could be achieved only through ; an Ordinance. The President was, therefore, advised accordingly and an Ordinance was promulgated by him for the purpose, on the 30th June 1958.

Sir, the House will no doubt observe that clause 3(1) of the Bill provides for certain ceiling rates of excise duties which are in fact in excess of the price reductions actually effected by mutual agreement as an interim measure. This is deliberate and is designed to ensure prompt implementation of the final adjustments which might be justified on the basis of the findings of the Cost Accountant. These adjustments, we hope, will not be of a substantial character, and but for the provision of the ceiling rates, it would be necessary to bring forward an amending Bill and take up the time of Parliament just for the sake of making minor amendments in the rates. For the present, the operative rates of duty which would suffice to mop up the reductions have been fixed by a notification issued under clause 3 of this Ordinance which will be replaced by clause 3 of the Bill.

Except in the case of kerosene, In the case of all other categories of oil, the Indian Tariff Act already provides for the levy of countervailing duties

equivalent to the excise duties for the time being in force. The result is that as soon as the excise duties are altered, the import duties on these items are automatically re-adjusted. In the case of kerosene, however, the position is different and a self-adjusting provision for the levy of countervailing duty does not exist in the Import Customs Tariff. It has, therefore, become necessary to make provision in this Bill for a corresponding increase in the import duty on kerosene? oil through the specific provision made in clause 4.

For the interregnum between 20th May and the date of promulgation of the Ordinance, an alternative system of adjustment by compounding was considered necessary for administrative reasons, as direct levy of Excise and Customs duties in retrospect were not free from practical difficulties. Provision for this has, therefore, been made in sub-clause (4) of clause 3 of the Bill.

A small staff of a few Appraisers and clerks would be necessary to examine the books of the companies in connection with the levy of these additional duties on the quantities cleared or imported as the case may be during the interregnum 20th May to 30th June. This staff will be required only for a temporary period and will be disbanded as soon as the work is finished.

Hon. Members will appreciate that what was levied by the Ordinance and is now continued by the Bill will not impose any new burden on the consumer. Clause 5 of the Bill sees to that. In this sense, therefore, the present Bill cannot be regarded as a taxation measure.

I have only one other point to mention and that is regarding the financial effect of these additional levies. It is not easy to make a correct estimate of the revenue that will accrue to the Exchequer, in view of possible readjustments that might have to be made later, as a result of the review of the cost structure envisaged in the

agreement with the oil companies. Assuming, however, that the price reductions agreed to by the companies will not call for any substantial readjustment, we shall be able to realise about Rs. 8 to Rs. 9 crores in a full year. In the current year, we expect to get from Rs. 6 to Rs. 7½ crores.

Sir, I hope that in view of what I have stated above, hon. Members will feel no hesitation in agreeing to this Bill.

Sir, I move.

MR. DEPUTY CHAIRMAN: Motion moved:

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

SHRI V. PRASAD RAO (Andhra Pradesh): Mr. Deputy Chairman, Sir, the hon. Minister has pointed out that at a rough estimate the net revenue yield would be to the tune of Rs. 8 crores to Rs. 9 crores by all these measures. First of all, Sir, let me examine this claim before going into the specific provisions of this measure.

Sir, it will not be correct to assume that out of these additional duties of excise and customs we are going to get a net revenue yield of Rs. 8 crores to Rs. 9 crores. Since this amount is being realised already from the top bracket of income-tax, the net yield may at the most amount to the tune of Rs. 4 crores to Rs. 4½ crores, not more than that. So I hope the hon. Minister will look into this aspect of the measure also that while we are getting it by one hand, we are losing it by the other hand—the top bracket of income-tax. I think that point must be realised. So the very premises or the basis that we are going to get Rs. 8 crores to Rs. 9 crores is not correct. At the most it may amount to Rs. 4 crores or Rs. 4½ crores. If we get only Rs. 4 or Rs. 5½ crores, we feel that it is like the pro-

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[Shri V. Prasad Rao.] verbal mountain of labour producing not even a mouse. Since years we have been told in this House that efforts were being made by the Government to get a price reduction from these oil monopolists. Efforts have been made by the Government to see that proper assessments of their net profits is made. After all these efforts of years, after all these promises, now we are told that—and that too by recourse to an Ordinance—we are going to get a net income of Rs. 4 or 5 crores. It is really a big fun. Actually if we examine the case, of course it has been said, that it is only an *ad hoc* measure and that the whole thing will be gone into by the Cost Accountants. Even taking it as an *ad hoc* measure could we call it a deep-going measure or a measure that in the present set of circumstances is the only possible one. No. If we examine the present situation in the oil industry, the present ruling prices in other countries in the world, certainly we could have got not Rs. 4 or 5 crores but by a conservative estimate, a minimum of Rs. 50 crores. If we look into the prices that are prevailing in the U.K.,—it is a well known fact that in 1957 there was a price reduction in motor gasoline—it was 4Jd. per imperial gallon. We use on the average 174.5 million gallons of motor spirit. If the foreign exchange rate is taken at Rs. 13/8 per pound, it will come to Rs. 50 crores. That is only in motor spirit. This is not by mopping up the excess profits of these oil monopolists which they naturally deserve to be mopped up. It is after leaving the reasonable profits to these oil companies and we could have got Rs. 50 crores as far as motor gasoline only is concerned.

Then if we take into consideration the diesel oil etc., certainly the value would have been much more. So if small countries in the Mid-east like Iraq, Iran etc., are asserting and getting more profits from these people, there is no reason why the Government of India should not go the whole hog for these excess profits in which

all these oil companies are rolling. We know the role that is played by these oil companies in the Mid-east and other places. They purchase kings, they make kings and undo Governments at their sweet will. So the role of these companies in the world politics is by no means a clean one but it is smelling and smelling with oil. So with these companies, I don't understand why we should be so considerate or why we should be so modest in dealing with them. Even allowing these companies a good amount of profit—we are not saying that all their profits should be immediately nationalised as such— even taking a conservative estimate, certainly we could have got not less than Rs. 50 crores in motor gasoline but still the Government has refused to do it. It has failed to do that and after so many years it has brought out a measure saying that it would get an amount of only Rs. 4 crores.

Coming to the other aspect, namely, the levying of additional duties and mopping up these things from the consumer, apart from the merits of the measure, I wish to point out certain things. Before levying additional duty on diesel oil as such, we must take into consideration other facts. Yearly we are importing crores worth of diesel oil equipment with the view that ~~that~~ they will effect great economies in the operation of machinery. So if by levying additional duties on diesel oil, it is brought on par with petrol engines, then the foreign exchange we are spending—crores of rupees—in importing diesel equipment is being nullified. Did ever the Government pause to think what will be the effect of these additional duties on diesel oil on the import of diesel machinery? I don't think the Government thought about it. Because a truck run by diesel oil will cost double. If we take into account the cost the economy that is effected is so little that, it will not be commensurate to the cost we are incurring. So before imposing these additional duties as such, the Government should have considered these things and calculated what would be

the net result of passing on such additional duties of taxation as such.

Then the argument that we are mopping up these profits for national reconstruction is not quite tenable. It may or may not be passed on to the consumer. That is not the matter but they say they are going to pass off Rs. 9 crores to the development of our petroleum research. But if we take Iran itself, the very same company is paying 75 per cent, of profit to the Iranian counterpart of their company. Even in the latest agreement that Japan has concluded with Saudi Arabia, 56 per cent, of the net profit is being passed on to Japan, with a minimum guarantee that at least %' 5 million dollars should be given to the Saudi Arabian Government. But here, compared to that, what our Government has achieved by this so-called negotiation with these companies is nothing but just satisfying ourselves that we have done something in this field. So I think when we are going into the accounts of these oil companies, we have a great apprehension that even if we have our Cost Accountants, these companies have a knack of manipulating their accounts and seeing that somehow the Cost Accountants are influenced. So we are not very hopeful of the outcome of what these Cost Accountants will do for the producing of clear accounts of these companies. So, instead we could have come out with a proposal saying so much of percentage of profits with a minimum guarantee should have been given to the Indian Government. Such a thing is quite possible for us to achieve because when small countries in the Mid-east could do it, certainly our Indian Government with all its strength and power could have done that. So to say that it is a big achievement is not correct. To say even as an initial step, that it is a good bargain also is not correct. In fact our negotiations with the oil companies are bungled and we did not extract from those companies as much as we could have.

Finally, coming to the actual provi-

on kerosene is certainly going to hit the consumer as such. Of course the price may not be increased but the very logic of the hon. Minister that since if it is passed to the consumer, it is going to be only 1 nayupaisa per bottle and so it is not worth while, is not correct. If 4 per cent, of the cost price to the consumer, if he says, is not considerable, I cannot understand it. If the argument or the logic of the Government is that since one morsel of food is not going to satisfy anyone, so let us not give even that—^sort of argument /or logic we are not able to understand. He says that it is only 4 per cent, and the present ruling price of kerosene is 25 nP. and it is going to be a reduction of 1 naya Paisa and so it is not worth much. That is beyond our comprehension. Perhaps the Government might think that 4 per cent, reduction is nothing but for a poor consumer who buys a bottle of kerosene, certainly one naya Paisa is very material. So, that argument is not correct. So I hope the Government will seriously pursue, with the backing of all concerned in this House, such policy to see that maximum concessions which are due to us are extracted from these oil monopolists who are actually rolling in wealth—not only that, but they are playing a very pernicious game in world politics because of this fact. I think they will do their best to mop up not the thing that is accruing to the consumer but mop up the extra wealth that is being amassed by these oil monopolists.

SHRI SONUSING DHANSING PATIL (Bombay): Mr. Deputy Chairman, Sir, while giving support to the Bill, I have to make a few observations. It has been said by the Minister in charge of the Bill that the concessions which are given by the oil companies if passed on to the customer, will be most negligible and the effect cannot be judged in a substantial manner, also that it does not affect the retailer or the consumer. I have only to point out that whenever any additional' duty or excise is levied, it is immediately passed on to the customer or the con-

sions of this Bill, this additional duty , sumer and whatever care the Govern-

[Shri Sonusing Dhansing Patil.]

merit may take in this respect, I feel that in actual practice, the additional levy would be passed on to the consumer. Besides, I would like to know whether the Government has examined the effects of this rate of additional duty on kerosene, motor spirit, diesel oil and not otherwise specified, furnace oil etc., on agriculture and how these various oils enter into our agricultural production. We talk very loudly about the food position and about the food shortage, that our agricultural production is not up to the mark. That being so, the Government has to examine and consider whether this particular rate of additional duty will enter into our agricultural production. As far as I know, in the present circumstances, Indian agriculture has begun to take to mechanised farming, especially in respect of drawing water from wells, rivers, tanks and other sources. So if this additional duty is levied, it may have a great effect. Even if the benefit that the agriculturist may get per gallon may be very small, when it enters into the economics of his agriculture it may come to about Rs. 15 to Rs. 20 per acre and that will certainly be a relief which will encourage him in his production. So I would like to know whether Government has examined in levying this additional excise duty, how much of oil or diesel oil goes into the agricultural sector, say in the running of tractors or in oil engines or in the working of the various mechanised implements which are used in agricultural production. Sir, industry, as such is taken care of. But as far as the most important industry of our country—agriculture—is concerned, very little attention is paid to it and that is reflected in our food shortage. We are always anxious about it. So I need not dilate on this point. But I may point out that agricultural industry is vitally connected with the price of diesel oil and other oils which are used for the various oil engines and even if there is a small relief given to the agriculturist it will go a long way in encouraging him in his production. Whether that factor has

been taken into consideration, I want to get an explanation or clarification from the hon. Minister in charge of the Bill. I shall be obliged if he looks at the question from that angle, and as he comes—I take it that he does—from the agricultural classes he must be knowing this problem very well, and he has got a comprehensive view of the whole matter. If the small benefits are not passed on to the customer or consumer and whatever benefit by way of concession the companies give is taken by the Government, though it may appear to add something to the State coffers, in reality, the income that would be derived, even though it may be estimated as hopeful in the beginning, in actual practice, would almost be negligible. One of the friends from the Opposition pointed out that even though the estimate is taken as Rs. 8 to Rs. 9 crores by way of income, still in practice it will not be more than four to four and a half crores. This has actually happened in the case of the estate duty and in respect of other taxation proposals. The hon. Minister has called this not a taxation proposal; but in practice it will work as a taxation proposal. Immediately, the consumer or customer at the lower levels, whenever he goes to the oil shop, he will get the price variation reflected in his bill. So this question requires thorough investigation and I would humbly request the hon. Minister in charge of the Bill to do that.

DR. W. S. BARLINGAY (Bombay): Don't forget poor kerosene.

SHRI SONSING DHANSING PATIL: I am coming to that. At least there must be substantial exemption as far as the categories of diesel oil or kerosene or whatever oils are categorised in this particular column, and if they enter into agricultural production, they should be exempted.

Secondly there is the question of kerosene oil. It is stated that only six naye Paise will be the reduction if it is passed on.

AN HON. MEMBER: No.

SHRI SONUSING DHANSING PATIL: Whatever the oil companies give, only six naye Paise will be passed on per gallon. Even that is not a small relief. There are many in our small towns and among rural communities who use kerosene and it has become almost an every-day necessity, barring certain big cities where electricity is used. Even electricity is generated with the aid of diesel oil and it also goes into its production. We have seen disputes arising between electric companies and municipalities which take electricity for street lighting. I had occasion to appear in arbitration cases and it was pointed out by the electricity companies that because the price of diesel oil had gone up actually that is reflected in the rate per unit. Therefore even diesel oil like kerosene should be considered. I am not bothered about motor spirit for the number of users may be small and it is more or less a luxury article which does not enter into our everyday life. But not so diesel oil and kerosene oil. They enter into the working of city transport services. Buses run on diesel oil and if the increase is reflected in their cost and if that small cost is added on, the burden is ultimately passed on to the consumer or the ultimate user. Therefore, though apparently this Bill may appear innocent, still the mischief contemplated by it will be reflected in practice. And I would venture to submit, whatever revenue may be contemplated, no substantial income would come in. Though the calculations or estimates made by the Government may be somewhat alluring, still, if the exemptions are extended to the various consumers of kerosene and diesel oil, particularly in the agricultural sector, I feel that the income that will be derived from this levy, from this additional rate of excise duty, will be not very much or substantial.

Therefore, I would request the hon. Minister to examine this question from that angle and to see if any relief could be extended to agricultural pro-

duction which is a very vital industry but which is often forgotten in practice even though very loudly spoken of on the floor of the House.

I have always been a supporter of agricultural production. Of course, almost all of us are supporters of agricultural production. But I am making this point, because particularly as far as sugarcane and banana plantations go, for all the various agricultural processes watering is actually being done by pumping plants and also by electricity which is generated by diesel oil. I think if this Bill is to be as it is and if no exemptions are provided, it will go a long way in affecting the agricultural economy.

With these remarks I support the Bill.

3 P.M.

SHRI JASWANT SINGH (Rajasthan) : Mr. Deputy Chairman, there are two or three points in regard to this Bill. First of all, I am not quite happy as to why an Ordinance was issued in regard to this levy. This Ordinance has come before the House in the form of a Bill. It is not correct that in regard to the imposition of taxes—whether it is an enhancement of an existing levy or a fresh levy—Ordinances should be issued. It is a different matter if there is any emergency but in a matter which is not urgent, in a matter of taxation, it is always a sound policy to bring before the Houses the enactments even where it is considered that the matter is urgent. In this way, whatever money we could get out of the oil companies will be got. I do not find that there was any case for the issue of an Ordinance because the agreement with the oil companies was reached on the 20th of May and the Ordinance did not issue till the 30th June. So, nearly a month and a half passed in that way and Government could have waited for another month and a half. A Bill could have been brought before the Houses of Parliament. In such mat-

[Shri Jaswant Singh.] ters it is objectionable that an Ordinance should issue particularly in a country where democracy is working in a full-fledged manner.

In regard to the agreement itself, we have to see whether the agreement we have arrived at with the oil companies is favourable to us. My friend, Mr. Prasad Rao, went into the details of the levy and the amount that will be realised. The hon. Minister just now told us that we are likely to get somewhere about eight to nine crores of rupees during the year. He tried to explain, I mean Mr. Prasad Rao, that that would not be the case and said that the sum will be only about four to five crores. This is a matter for the Government to tell us that it is not so. I would like to submit in this connection that petrol and oil products are very important for our country from the defence point of view, for industrial requirements and for domestic consumption also. We are spending very large amounts in foreign exchange, something like over Rs. 100 crores or so and it is high time that the Government went into the question of oil exploration. They are going ahead in this direction also but the efforts that are being made are very slow and the progress made is also extremely slow. Therefore, in order to get all the profits possible in this direction, we will have to make efforts and endeavours to see that our attempts in regard to oil exploration proceed ahead and that we are able to go ahead in this matter. In West Bengal, in Assam, in Rajasthan and places like that, there are possibilities of oil coming and I would recommend to the Government that they should make some serious efforts in this direction.

Then, Sir, coming to the agreement proper, we have been told that for something like two years and over we have been negotiating with the oil companies and that eventually an *ad hoc* arrangement has been arrived at by which the companies have agreed

for something like 10 per cent, of the c.i.f. prices of the total petroleum products in our country, this is what the companies have agreed to and, on this basis, we hope to be able to get something like eight or nine crores of rupees. We will have to note also that during the last ten years or so, the prices have gone up by leaps and bounds and the companies had been making huge profits. My friend, Mr. Prasad Rao, just now narrated the role that these oil companies are playing in international politics. We are not concerned with it, they may have made Kings or unmade Kings in the Middle East but, as far as we and our country are concerned, we are quite safe in that respect. But this has to be said that at present the function of the companies is only the distribution of oil. We have to import crude oil; the refineries are functioning here and they distribute the oil in the country but, Sir, even then, if we see the world prices, prices prevailing in countries outside India, prices prevailing even in our next door Pakistan or Ceylon or Burma, we will find that the prices in our country are much higher. These oil companies have been making tremendous profits and this *ad hoc* arrangement that has been arrived at cannot in any sense be called satisfactory. According to the estimates of our Finance Ministry, we will be mopping up eight to nine crores of rupees but even that amount may not be forthcoming. We have been told that the cost accountants will go further into the question. That point was also referred to by my friend, Mr. Prasad Rao. It remains to be seen whether the cost accountants will also succeed against the manoeuvring that these oil companies are liable to go into. From all these points of view, apart from this point whether we will get eight or nine crores of rupees and the point made by Mr. Rao which has to be considered by the Finance Ministry, I will submit one more point. It is that this figure of eight or nine crores is illusory according to me in this sense that only last year when the Suez Crisis came, these



companies approached the Government for purposes of increasing the prices. The Government readily agreed to it and then, what was the result? The result was that something like four crores or more of rupees as profits went into the coffers of these oil companies and the whole burden fell on the consumers. Government naturally was not the loser nor even the gainer. The burden had to be shifted on to the consumers and the prices of the oil and petroleum products went higher. In that way, the companies gained another nearly four crores of rupees or more. That was only last year. Therefore, if we go into the question thoroughly, the result of this additional levy would be nil. The fact that they got only last year three or four crores as profit—they reaped a very good harvest of profit—coupled with the point which was urged by my friend here—if you take all that into consideration—shows that in the end, the result would be nil. Therefore, even on the *ad hoc* basis—may be the figure given by my friend here on petrol alone something like fifty crores of rupees is exaggerated or overestimated—this is the question . . .

DR. R. B. GOUR: That was taken from the published statistics.

SHRI JASWANT SINGH: May be. This question needs to be gone into, scrutinised by the Government and the Finance Ministry. But even then that was on petrol alone as he stated but if all the oil products and petroleum products are taken into account even on an *ad hoc* basis the figure should not go below something like Rs. 40 crores or so. And finally in view of the profits that these companies have been making and in view of the prices that prevail in the countries outside India, certainly this Rs. 8 or Rs. 9 crores being mopped up from these companies is an attempt which cannot be credited with any skill and we might as well have not taken this but gone into this question thoroughly and then mopped up whatever we could on a final basis.

The question then arises, who should be the beneficiary of this additional levy. The Government feels that the Government should mop up themselves and the reasons given are two. One reason is that there is need to fulfil Plan targets and the second reason which the hon. Minister in his speech stated is that the amount is so small that the consumer would be hardly benefited to any substantial extent. In regard to this I will have to submit that our annual requirements of oil products and petroleum products, I understand, come to something like 6 million tons and the landed cost of the material comes to about Rs. 95 crores, and the consumer pays about Rs. 190 crores. So apart from this landed cost of Rs. 95 crores, the other Rs. 95 crores consists of income tax, which comes to about Rs. 45 crores, and the remaining Rs. 50 crores include distributing charges and profits of these companies.

SHRI P. D. HIMATSINGKA (West Bengal): Income tax or excise duty?

Shri JASWANT SINGH: The companies have to pay income tax on this and that goes to the total cost. So in his way the consumer has to pay nearly Rs. 190 crores. So we see that already on the consumer there is a very heavy burden of taxation and it is high time that some relief is given to the consumer. Even last year, as I stated a little while ago, the prices of oil and petroleum products were raised and the burden fell on the consumer. Therefore when some money is got back from this direction then the legitimate beneficiary can be only the consumer.

There is one more point and that is this. In our future negotiations we will be faced with a further trouble with these companies, if this profit is not given to the consumer. The reason is simple. We know that we are surplus in petrol and if relief is not given to the public, then they will not be in a position to consume more petrol and as we are surplus in petrol the companies in the future

[Shri Jaswant Singh.] negotiations will naturally be reluctant to lay their cards on the table as far as the accounts are concerned. Howsoever clever our cost accountants may be, they will still manage not to lay their cards on the table and we will not be able to get much more or what we expect. But if the relief goes to the people then the road transport will get encouragement and people will use more petrol and the companies will be able to have more sale of petrol. They will also realise that the people who grumble about the high cost of petrol and petroleum products—in comparison with our neighbouring countries like Pakistan, Ceylon, Burma, not to talk of other Western countries, our prices are very high—should be kept satisfied and that it will be in their interests to keep the people satisfied. But if the people are not the beneficiaries and the whole thing goes to the Government coffers, naturally these companies will not be helpful and we will not be able to realise from them as much as we expect.

At the same time we should see what, has been the general opinion in the country in regard to this mopping up of the profits by the Government. Take all the papers, whether they are pro-Congress, pro-ruling party or against the Party or independent or belonging to any particular party. There is hardly any exception where they have supported the Government in this line because everybody accepts that in the high prices of petrol and oil products the consumer has been hit hard and whenever the Government gets any money on this account the beneficiary should naturally be the consumer—but he is being denied—howsoever little the profit may be. Therefore public opinion in the country with regard to this is not favourable to the Government.

Now I come to the statement of objects and reasons which refers to the need to fulfil Plan targets. Here also we have to see that during the

last five or six years we have levied taxation amounting to crores and crores of rupees. During last year alone something like Rs. 80 crores were levied by way of taxation but what has been the result? Has our Plan been helped in any way? Correspondingly the expenditure of the Government has been increasing, whether it is Defence expenditure or whether it is Government expenditure or whether it is wastage of money in more than one direction. None of the moneys which we have been able to gather by way of taxation has gone towards the fulfilment of our Plan targets. The difficulties which we are facing are much more than what they were before we levied all these taxations running into crores and crores of rupees for the fulfilment of our Plan targets. Whatever may be the difficulties, foreign exchange or local, correspondingly our expenditure has also been increasing and our Plan targets remain where they are. Therefore this small amount which will accrue by way of additional levy on oil products and petroleum products will not in any way go towards helping our Plan targets. Therefore from every point of view it is clear that the agreement which has been reached even on an *ad hoc* basis with these companies is not favourable to us. If this is the trend of the Government the final agreement also will not be helpful. The best thing for the Government would have been to fix a basic price for oil products and petroleum products and any profits over and above that should be shared between the oil companies and the Government and the consumer should also receive his share. That is the only way how this agreement could be to our benefit. The reasoning of the Government that they require this to fulfil Plan targets and that the profit is not substantial to the consumer, both these arguments do not hold water. And thirdly the issue of the Ordinance is also not proper. Therefore I do not feel myself in a position to agree with the Bill that has been placed before the House.

SHRI ROHIT M. DAVE (Bombay): Sir, the Bill which is now before the House, though it involves a comparatively small amount, also involves a principle which is of great significance. It is a principle which gives us some indication of the policy which the Government is likely to follow in order to mop up the resources of the community for purposes of development.

It is common ground that the oil companies, taking advantage of their monopoly position, were charging prices to the consumer which were monopoly prices and much higher than were justified according to their cost structure. The Government, therefore, carried on negotiations with the oil companies in order to see that the prices were in consonance with the cost structure and after two years came to an agreement whereby a ten per cent. reduction was agreed upon on an *ad hoc* basis. It is, therefore, the point of view of the Government that the prices that were charged to the consumer were higher than were justified or what would have been there if there were competition in this particular industry. If that is to be the reason why the Government carried on *these* negotiations; surely the first beneficiary of any agreement that was arrived at ought to have been the consumer who had been exploited all along from the point of view as propounded by the Government itself. Instead of passing on the benefit of this agreement to the consumer, however, the Government thought it fit to divert this money into the public exchequer. In other words, the Government is trying to impose a compulsory saving of Rs. 9 crores on the consumers as a result of this particular act. This compulsory saving has become necessary because they have not got enough resources for developmental purposes. But in this way the power which the Government possesses both of persuasion as well as of coercion is to be utilised for the purpose of compelling the community to save a certain sum of money which is really 44 R.S.D.—5.

due to the community at large. It might create a precedent and a policy might be enunciated whereby the consumer might be fleeced more and more and the Government's right to regulate the prices might be utilised for exploitation of the consumer and in the same way in which the monopolists are exploiting them today. For the common man, the exploitation continues, that exploitation which has been made by the oil companies is being made by the Government. The argument of the Government would be that when this money is being utilised for the purposes of the developmental expenditure the community at large will be benefited and to that extent ultimately the community will gain. I do not know how far this argument would be valid, especially in view of the past performance of the Government, when in spite of their mopping up of the savings of the community either through taxation or through deficit financing they have not been able to utilise that money for the purposes of development so far. Secondly, we are just now passing through a period, which is on all hands considered to be a critical period, because the competent authorities are of the view that inflationary pressures are being generated in the community and these pressures are likely to increase as the developmental expenditure progresses and as the deficit financing continues, because the deficit financing which was so far resorted to has turned into the liquid asset of the community, but the liquidity preference of the community is now saturated and any more deficit financing is likely to exert a tremendous inflationary pressure on the prices. The food prices are also creating some anxiety. Under such circumstances whatever little benefit the consumer could have got by way of a reduction in prices—however small that reduction be—would have created some healthy effect on the economy and would have counteracted the inflationary pressure which is developing in the community. Again, we have to remember that petroleum products

[Shri Rohit M. Dave.] are those products which go into the cost structure of many other industries and also of the cost to the consumer. And once this enters into the cost structure it has its own effect. Just as when the coal prices are raised it has an effect on the industry as a whole, similarly when the prices are reduced it has also a multiplier effect and the multiplier effect comes into operation. This multiplier perhaps would have at least for some time applied a break to the inflationary pressure and that was an opportunity which the Government ought to have taken advantage of by giving certain assurance to the consumer that they are doing their level best to arrest the prices, and whenever a chance occurs, they should try to see that even in these difficult circumstances the consumer is given as much relief as is possible. Instead of that, Sir, just for the purpose of Rs. 8 or 9 crores, at the most, the Government is trying to enunciate a principle which might create a certain misgiving in the minds of the consumers in the future. The controlling powers that the Parliament and the country have given to the Government might be utilised to force them to save against their will which will not necessarily, at least not so far, be utilised for the development of the economy and for their well being.

Under these circumstances it would have been much wiser for the Government not to have taken hold of this Rs. 8 or 9 crores for the public exchequer but to have given relief to the consumers as such.

SHRI P. D. HIMATSINGKA: Sir, I have nothing to say exactly on this Bill before us, but what I feel is that production of petroleum products in the country can be increased to a very large extent. As you know, Sir, petrol has been found and touched at Naharkhatia and a number of other places in Assam, but on account of the delaying policy of the Government in coming to a decision about the refinery

being located either at Gauhati or Barauni or some other place and on the point whether there should be one refinery or two refineries and so on, the wells are not being worked. As you know, Sir, about Rs. 100 crores worth of petroleum products are imported into the country, and if we can increase the production in the country—when we know that they are available, we have simply to bring them out to the surface and have them refined—we can save a very large amount of money and thus save foreign exchange for which so many developmental works are being held up. Even important raw materials which are needed for various industries are also being cut and licences for import are not being given. Therefore, I feel, Sir, that Government should take active steps to see that the oil that is lying underground is raised to the surface and is made available in the country, and to that extent our imports may be reduced.

As mentioned by the hon. Minister, this reduction is not final. It is more or less on an *ad hoc* basis that this amount has been reduced and it is a question of accounts as to what will be the exact amount of reduction. But whether it will be more or less it is only fair that at present the advantage cannot be passed on to the consumers. But ultimately, Sir, when the matter is finalised, I think it will be only proper that the advantage should go to the consumers. As has been mentioned just now, the use of this oil also goes into the cost of the various articles that are produced in the country, because it is, one of the motive powers. Therefore, I feel that the sooner the question is decided as to the amount that will be reduced from the cost and the price that is to be paid, the better for the country, and at the same time steps should be taken very expeditiously to raise the available oil which is in plenty. A number of new wells have been dug in Assam and in a number of other places. Oil has been hit and it is only the subsequent steps which have not been taken for making it available.

of duties are not to be utilised for any specific purpose. I do not know if the hon. Minister would consider if it would be possible to invest these things on projects connected with the use of these mineral oils, namely, road transport and industry. Since the amount available by way of reduction is not very large, I would earnestly suggest that these savings may be constituted into a Fund like the Central Road Fund so that the facilities for communications could be improved at least in the backward parts of the country.

Sir, I myself feel tempted to dwell on the effects of this reduction on the future of mineral oils and their application to industry and agriculture in India. As the House knows, tremendous amounts are being spent on shipping freight and oil in foreign exchange, and if measures like these awaken us to the need for reducing the incidence of the burden from these sources on our economy, it would really be worthwhile dealing at some length with this measure itself. But, as I said, at the beginning, the scope of the Bill is extremely limited and the hon. Minister has assured us that negotiations are going on for reaching final settlements regarding the prices having regard to cost accounting in respect of each oil that we consume. So, Sir, having regard to the interim nature of the measure and the steps Government are already taking to reduce the burden on the import of oil into the country so that our industry and agriculture may not suffer long under the levy imposed, I wholeheartedly support the measure.

SHRI B. GOPALA REDDI: Sir, I heard the debate with great attention and also the Speeches made in the Lok Sabha. I also followed the course of these negotiations for sometime now, and I know with what great difficulty we could settle these rates. Anyhow, this is only an ad hoc measure, a provisional thing, and final decisions will be taken when the reports of the cost accounting officers

Sir, the only other thing that I want to comment upon is the purpose for which these savings could be used from the Consolidated Fund. As the Bill stands at present, the reductions which are being mopped up by way

[Shri B. Gopala Reddi.] are made available to the Government.

As far as this Bill is concerned this is not a taxation measure nor a relief measure. I have not come however with any additional taxation just now, nor is this Bill contemplating any relief in the middle of the year, as far as these petroleum products are concerned. This Bill concerns only the three Oil Companies and the Government. Ordinarily it is a matter between these four people for the time being; I mean the question of additional taxation or relief could be discussed at the appropriate time, specially at the time of the Budget or some such time. But as far as this Bill is concerned, it is a matter between the three Companies and the Government alone. Therefore, Sir, whatever was obtaining prior to these negotiations, say, on the 19th May, before the negotiations were concluded, that position is maintained, that is the *status quo*. There is no relief, no additional taxation as far as the ultimate consumer is concerned. In between we were able to get some provisional reductions in the cost price's, and those are being retained by the Government. They may go to the Consolidated Fund, they may be earmarked for geological survey or they may be spent for road transport, etc. But now the amount is withheld by the Government so that when we take final decisions, it can be utilised in a manner in which the House, of course, will have a say in the matter. Therefore, I mean it is a very innocuous measure, and there is nothing very extraordinary that the Government has done. Mr. Prasad Rao has tried to argue that for all these labours, what is it that you are getting? You say it is going to be Rs. 913 or 10 crores. By your reductions what you are likely to get under the income-tax for the higher brackets ultimately may not be more than Rs. 4-5 crores. How much is the income-tax or other tax is a different matter. But on the previous year's consumption, our Department has been

able to estimate that we are likely to get about 9-5 to 10 crores of rupees. It all depends upon the consumption of oil in our country in the coming few months. So many points have been made out and we shall certainly bear them all in mind when we take the final decision.

In this matter, I must congratulate my colleague, Mr. Malaviya, for the pains he has taken in compelling the companies to come to these terms because we know, only last year they asked for enhanced prices and they were given. Mr. Malaviya was trying to negotiate with them subsequently. Having agreed to this provisional increase, let us see the final shape of things after the report is received.

, Another point that is made out is, why should there be an Ordinance for it? It is a routine matter, an administrative matter. Many people have taken exception to the issue of this Ordinance. It is said, "You have waited for roughly 40 days; you could have waited for another 40, 60 or 80 days, and you could have brought in this legislation." Sir, at that rate, no Ordinance is ever necessary under any circumstances when Parliament is not in session. There were certain administrative difficulties. Once a decision is reached, we consider for a long time whether we could avoid the issue of an Ordinance. That is why there was this delay of 40 days. It is not as if we were sleeping over the negotiations. We thought whether an Ordinance was necessary or not, whether we could avoid the issue of an Ordinance. But we found that there were certain legal and administrative difficulties and especially the companies were asking for some sort of legislation. And it was coming in the form of a tax and therefore, it must have the backing of a law. Therefore, we thought that this Ordinance was necessary. After all, it is not a taxation measure. We are not taxing anybody with any additional taxation. It is only a matter, as I said in the beginning, between the companies and the

Government and when the companies were agreeing to pay something, we thought that we should mark it up with the backing of law and therefore, the Ordinance was issued when Parliament was not in session. Had we imposed any additional taxation, certainly hon. Members were entitled to object to any such thing being done. And there is no point in waiting, say, till the middle of August or even the beginning of September and try to bring in this legislation. Even in these forty days, we had to go into a number of details—about the number of gallons issued by the various companies, by the various distributing centres, etc. It all takes a lot of time to come to a correct decision. If we had taken another forty or sixty days, our troubles would have been more and it would have led to some complication.

This is a very innocuous Ordinance. The common man is not interested in this matter because he would not be affected anyway—either by way of additional taxation or relief.

SHRI JASWANT SINGH: The common man is, of course, interested very much because only last year, as I said, the whole burden was imposed on him. They did not ask for the enhanced prices. But the Government readily agreed. Then the whole burden fell on the consumer and I say, he is entitled to relief.

SHRI B. GOP ALA REDDI: Ordinarily, these reliefs, unless they are warranted by extraordinary circumstances, are not given in the middle of the year. They are generally consolidated at the time of the Finance Bill in the Budget Speech, and if any relief is warranted, certainly the Government will see what relief could be given, at the time of the Finance Bill and the Budget. But ordinarily, in the middle of the year, no such relief is expected to be given to the public. Therefore, the common man is not at all concerned with this. So, there is ample justification for this Ordinance.

The last point that was made was, why is it that you are trying to keep it for yourself. Sir, we have tried to explain it. It is only provisional; it is only an interim arrangement and when we take a final decision, it may be that we will have to make some readjustments. If, in the meanwhile, we pass it on to the consumer, it would be rather difficult and we will have to pay from the Consolidated Fund of India. Therefore, there is ample justification for this even from that point of view. Again, the relief, of course, is so small that it may not be allowed to pass on to the ultimate consumer. In the case of kerosene, it is one naya paisa when the bottle is being sold at 28 nP. He is already paying 28 nP., and let us suppose the benefit is passed on to the ultimate consumer. Of course, there are so many middle-men who are distributing agents. And it may be very doubtful indeed that it will be passed on to the ultimate consumer. Where it is 28 nP., the relief passed on will be 1 nP. and he will have to pay 27 nP. It is only negligible and therefore, it is very doubtful that it will be passed on to the ultimate consumer.

Even with regard to diesel oil, my friend tried to make out that the agriculturists are groaning under very heavy taxation on diesel oil. We do appreciate the point. But the agriculturists must be encouraged to use more of pumpsets and they must make use of diesel engines and try to grow more food, when the food problem is becoming acute in certain parts of the country. Therefore, there is need for using the diesel oil. We considered it at great length—even in the States—when we tried to impose sales-tax, etc. We wanted to exempt the diesel oil being used by the agriculturists and tax only the diesel oil that is put into the trucks and lorries. But it is not possible. Administratively, it is impossible to find out whether it is being used by the agriculturists or by motor operators. Therefore, we had perforce to levy it on all people. Likewise, here, the Central Excise

[Shri B. Gopala Reddi.] Duty on oils or even the Customs Duty cannot be bifurcated, that they should be at such and such rates for the agriculturists and another rate for non-agriculturists. If it is administratively possible, perhaps, the agriculturists could have been given some relief. But, as I said, at every level it is difficult to have differential rates for agriculturists and non-agriculturists. Even as it is, users of diesel oil are giving only lower taxes compared to the users of petroleum products. As I said, it is not likely to be passed on to the ultimate consumer and there is every justification in those circumstances, when it is provisional and a final decision is not taken, for the Government to keep it. *Per contra*, we have given recently relief to the textile mills, to the power looms. It is going to cost us Rs. 4\*5 crores, the relief alone. Then again, other incentives for export promotion are given and there, we are going to lose quite a good deal on export duties. I mean, reliefs wherever they are warranted, are being given and the Government are foregoing some of their revenues. In those circumstances, it is not anything unusual for the Government to keep this amount and then, subject to a final decision, we shall see what can be done. Even this amount of Rs. 9'5 crores is not going to make a big surplus in the Budget or anything of that sort. There is already a huge financial deficit. ' To some extent—because we are also giving some relief this way—this will offset that relief which is being given. Therefore, you must take the entire financial picture and justify what has been done by the Government.

My hon. friend from Rajasthan, of course, complained that in spite of what has been done under the Plan we do not see any tangible result.

SHRI JASWANT SINGH: I did not say that.

SHRI B. GOPALA REDDI: What did you say about Planning?

SHRI JASWANT SINGH: I think that it was my friend, Mr. Dave, who said that. What I said was that whatever money comes from taxation, that additional money is taken for corresponding expenditure, but that it does not go to the ultimate common man. But this point was raised by my friend.

SHRI B. GOPALA REDDI: I. now understand. Where expenditure is inevitable, you have to incur it. Even if the money is not available, we have to get it from the Consolidated Fund or through borrowings or deficit financing. Whatever it is, certain things cannot be postponed. Because we were able to get Rs. 80 or Rs. 90 crores last year, to that extent, the deficit financing has been reduced. But for that, it would have been much higher and the inflationary tendency would have been higher much to the worry and anxiety of the people at large. There are certain things like food imports or even the defence expenditure where we feel that it is inevitable and it cannot be avoided. Therefore, these expenditures have to be incurred. But for this taxation, as I said, our deficit financing would have increased.

As regards the Plan, we are spending and it may be that there will be a time lag between the investment and the actual accrual of results.

In the first year of the Second Five Year Plan we spent over Rs. 700 crores; in the second year we spent over Rs. 800 crores, and for this year there is a budget provision for over Rs. 900 crores. And all this means that—of course, we may not be able to get immediate benefits, but—a year or two later we are bound to get the benefit of it. We are pledged to the actual implementation of the Second Five Year Plan and therefore all possible sources must be tapped. And we have not taken any extraordinary course here. The companies have agreed to a little reduction in price and that is being retained in a provisional manner by the Government.



Therefore there is nothing unusual about it and all the criticisms in the other House as well as in this House are not valid according to me.

Sir, Mr. Lingam wanted some actual figures. For motor spirit it comes to 14 nP. per gallon, for kerosene it is 48 nP. per unit of 8 gallons, for aviation spirit it is 15 nP. per gallon and for diesel oil it is Rs. 11\*64 per ton. Like that there is some reduction. Well, Sir, if there is anything else which the hon. Members want, I have no objection to give the information to them.

MR. DEPUTY CHAIRMAN: The question is:

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

The motion was adopted.

MR. DEPUTY CHAIRMAN: Now we will take up clause by clause consideration of the Bill.

Clauses 2 to 6 were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI B. GOPALA REDDI: Sir, I move:

"That the Bill be returned."

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be returned."

The motion was adopted.

### **THE APPROPRIATION (RAILWAYS) NO. 3 BILL, 1958**

THE DEPUTY MINISTER OF RAILWAYS  
(SHRI SHAH NAWAZ KHAN): Sir, I beg to move:

"That the Bill to provide for the authorisation of appropriation of

moneys out of the Consolidated Fund of India to meet the amounts spent on certain services for the purposes of Railways during the financial year ended on the 31st day of March, 1955, in excess of the amounts granted for those services and for that year, as passed by the Lok Sabha, be taken into consideration."

Sir, I don't want to make any speech.

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill to provide for the authorisation of appropriation of moneys out of the Consolidated Fund of India to meet the amounts spent on certain services for the purposes of Railways during the financial year ended on the 31st day of March, 1955, in excess of the amounts granted for those services and for that year, as passed by the Lok Sabha, be taken into consideration."

DR. A. N. BOSE (West Bengal): Sir, I fail to understand why the Ministry come forward with this demand for an excess grant after the lapse of more than three years. The explanatory notes appended with regard to the various items on account of which excess demands are made seem to me to be quite insufficient. The Ministry ought to have placed sufficient facts before us in support of these excess demands or in support of the excess expenditure incurred beyond what was already voted. Sir, we find that increased expenditures were incurred in respect of several items—on account of repairs, on account of administration, on account of maintenance, working expenses etc. Sir, on the one hand we find that expenses have increased, and on the other hand casualties in railway engines and wagons have also increased, late running of trains has increased, accidents and derailments have increased. There are certain explanations given which, to my mind,