

Operation Mop Up in Oil

HOW does one mop up price reductions? Ask the Ministry of Steel, Mines and Fuel. In a notification issued by that Ministry, announcing the acceptance of the recommendations of the Oil Prices Enquiry Committee on the selling prices of various petroleum products in India, there is this cryptic

"Government have decided to accept the recommendations of the Committee and intend to mop up the reductions".

The next sentence states that the consumer prices of these products will remain unchanged and from this has to be guessed the meaning of this particular mopping up operation. The reductions in the prices of petroleum products which the Damle Committee found could be effected after allowing for an adequate return for the oil companies are not to be passed on to the consumers. The difference between the actual selling price and the fair price determined by this Committee is to be recovered from the oil companies as excise duties. On the basis of estimated sales of 1962, this difference in the case of major petroleum products and bitumen will amount to Rs 15 crores. From the manner in which this decision has been taken without consulting the oil companies, it is clear that the pricing of oil products is now a part of the system of administered prices.

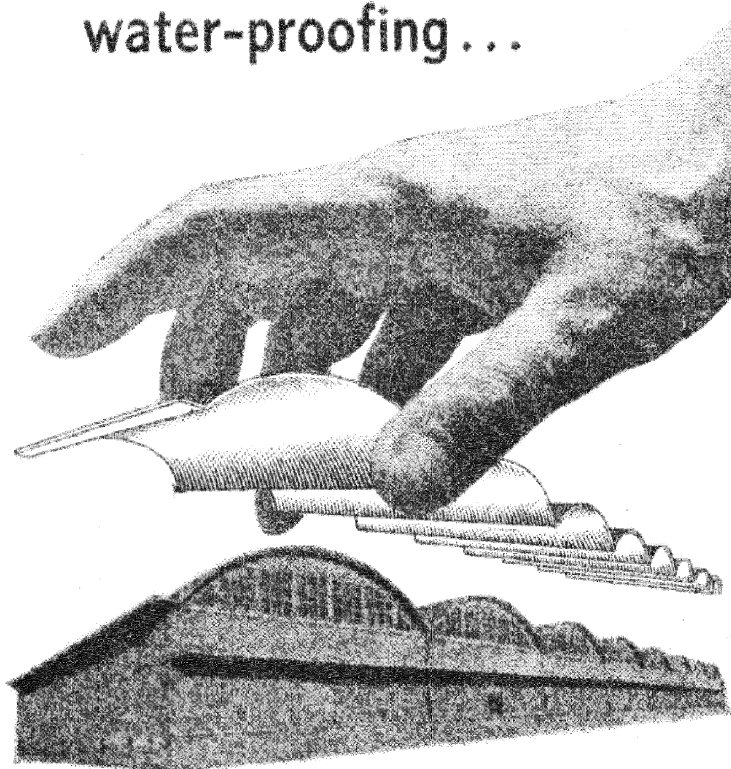
It is curious to note that on the same date, while the Ministry of Steel, Mines and Fuel issued this notification, the Ministry of Finance, by another notification, mopped up as revenue under the Mining and Oil (additional duties of excise and customs) Act 1958 Rs 5 crores which had been due from the oil companies on their cost and freight adjustment account. This other mopping up operation does not offend against semantics, for, after all, mopping up of a surplus, however construed, is perfectly legitimate.

Malaviyaji, our energetic Oil Minister, has been riding on the crest of a wave. Oil explorations have started to produce results, and spectacular results. And oil has been struck in Gujarat, the Finance Minister's home State. The price reductions now effected, however,

follow from the application of the pricing principles which have been presumably agreed upon between the oil companies and the Government. It is to be noted that they do not touch the international price of crude which is the basis of the structure of oil pricing, which no oil-consuming country has yet been able to touch. True, pressures of excess supply have forced the oil

companies to give some discount over the posted prices now and then. The price reductions recommended by the Damle Committee took into account such discounts. What Malaviyaji has won for the Exchequer, however, is not one of his major triumphs as it has been made out to be. It is perhaps necessary to make this point, considering the manner in which the price reduction has been carried out and publicised.

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