Weekly Notes

Leaks in the Barrel

THE Damle formula for fixing prices of refined petroleum products lapses at the end of March 1965. The Government has, therefore, appointed a working group headed by Shri N N Talukdar, a retired Bengal civilian, to examine and report on:

(1) The manner of determination of the ex-refinery prices of refined petroleum products, including bitumen produced by the refineries:

(2) The manner of determination of landed prices in respect of similar products which may be imported;

(3) The determination of marketing and distribution charges of products mentioned in (1) and (2) above; and

(4) The determination of ceiling selling prices in respect of lube oils, greases and specialities.

The Working Group may also consider the possibility of linking prices with the physical supply areas for the products of the individual refineries and consider the possibilities of uniform or pooled prices for the whole of the country or in different zones. This is more significant than appears at first sight. In the case of the foreign refineries, the Damle Committee failed to determine the exact sources of crude supply because the companies claimed to be innocent of the identity of the ultimate suppliers and the prices charged by them to the chain of intermediaries, the last: of which consigned oil to the refineries here. The companies, incidentally, were also unaware of the practice of discounts on refined products as distinct. from crude oil!

In 1961 when the Damle Committee reported, the Government had only Soviet oil to fall back upon. Even that limited backing succeeded in wringing some concessions from the oil companies, though their timing was described as a mere coincidence. Now, with the Barauni and Koyali refineries expected to go into operation in 1965-66, and Cochin also to come on stream sometime later, the Government should be able to persuade the oil companies to have another look at their involved supply arrangements and costing devices.

Meanwhile, the Oil Minister has let it; be known that the new refineries proposed to be set up will follow the pattern adopted for the Cochin one — that of setting up separate Government companies with minority foreign participation. This does not mean, of course, that some of the important: features of the Cochin agreement with Philips are considered satisfactory or that they cannot be bettered.

First, it should certainly not prove necessary in the future to give contracts to the foreign participants for as long as 15 years for the supply of crude oil. Not only can the period of the contract be shortened but it could be restricted to only a part of the total crude requirements. Second, there is no reason why the Government should not insist that management of the refineries should be handed over to it as early as possible, taking into account availability of trained Indian personnel. In any case, it is impossible to argue that making over management for 15 years to the foreign collaborators, as has been done at Cochin, is unavoidable for technical reasons. Third, if the contracts for the Madras and Haldia refineries, which are the ones on the anvil now, go to any of the foreign companies which have marketing arrangements in India, the question of the agency to market the products will certainly arise. Considering that the Government is building up Indian Oil as a nation-wide oil distributing agency in the public sector, it would be difficult to justify any agreement which did not give it the distributing rights.

On the heels of the refineries in Madras and Haldia, others are proposed to be set up at Kandla, Marmagoa and Tuticorin, The decision to set up a diffused net-work of refineries has been based on the consideration that this will avoid transport of petroleum products over long distances. This was one of K D Malaviya's justifications for refusing permission to the existing private refineries to expand and is known to have been endorsed by the French oil expert, Dr Navarre, who was invited by the Government of India to advise it on oil refining and related matters. Is this why the hope that with Malaviyaji's exit the Government's hard line on the expansion of the private refineries would give way to a more accommodating approach has been belied so far?

World Bank and Haldia

A Correspondent writes:

THE Haldia port project has been dogged by the kind of delays to which we have become only too accustomed. And now, it appears, differences have developed between the Government and the World Bank on the economic importance of the project. Originally, the reason for developing Haldia was the rapid deterioration of Calcutta and the continuous decrease in the Hooghly river draughts. It came to be unquestioningly accepted universally that Calcutta could not be saved and that a subsidiary port was essential. However, what was initially supposed to be a subsidiary port rapidly developed into a major port with berths for iron ore, coal, oil, foodgrains and even general cargo. To support such large scale development, the authorities decided to include in the scheme a township which was to depopulate Calcutta.

Initially the World Bank, like everyone else, was full of enthusiasm for the project. But it took only a prefix minary examination to show that the commodities which were proposed to be exported from Haldia were cither not likely to move from that area *or* would not be moving in sufficient quantities to justify a major port. One of the most important commodities that was to be exported from Haldia was iron ore. The World Bank soon discovered that with the development of Goa, Visakhapatnarn and Paradeep, the entire iron ore export of India could very easily be handled without Haldia.

So a case was sought to be made for Haldia on the ground that there would be enough coal and oil for movement through the port to justify it. Coal, however, was speedily dropped when the Railway Ministry pointed out that it was actually considering reducing movement of coal by sea from the present two million tons. The Railways now feel they are in a position to cope with internal movement of coal and as Indian coal has never had an export market, it was difficult to make out a convincing case based on coal. Haldia's latest prop is oil. It is now proposed to set up a large refinery, fertiliser plant and petro-chemical complex in the hope, one almost suspects, of persuading the