Petroleum & Gas Workers' Federation of India

PGWFI

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Dr. Manmohan Singh,
Prime Minister of India
New Delhi.

Sub: Protest Against Disinvestment of Public Sector Oil Industries

Dear Sir,

We are very much alarmed at the extreme desperation with which your Government is continuously intensifying the disastrous drive of divestment of equity of Central Public Sector Enterprises (CPSEs). It is all the more a matter of serious concern that even the strategic and most vital sector of our economy – the energy sector comprising of Coal, Power and Petroleum segments are not spared.

In Petroleum sector massive divestment of equities has already been carried out by the Government. Recently 10 per cent equity of Oil India Limited (OIL) has been divested at distress price disregarding the fact that "OIL has strong cash balance, Nil debt and strong technical experience". Further dose of disinvestment of the equity of ONGC is reportedly in the CPSEs divestment agenda of the Government.

After ONGC and OIL, now IOC, the public sector refining giant is the target. The Government has decided to divest another dose of 10% share and consequently Government share-holding of IOC shall come down to 68.9 per cent. Moreover, it has been reported that "*the CCEA would also decide whether to retain the over-subscribed amount*". And in that case percentage of disinvestment shall be more than 10% in the proposed present round and in case it happens, Government share-holding shall go down further.

Shockingly we are noticing that the UPA-II Government is so much in hurry to rather dislodge IOC from its leadership position of a huge Refining and Marketing oil PSU that it has adopted a suicidal short cut route called "Offer-For-Sale (OFS) ostensibly for quickening the disinvestment process abandoning their own past path called "Follow-on-Public Offering (FPO)." Moreover, according to report, at the instance of PMO, the DoD has asked the Ministries of Law, P&NG, Public Enterprises, Finance and Planning Commission to give clearance on the proposal within 15 days!

Your Government is well aware of the fact that IOC is currently the largest Crude Oil Refiner in the country with an installed capacity of 65.7 million tones per annum (Mint:31.05.'13) and possesses over 10,500 KMs of pipe lines. Further it has the largest number of Retail Outlets and that too at commercially very lucrative locations in the country. Total retail outlets of IOC as on date is 22,371 plus another 6,361 consumer retail outlets (located at the premises of bulk consumers) The IOC has earned a net profit of Rs.5,005 crore in the year 2012-13. Kindly allow us to put before you as to how

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market manipulators have pulled down the share price of IOC at the Bombay Share Market Rs.288.90 (PTI as on 28.05.13) whereas the price of IOC share had ruled at Rs.600.00 per share in the share market.

From the table below it will be seen that in HPCL, BPCL and GAIL near 50% shares have already been acquired by private sector including Foreign Institutional Investors (FII). Any more dose of disinvestment in these oil PSUs can change the ownership character of these oil PSUs from public sector to private sector.

As on 1st March 2013 the Government share holding of the major upstream and downstream public sector oil corporations are as under:-

Names of the Oil PSU	Percentage of Share holding	
	Government	Private
ONGC	66.23	30.77
IOCL	78.92 (68.92)#	21.08 (31.08)#
HPCL	51.11	48.89
BPCL	54.93	45.07
GAIL	57.90	42.10
OIL	68.43	31.57

 # If current move of further disinvestment is carried out

We further note with great anxiety that indigenous and domestic private players are continuously tightening their control over the different segments of energy sector. In fact the petroleum sector is increasingly becoming policy hostage of giant private corporate houses and in accordance with their design, profit-making oil PSEs are being handed over to them in the name of disinvestment.

In view of the above, we request you to issue necessary directives to the Department of Disinvestment to stop all moves to disinvestment of government equities of oil PSEs. We firmly believe that you would please pay heed to the voice of opposition of lakhs of workers under the united leadership of all central trade unions of this country and refrain from divestment of equities of well run oil CPSEs which are paying thousands of crore of rupees under different accounts to the Governments and thus would not venture to kill the hen that lays golden eggs.

Thanking you,

Yours sincerely,

(Swadesh Dev Roye)
General Secretary