# PETROLEUM & GAS WORKERS' FEDERATION OF INDIA

## Meeting of the Executive Committee
## Kolkata: 31st July 2010

## Report of the General Secretary

**Dear President and Brothers,**

I welcome you all to this meeting of the Executive Committee of our Federation. This is the first meeting of the Executive Committee after the last conference of our Federation held at Mumbai on 11-12 December 2009. It will be very much befitting to recall that the conference was a grand success. The contribution of the leaders and cadres of our affiliated unions in Mumbai was highly appreciable. The success of the inaugural session was really laudable. The participation of workers from different oil PSUs in Mumbai in the inaugural session was very much impressive. Further, participation of the CMDs and Head of HR of all the major oil PSUs and fraternal delegates from abroad speaks a volume about the organizational strength and popularity of our Federation. The number and composition of the delegates from all over the country bears testimony of the spread and depth of our organization. We take this opportunity to express our thanks to all concerned.

**Deregulation of Petroleum Pricing**

The Government has announced total decontrol of pricing of petrol, diesel, kerosene and LPG in compliance with the recommendations of Kirit Parikh Committee and at the same time declared a steep hike in the prices of these petro-products. It is nothing but deceitful propaganda of Government that owing to increase in international price of crude oil petrol/diesel/kerosene prices are raised. It is not the crude oil cost or conversion cost but the heavy doses of taxes that artificially inflates the prices of petro-products.

Fact remains that the present high level of prices of petrol and diesel etc is because of heavy tax and duties imposed on petro-products by the Governments. Whatever little subsidy still being given to people by the Government in Kerosene and LPG, four times more is being extracted by the Government from the same people in the form of high tax and duties. Aptly exposing the whole deceit of the Government Vice President of our Federation Comrade Dipankar Mukherjee has written an article under the title: 'Petrol product price hike – Deora's gospel of untruth'. We are annexing it in this report.

The deregulation of petroleum pricing is a calculated move by the ruling polity to allow the up-stream and down-stream private oil companies, both domestic and foreign an edge over the public sector oil companies thereby marginalising the oil PSUs. Government's honeymoon with private sector and hostility with public sector is bound to commercially weaken the PSUs in the face foul play by private operators turning them 'unviable' and creating ground for privatisation. By way of doubling the administrative price of natural gas and deregulating the petroleum pricing stage is being prepared to full scale entry of the private sector oil majors in the domestic market and marginalising the public sector oil companies, specially the stand-alone public sector refineries, including the smaller ones in the north east region of the country, which cannot match the bigger size private sector refineries with latest technology and market manovouring tactics through deployment of all foul means.

In the segment of ~~r~~efining RIL has already realised the monopoly of biggest single-location refining conglomeration with technologically more advanced position capable of processing a "higher share of tough, heavy and sour crude oil which is cheaper," with bigger share of heavy-end products which are more profit earning. According to industry watchers, "They also have the flexibility to produce more petrol and diesel out of the same barrel of crude oil. As a result, their refining cost is lower than that of PSU like IOC, BPCL and HPCL, which have relatively older and smaller refineries,"

On the other hand with the deregulated regime in place, the retail business is poised to come under the domination of private operators. From a position of totally absent in the retail network, the private oil companies entered into the retail business at jet speed. Thus within a very short period RIL established some 1400-odd retail outlets and Essar has 1,341 outlets and "the company has plans to scale up its retail outlets to 17000 by March 2011. Post deregulation, it say these plans would be put on fast track and achievable by December this year." The Shell India has also lost no time to announce their decision to expand in retail market motivated by the deregulated regime.

It would be worthwhile to recall that the General Report we submitted to our last conference we had said that, *"Hostility of the Government towards public sector oil companies and unholy friendship with private sector has got ugly expression in the 'Integrated Energy Policy' prepared by Planning Commission Member Kirit Parikh and already approved by the Manmohan Singh Government"*

*"It is amusing to note as to how, in his blind pursuit for privatization, Parik had blown the whistle of competition in conflicting tunes in the policy document thus: "Despite the presence of a large domestic private player in refining and the likely emergence of other private players in this field there is no effective competition." Next Parik noted, "The public sector units in the oil sector compete against each other in the downstream market" However his real intention is clearly demonstrated with his stipulation that, "competition can be meaningful only with private participation. Private participation in marketing of petroleum products is not likely to become significant unless pricing is made free, competition among all players fostered and entry barriers removed." The ultimate message, in nutshell is the Government should go for: (a) privatization (b) free hand in pricing and ( c ) free entry of foreign oil companies!"*

From the foregoing we must understand that serious impact of de-regulation will not be limited to more frequent and more steep rises in prices of petro-product imposing severe economic burden on the common people in the country, but also adversely effect the public sector oil companies threatening commercially viable existence of the public sector entities. Naturally the employees and the trade union movement in the sector cannot remain insulated from the impact of this onslaught. Therefore the whole gamut of deregulation must be seriously studied by us and chalk out effective campaign programme to build-up resistance movement.

**Dismantling NELP Introducing OALP**

Regarding the E&P policy of the Government we had said in our conference report, "The Government has initiated steps to switch over from NELP to Open Acreage Licensing Policy (OALP) to further liberalise entry of private operators into the E&P sector in oil industry. Under the new policy instead of periodic auction of oil & gas blocks, bids will be accepted round the year. Under the new policy the entire hydrocarbon sector in the country shall be thrown wide open to the private operators. Obviously the new policy is definitely designed to be benefit private oil companies."

Now speaking at the production-sharing contract (PSC) signing ceremony for the hydrocarbon blocks awarded in the eighth round of NELP, Union Petroleum Minister Shri Murli Deora said that that Government's intention is to move to the OALP regime as soon as possible. According to information doing the round in the Petroleum Ministry, the forthcoming NELP – IX is likely to be the last round of NELP and OALP shall be put in place. We may recall that the General Report to the Mumbai conference noted, "Clearly while successive central Governments in the country has been succumbing to the pressure of various vested interests in liberalizing our oil sector, with intention to grab more and more concessions to reap assured sky-high profit, the foreign private oil MNCs are continuously increasing pressure on the Government to extend endless concessions."

At this juncture, when the Government is about to switch over from one policy regime to another (From NELP to OALP) it would be worthwhile to note as to how private sector oil giants have captured our hydrocarbon sector at the cost of the oil PSUs and have been continuously extracting more and more policy and financial concessions from the Government under the neo-liberal policies. A comprehensive study of the whole regime of NELP would reveal that the terms and conditions attached at the beginning underwent huge changes with the passage of time flowing favours to the private operators. Again it should not be difficult to comprehend that the terms and conditions which shall be offered under the proposed regime of OALP is definitely going to be more favourable to the private operator compared to NELP regime. At the same time the oil PSUs are bound to face more and more hostile policy regime in the hands of corporate captive Government at the centre.

The onslaught of the neo-liberal economic policies introduced and pursued by one after another Government at the centre has damaged our public sector oil industry as a whole very badly. The trade union movement in the industry raised their voice against the neo-liberal attack on oil PSUs from time to time. The constituents of our Federation had been in the forefront of the struggles against the attempt of the Government to hand over the OMCs to the private operators including RIL. However, we cannot claim that we have done enough.

The deregulation of pricing of petroleum products and further opening up and showering of more pro-private player policies by the Government under OALP for up-stream sector is a dangerous push to the policy of dismantling oil PSUs. We have already said that private OMCs shall derive unethical advantage to fulfill their unlimited greed for profit out of the deregulated pricing regime and ultimately the public sector OMCs shall face the challenge of existence.

Precisely it is an all round attack on the up-stream and the down-stream – both refining and marketing – of oil sector as a whole. The workers in the industry and the trade union movement are in a position and are duty bound to the people of the country to expose the anti-people and anti-national contents of the disastrous policies and must do everything necessary to mobilize the people against these policies and to build up united struggles to defeat the suicidal policies.

## Disinvestment Aggression

The disinvestment aggression is aggravating under the UPA-II Government. According to the Disinvestment Secretary the targets of the Government during the current fiscal are Coal India, Power Grid Corporation, Hindustan Copper, Steel Authority of India and Manganese Ore. According to the Secretary, "the Government the Disinvestment Department would be able to achieve its target of raising Rs.40,000.00 crore from disinvestment proceeds in the current fiscal." On the continued onslaught of privatization through dinvestment, we have to note that shares in blue chip PSUs is being carried on and already shares are being off-loaded at a price much below the price ruling in the share market in all cases disinvested so far. Meanwhile, the disastrous resolve of the Government has got ugly expression in the policy pronouncement mandating that PSUs should have a minimum of 25 per cent disinvested equity. According to a decision announced by the Finance Ministry those PSUs having below this (25%) level should start the process. Now in oil sector the major companies under this category are Indian Oil Corporation and Oil India Limited

As reported in the Public Enterprises Survey 2009 the performance of the PSUs as a whole is very encouraging. It is very important to note that such performance has been attained by PSUs despite the economy of the country passing through severe crisis including acute stagnation and huge package of 'stimulus' extended to the private business class by the Government at the cost of pubic exchequer.

**Profit of profit making CPSEs stood at Rs.98, 652.00 crore during 2008-09 compared to Rs. 91,571.00 crore in 2007-08, showing a growth of 7.73%.**

**Reserve & Surplus of all CPSEs went up from Rs.4,85,540.00 crore in 2007-08 to Rs.5,35,840.00 crore in 2008-09, showing an increase by 10.36%.**

**Net worth of all CPSEs went up from Rs. 5,20,968.00 crore in 2007-08 to Rs.5,88,217.00 crore in 2008-09 registering a growth of 12.91%.**

**Contribution of CPSEs to Central Exchequer by way of excise duty, customs duty, corporate tax, interest on Central Government loans, dividend and other duties and taxes was Rs.1,51,728.00 crore in 2008-09.**

**Out of the top ten profit making PSUs five are from the oil PSUs and ONGC is in the top position.**

From the above features and figures it is authenticated that on PSUs account the Government gets huge financial support under different nomenclatures. It is, therefore, clear that by dismantling the public sector enterprises through various anti-public sector steps the Government is killing the goose that lays golden egg. The public sector workers trade union movement must not remain silent spectator to this dangerous game of the Government.

## Wage Negotiations in CPSUs

It is too well to be repeated that in the current phase of wage negotiations in PSUs, joint struggle by the public sector unions under the banner of CPSTU compelled the Government of India to change their 'sacrosanct' directive for 10 year tenure of wage agreement for the workers in the face of unanimous demand of all the unions for five-year tenure. As a result of the amended guidelines, in many CPSUs settlement with Five-year periodicity has been signed. The major ones are SAIL, Coal India, Port & Dock, NMDC, HAL, Garden Reach Shipyard, Neyveli Lignite Corporation (NLC) and more..

However, unfortunately, in some other industry level negotiations, like BHEL, NTPC, BEL etc., some of the unions in the respective apex negotiating forums, succumbed to the pressure of management for signing agreement with 10 year periodicity (co-terminus with Executive) Of course it should be noted that in BHEL, the central representatives of AITUC, BMS and CITU have not sign the 10-years settlement. In NTPC also BMS and CITU central representatives have not sign the settlement with tenure as co-terminus with Executives.

The situation in the oil PSUs are better known to our unions involved in the ongoing negotiations who will report in our meeting At the time of writing this report the developments in the IOC negotiations are not encouraging. In the meantime the Stand alone refinery – NRL has signed settlement with tenure of 'Co-terminus with Executives. Undoubtedly it is a very unfortunate development. The moment I could read mind of the local leaders for a ten year settlement, I have withdrawn myself from their negotiations.

We have been discussing this issue of periodicity in our Federation meetings on different occasions. No body can deny the fact that more frequent wage revision has in-built mechanism to provide better benefit when considered in long term perspective than lesser frequent wage revision with apparently better short term benefit is harmful to workers in the long run. Our ONGC union in Mumbai hosted an exclusive meeting of the recognized unions from different oil PSUs on 10th April 2010. In course of the day-long deliberations the unanimous understanding emerged that we must not compromise on the question of periodicity. In other wards, the demand for Five year periodicity must be non-negotiable. The resolution adopted in that meeting is re-circulated in this meeting.

In this connection we would like to point out a few amusing facts. All of us know that the managements of PSUs and Executive Associations including OSOA had very strongly advocated for Five periodicity and so too the trade unions. Now when the Executives did not get Five year periodicity the management of PSUs are hell-bent to impose Ten year periodicity. And unfortunately some trade unions have lost no time in dancing with the music of the management. As if they do not have any principled stand but avowedly obedient to the whims and fancy of management. We must fight such dangerous practice.

That in the same industrial sector or under a same administrative Ministry two different periodicity settlement is possible is established from the settlements of Neyveli Lignite Corporation (NLC) and Hindustan Aeronautics Limited (HAL). NTPC and NLC are in central power sector and still NTPC settlement is ten year periodicity and NLC for five years periodicity. Again despite both being under the Ministry of Defence BEL settlement is for ten years while that of HAL is for five years. Given the developments emerging in the oil PSUs, it seems it is imminent that this time settlements in oil sector shall be in varying dimensions.

## United Struggles by Central Trade Unions

A historical development has taken place in the arena of the trade union movement of the country. All the central trade unions plus the industry and the service sector workers' Federations have forged an unprecedented unity and have been sphere heading joint movement on the five burning demands of the workers and people of the country jointly formulated by the entire trade union movement abridged and noted below:

i) **Against unprecedented price rise and for universal PDS**
ii) **Strict enforcement of Labour Laws**
iii) **Concrete proactive measures for employment generation and protection**
iv) **Modification of Unorganised Workers Social Security Act 2008 to remove all restrictions on eligibility of benefits and provision for Central Funding**
v) **Against Disinvestment of profit making PSUs**

Ever since the emergence of the ALL TRADE UNIONS IN ONE PLATFORM many joint campaign and struggles have been very successfully conducted in the country. The following are noteworthy:

1) **Joint Trade Union Convention in New Delhi on 14th September 2009**
2) **All India Protest day on 28th October, 2009**
3) **Massive Dharna on 16th December 2009**
4) **Satyagrah/Jail Bhoro on 5th March 2010**
5) **National Convention of Workers at New Delhi on 15th July 2010**

Now the National Convention of Workers held at New Delhi on 15th July 2010 has given a call for <u>General Strike in the country on 7th September 2010</u>. The declaration adopted in the Convention is attached with this report.

With regard to the issues before the strike we must take note of the facts that the Government of the day has been arrogantly pushing through one after another measures on the economic policy front like allowing 100 percent FDI on Retail Trade, Free Trade Agreement with European Unions etc on the one hand and trying to impose drastic curtailment on Trade Union Rights and Social Security Rights of the workers through anti-workers changes in labour laws, privatization of pension etc on the other which is going to have severe negative impact on the national economy and directly impact upon the life and livelihood of the mass of the working people.

In such a background the call for General Strike on 7th September 2010 by the trade union movement of the country is a most important step towards heightening the united movement of the working class for a determined resistance struggles against the neoliberal policy regime.

<u>In the meantime, in order to make the 7th September 2010 General Strike a grand success, the three Federations of Petroleum Workers in the country ( (i) Petroleum & Gas Workers' Federation of India (ii) All India Petroleum Workers Federation and National Federation of Petroleum Workers) have jointly convened a National Convention of unions/federations of petroleum workers in New Delhi on 20th August 2010. The invitation for the convention jointly signed the three Federation is circulated herewith.</u>

<u>Our Federation leadership and all of our affiliated unions must attend the convention positively and ensure the success of the convention as an effective step to make the strike successful.</u>

**It is of utmost importance to note that there are three Federations functioning in the petroleum industry in the country and the central leadership of all the three are parties to the strike decision. Moreover, as already noted above, the three Federations have come together in organizing a joint convention as a**

**preparatory step for the success of the strike. Such an opportunity to involve 100% workers of petroleum sector in a strike has come before us for the first time in the history of trade union movement of petroleum workers in India. Moreover, it is also an opportunity for us to revitalize the striking capacity and culture of petroleum workers, the absence of which has weakened our movement and even reduced the right to collective bargaining. We must resolve to ensure participation of our unions in the strike. A draft strike notice and annexure to strike notice are circulated herewith.**

**Issues and Urgent Task Adopted at the Mumbai Conference**

While making the 7th September 2010 General Strike must be our crush priority task, the following issues and urgent tasks adopted at the Mumbai conference can constitute the other immediate task to be pursued by the Federation.

- A very important task before us is the current wage negotiations. We would like to urge upon our unions in different oil PSUs to take effective initiative for two-tier coordination – among the Federation affiliated unions and among the total negotiating unions in order to strive for unified stands of the unions before the management of the respective oil PSUs and also to take initiative for joint action to defeat the game plan of the managements to deprive the workers from due benefits in the negotiations. The central issues before the wage negotiations are minimum guaranteed benefit, percentage of DA merger for the purpose of calculating the fitment benefit, annual increment, open-ended pay scales, tenure of settlement etc.

- The next major task must be powerful mobilization of the workers against the onslaught of privatization already unfolded by the present Government. Given the strategic importance concerning energy security of the country and financial strength of the oil PSUs, working class in the industry must play leading role in the fight against privatization.

- We have attained some success in coordinating with the movement of contract workers. The national convention organized by our Federation was a step in right direction. However we have failed to follow up the decisions of the convention. This task must be taken up as a priority decision of this conference. Another national convention can be an effective renewed beginning.

- Given the vastness of the oil & gas industry in the country, importance of both regional and company-wise organizational activities is of paramount importance. Keeping in mind the tremendous success of the Southern and North-Eastern Regional Conventions, Eastern Regional convention is urgently awaited. After the Mumbai conference, the Easter Region should organize the Regional convention at the earliest possible time.

- Our Unions in the Eastern Region may consider to hosting another national convention of contract workers.

- Then the task of registering the Federation and activating the registered office of the Federation at Kolkata should be taken up by our unions in the Easter Region collectively.

- Organisation and Struggles are like two legs. In the absence one the other is handicapped. While real organizational strength can be derived through struggles, without powerful orgnisation no powerful struggle can be launched. This is the core of organizational task. Let us resolve to accomplish this twin task of building organization and launching struggles on the issues noted above.

I am sure in course the deliberations on this report the Office Bearers and Committee members shall make valuable contributions through which the Report shall be enriched and our task and path shall be crystal clear

**Finance of the Federation**

The collection of affiliation fees and donations to meet the expenses of the Mumbai conference has all been deposited in the back account of our Federation at New Delhi. The conference related expenses has been mainly incurred at Mumbai, Delhi and Kolkata. Payments have been released from Mumbai and Delhi. Out of the total deposit an amount of Rs.8,00,000.00 (Rupees Eight lakh only) has been transferred to the bank account of our ONGC union at Mumbai to meet the major expenses. I must mention here that the fund came to our hand much after the conference was over. Some of our Mumbai leaders including the President spent money from their personal initiative. We are thankful to these colleagues in particular and the Mumbai unions in general. Comrade Tarapada Roy Chowdhury also released some fund from his personal account. Of course all these transactions has been regularized.

However, the main question is that we must submit a proper statement of accounts of the entire conference expenditure through proper coordination amongst Mumbai, Delhi and Kolkata. During my current visit to Kolkata I shall hand over all papers, passbook and cheque book to our Secretary (Finance). I hope in our next meeting we should be able to circulate the duly prepared statement of accounts. In the meantime the bank balance in the Federation account is Rs.2,83,267.00 as per entry in the pass book on 07.05.2010.

With fraternal greetings to you all,

**Yours fraternally,**

**(Swadesh Dev Roye)**
**General Secretary**

**ooOoo**

# Annexure

## Petrol product price hike – Deora's gospel of untruth

Dipankar Mukherjee

Ministry of Petroleum and Natural Gas, Govt. of India has given an advertisement in the News Papers soliciting support of the people for the price hike of Petrol, Diesel, LPG and Kerosene. It is a document of deceit and deception published with public money to befool the people. It says "80% of the country's requirement of products is met by imports. This naturally impacts prices due to volatility in international oil markets".

- Crude oil is refined in the refineries to produce petroleum products like petrol, diesel etc. before marketing. India imports crude oil which is about 75 to 80 per cent of its requirements. However India is more than self sufficient in oil refining and produces more products than the domestic requirements. In the year 2009 – 2010 (April-December) it has exported 28 million tonnes petroleum products against an import of 10 million tonnes.

- As for the volatility in the international oil market, when the UPA-II Government came in power in May 2009, international crude price was 70 dollar per barrel i.e. Rs. 21.43 per liter (1 dollar = Rs.49). Today it is 77 dollar per barrel which means Rs. 22.13 per liter (1dollar = Rs.46.22). One barrel roughly is 160 litres. So the international crude price has risen by 70 paise per litre so far. Is it too volatile to justify a price hike of Rs. 6.44 per litre on petrol, Rs.4.55 per liter on diesel within last four months, and Rs.3 per liter on Kerosene and Rs 35 on Domestic LPG now?

Obviously international price has nothing to do to the price hike of petroleum products since the last budget in February 2010.

### Health of Public Sector Oil Marketing Companies.

Petroleum Minister Murali Deora justifies the price rise in his interview in The Times of India on 26th June 2010 "The government has acted in the larger national interest of saving PSU oil companies, which are Navaratnas and Maharatnas, from bankruptcy and safeguarding consumer interests." Is it so? Let us see what his Ministry says in its annual report of 2009-10 on Indian Oil Corporation (IOC), the major public sector Oil Marketing Company (OMC):

**" During 2008-09, IOC posted net profit of Rs. 2,950 crore on an unprecedented turnover of Rs. 2,85,337 crore that too after holding the price line for the four major products – petrol, diesel, PDS kerosene and LPG for domestic use. IOC is also the first and the highest ranked Indian company in the Fortune 'Global 500', placed at 116th position by sales in 2008. It is the 18th largest petroleum company in the world. The profit (after tax) for the year 2009-10 (upto December 2009) is Rs.4663.78 crore, whereas the turnover for the said period is Rs.208289.46 crore".**

Hold the breath! As per the Audited Financial Results for the year ending 31.3.2010. IOC's net profit has been shown as Rs.10,998 crore with a reserve and surplus of Rs.49,472 crore.

* In 2009-10 IOC has paid Rs.26,050 crore as excise duty and Rs. 4049 crore on other taxes. In addition IOC has paid the Government dividend of Rs.656 crore in 2007-08, Rs. 910 crore in 2008-09 and for the year 2009-10 it has to pay not less than Rs.3000 crore as dividend.

* Other two marketing companies HPC and BPC have earned profits of Rs. 544 crore and Rs. 834 crore during April-December, 2009.

And still the Minister gets the perverse pleasure of calling these as bankrupt. It is actually the bankruptcy of the Government which denigrates its own company in such derogatory terms only to fulfill its hidden agenda. Interestingly the same bankrupt companies have been asked to contribute Rs. 250 crore to Rajiv Gandhi Petroleum Institute in Rai Bareilly!

- In the Annual Report it also says that IOC is having major ongoing projects valued at about Rs.65,000 crore and during the year has signed a MOU with Nuclear Power Corporation of India for joint venture in nuclear power generation which is a capital intensive industry with low assured return. A bankrupt company, Mr. Deora?

## What about under recovery?

But then what about under recovery - a fancy term being used for the last few years which have no place in balance sheet of any company. The government, backed by the corporate media has been successful in its game of deceit and deception in misleading people to believe that the "so called under recoveries" are actually the losses, incurred by the OMCS.

Till the nationalization of foreign oil companies i.e. Burma Shell, Caltex, and Esso, the pricing of petroleum products was done based on the international prices of the products. This was known as import parity pricing system. In 1976 import pricing system was discontinued and Administrative Pricing Mechanism (APM) was introduced as with continued increase in the domestic refining capacity, the share of imported products was coming down. As per APM the actual cost of crude and refining cost of crude were assessed and a reasonable profit margin was ensured to the companies before fixing the price of products. Entry of private investors both domestic and foreign after 1991 led to intensive pressure on successive governments to dismantle APM which was evolved to control the pricing of petroleum products. In 2002 APM was dismantled and import parity was again resorted to for both crude and petroleum products. Import parity price means that the price of the petroleum products within the country would be fixed at par with global prices irrespective of the actual exploration and refining cost within the country. Today even we produce cheaper crude oil in ONGC and Oil India and we refine it at much lesser cost than the global market in our refineries, both public and private, we have to still pay at par with global price irrespective of actual production and refining cost. Under recovery is the difference between the import parity price and the retail price of petrol, diesel, LPG & kerosene, before deregulation. Under recovery is a notional loss based on assumption and not actual loss in real terms.

Because of the pressures of the left parties, APM could not be dismantled for petrol, diesel, LPG and Kerosene but the private sector especially the domestic refiners like Reliance and Essar were pressurizing government to dispense with the government control on these products so that they can enter the market after deregulation.

Under the cover of under recoveries, we are back to the decontrolled pricing regime based on import parity, when foreign oil companies were operating in the country. Burma Shell, Caltex and ESSO might have gone. But their pricing regime is back.

## International Scenario

It is an insult to self reliance achieved in petroleum sector, when the government advertisement tries to compare the prices of LPG and Kerosene selectively with neighbouring countries like Nepal and Bangladesh. Instead it should compare the taxing pattern of petrol and diesel with some of the developing countries.

| Item | Countries | % of tax to total price |
|---|---|---|
| Petrol | | |
| | Sri Lanka | 37% |
| | Thailand | 24% |
| | Pakistan | 30% |
| | **India** | **51%** |
| Diesel | | |
| | Sri Lanka | 20% |
| | Thailand | 15% |
| | Pakistan | 15% |
| | **India** | **30%** |

But the most revealing fact is that on the basis of the information available from Energy Information Administration (EIA) there are 54 developing countries other than India having refining capacity in excess of their consumption. But only Croatia, Philippines and South Africa have gone in for import parity pricing, while retail selling prices in Malaysia and Turkey are determined by international market prices.

Why then India which is self sufficient in oil refining, but where more than 40% are living below poverty line should go for deregulation to suit the global market prices of petroleum products? Without a global wage how can the global price of essential commodities be imposed on inflation hit people of India who do not have requisite purchasing power?

## Burden of Rs. 53,000 crore: - What is your arithmetic Mr. Deora?

In the Ministry's advertisement, it says "**Even after the price increase, Government will bear a burden of Rs. 53,000 crore during the year.**"

Ministry probably forgot that in their presentation on Demands for Grants (2010-2011) before a Parliamentary Committee, it said "Ministry of Finance have confirmed a budgetary support of Rs. 12,000 crore as the share of the Govt. towards meeting the under recoveries for the year 2009-2010". Incidentally during the same period contribution to Central Govt. Exchequer by the Petroleum Sector in form of taxes, duties, dividend etc. is more than Rs. 90,000 crore. During the year the year 2010-2011, after the increase in taxes, the same is going to be more than Rs. 1,20,000 crore. Who is subsidizing whom? And then where is this figure of Rs. 53,000 core in the budget? Where from this figure has been invented? Is it also a case of globalised arithmetic like under recovery which does not find a place in budget or balance sheet?

## The Cat is out of the bag

We should thank Deora who in his interview makes the actual agenda clear behind the sound and fury of international price, under recovery and bankrupt public sector oil companies etc. The cat is out of the bag when he says:

**"A free-market regime will create competition between the public and private sectors. This will improve service and could also lead to a price war."**

In a price war the public sector OMCs for whom Deora and the government are shedding crocodile tears today, will be the biggest losers. M/s Reliance and Essar have modern high capacity refineries compared to the public sector OMCS who have not been allowed to expand and to upgrade the technology to the level of these private refiners. Moreover the private corporates has direct access to the highest policy makers to change policies like tax exemptions, tax concessions etc. After all, the Ambanies and Ruias can meet the Prime Minister, Finance Minister, Petroleum Minister as and when they like while the public sector CMD's access is limited to the Joint Secretaries or Secretaries. Backed by the corporate media, the private domestic corporates today and foreign multinationals tomorrow will rule the petroleum sector. This happens when the government becomes a government for the corporates, of the corporates and by the corporates.

**ooOoo**