THIRD REPORT

STANDING COMMITTEE ON
PETROLEUM & NATURAL GAS
(2004-05)

(FOURTEENTH LOK SABHA)

MARKETING PLANS OF PUBLIC SECTOR OIL COMPANIES AND THEIR IMPLEMENTATION

MINISTRY OF PETROLEUM AND NATURAL GAS

[Action Taken by the Government on the recommendations contained in the Forty-Sixth Report (Thirteenth Lok Sabha) of the erstwhile Standing Committee on Petroleum & Chemicals (2003) on `Marketing Plans of Public Sector Oil Companies and their Implementation']

Presented to Lok Sabha on 22 .12.2004

Laid in Rajya Sabha on 22 .12.2004

LOK SABHA SECRETARIAT
NEW DELHI

December, 2004/ Agrahayana, 1926(Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM AND NATURAL GAS (2004-05)

SHRI N. JANARDHANA REDDY– Chairman

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31. Shri Satish Chandra Misra

SECRETARIAT

1.	Shri P.D.T. Achary	-	*Additional Secretary*
2.	Shri P.K. Grover	-	*Director*
3.	Shri B.D. Swan	-	*Under Secretary*
4.	Shri.P.C.Tripathy	-	Assistant Director

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Natural Gas (2004-05) having been authorised by the Committee to submit the Report on their behalf, present this Third Report on Action Taken by Government on the recommendations contained in the Forty-Sixth Report (Thirteenth Lok Sabha) of the erstwhile Standing Committee on Petroleum & Chemicals (2003) on 'Marketing Plans of Public Sector Oil Companies and their Implementation'.

2. The Forty-Sixth Report of the erstwhile Standing Committee on Petroleum and Chemicals was presented to Lok Sabha on 22nd August, 2003. The Action Taken Replies of Government to all the recommendations contained in the Forty-Sixth Report were received on 15th October, 2004.

3. The Standing Committee on Petroleum & Natural Gas(2004-05) considered and adopted the Report at their sitting held on 20th December, 2004.

4. An analysis of the action taken by the Government on the recommendations contained in the Forty-Sixth Report (Thirteenth Lok Sabha) of the erstwhile Standing Committee on Petroleum and Chemicals is given in Appendix-II.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

6. The Committee place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

NEW DELHI,	**N. JANARDHANA REDDY,**
December 21, 2004	***Chairman,***
Agrahayana 30, 1926 (Saka)	***Standing Committee on***
	Petroleum &Natural Gas.

CHAPTER-I
REPORT

This Report of the Standing Committee on Petroleum & Natural Gas deals with the action taken by the Government on the recommendations contained in the Forty-Sixth Report (Thirteenth Lok Sabha) of the erstwhile Standing Committee on Petroleum & Chemicals (2003) on 'Marketing Plans of Public Sector Oil Companies and their Implementation' which was presented to Lok Sabha on 22nd August, 2003.

2. Action Taken Notes have been received from the Government in respect of all the 8 recommendations/Observations contained in the Report. These have been categorised as follows:-

(i) Recommendations/Observations that have been accepted by the Government:-
Sl. Nos. 1 and 4.

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:
Sl. Nos. 6, 7 and 8.

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee.
Sl. No. 2, 3 and 5.

(iv) Recommendations/Observations in respect of which final replies of the Government are still awaited:
'Nil'

3. The Committee trust that utmost importance would be given to the implementation of the recommendations accepted by the Government. In cases, where it is not possible for the Ministry to implement the recommendations in their letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee further desire that the Action Taken Notes on the recommendations/observations contained in Chapter-I of this Report should be furnished expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

A. <u>Allotment of Retail Outlets and LPG Distributorships</u>

(Recommendation No. 1)

5. The Committee had noted that the concept of Marketing Plans of Public Sector Oil Companies had some laudable objectives such as ensuring availability of petroleum products in remote and far-flung areas, avoiding duplication of infrastructure, providing reservation to various categories to fulfil social objectives and sharing out marketing network amongst the oil companies. After dismantling of the Administered Pricing Mechanism (APM) w.e.f. 1.4.2002, the Government had decided that approval of any marketing plan was not required from them. The Committee, in principle, had appreciated this decision. They had, however, stressed the need to continue with the objectives of the Marketing Plan. The Committee had, therefore, desired that these objectives should be at the core of the Government's policy for allotment of retail outlets and LPG Distributorships and Government should keep these objectives in view and make them applicable to all companies engaged in marketing of petroleum products.

6. The Ministry of Petroleum & Natural Gas, in its reply, has stated as under:-

> "Even after the dismantling of the Administered Pricing Mechanism (APM) with effect from 1.4.2002, the Public Sector Oil Marketing Companies (OMCs) have been setting up retail outlets based on economic/commercial viability, including sales potential of the location. The possibility of duplication of the facilities will only be in the trading area where potential exists for additional outlets which will benefit the customers. The duplication of the facilities will not take place where potential for any additional retail outlet does not exist, as the new retail outlet will not be economically justified.
>
> After the dismantling of the APM, though the Government has decided that the Marketing Plans of the Public Sector OMCs do not require the approval of the Government, the OMCs will have to ensure that 5.6% and 5.3% of retail outlets in their future expansion plans are set up in remote areas and low service areas respectively. The condition is also applicable to the Private Sector Oil Companies which have been given marketing rights.

The new guidelines for selection of dealers/distributorships framed by the OMCs based on the broad principles approved by the Government provide continuance of reservation to various categories in order to fulfil social objectives. The reservation policy cannot be extended to the Private Sector Oil Companies engaged in marketing of petroleum products. However, the other objectives of the Marketing Plans are expected to be achieved through the measures which would be taken by the proposed Petroleum Regulatory Board."

7. The Committee had noted the objectives of the concept of Marketing Plans of Public Sector Oil Companies such as ensuring availability of petroleum products in remote and far-flung areas, avoiding duplication of infrastructure, providing reservation to various categories to fulfil social objectives and sharing out marketing network amongst the oil companies and desired that these objectives should be at the core of the Government's policy for allotment of retail outlets and LPG distributorships which should be made applicable to all companies engaged in the marketing of petroleum products. The Government has, *inter-alia*, replied that after the dismantling of the APM, though the Marketing Plans of the Public Sector OMCs do not require the approval of the Government, the OMCs, both in Public and Private Sectors, are required to ensure that 5.6% and 5.3% of retail outlets in their future expansion plans are set up in remote and low service areas respectively. While the Committee appreciate the intention of the Government to expand the retail outlet facility in remote and low service areas of the country, it gives little consolation to the Committee in the absence of actual performance of the Public Sector OMCs in these areas since the dismantling of the APM. The Committee would like to know the percentage of retail outlets set up both by Public Sector OMCs and Private Sector OMCs in remote and low service areas after the dismantling of the APM. The Committee would also like to be apprised as to whether the Government have evolved any mechanism to evaluate the performance of such companies in regard to setting up of retail outlets in remote and low service areas and whether any action would be taken against them in case such companies do not adhere to these conditions/guidelines.

B. <u>Preparation of 'Market Vision'</u>

(Recommendation Nos. 2 & 3)

8. The Committee had observed that one of the objectives of the Marketing Plan was to ensure planned growth in the petroleum sector especially in distribution network. The Committee had also noted that private companies through their aggressive marketing strategies were generally interested in working in lucrative areas only and had little concern for planned growth. The Committee had desired that Government should prepare 'Market Vision' for the next two decades which should include basic parameters of planned growth. The oil companies both public and private should be bound to operate within the ambit of this Vision.

9. The Committee had also apprehended that private oil companies might encroach on the trade areas of Public Sector Oil Companies and disturb the balance of planned growth already achieved. The Committee had, therefore, desired that Government should continue to have some sort of control on oil companies, both in Public and Private Sector, to ensure that balanced growth already achieved was not disturbed. The Government could do so by formulating a set of guidelines incorporating them in 'Market Vision' recommended by the Committee.

10. In its Action Taken Note, the Ministry of Petroleum & Natural Gas has given the following reply:-

> "In the de-regulated scenario, Public Sector Oil Marketing Companies as well as authorized private companies are expected to take decisions on their retail business on commercial considerations. In view of this, the relevance of any specific marketing plan/vision may be limited. However, to ensure that the customers of remote areas and low service areas also are catered to adequately, the Government have issued guidelines that the private players will also set up a fixed proportion of Retail Outlets in such areas, failing which Government can intervene in the public interest. The proposed Petroleum Regulatory Board will also impose marketing service obligations."

11. On the issue of likely encroachment on the trading areas of the Public Sector OMCs by the Private Sector Oil Companies, the Ministry of Petroleum & Natural Gas has stated as under:-

> "The issue of likely encroachment on the trading areas of the Public Sector OMCs by the Private Sector Oil Companies will be dealt with by the proposed Petroleum Regulatory Board which will broadly regulate/coordinate the activities of the Public Sector and the Private Sector Oil Companies."

12. The Committee do not agree with the contention of the Government that the relevance of any specific marketing plan/vision may be limited in view of the fact that in the de-regulated scenario, Public Sector Oil Marketing Companies as well as authorised private companies are expected to take decisions on their retail business on commercial considerations. They feel that planned growth of the petroleum sector cannot be achieved if the oil companies are always guided by the commercial considerations only. The Committee have been informed that the proposed Petroleum Regulatory Board would impose certain marketing service obligations on the oil companies. However, in the Committee's view, the private sector companies have a tendency to be profit-oriented with little regard for social obligations. This will deny the much-needed level playing field to the public sector companies. Considering the need to ensure planned growth in the petroleum sector and the private sector's priority to pure commercial considerations, the Committee reiterate their earlier recommendation that the Government should prepare a 'Market Vision' for the next two decades which should incorporate the parameters of planned growth and be applicable to both the public and private sector oil companies.

C. Guidelines for Selection of Dealers/Distributors

(Recommendation No. 4)

13. The Committee had noted that after dismantling of Dealer Selection Boards (DSBs) the Government had authorised public sector oil companies to implement their Marketing Plan for which permission of Government was not required. However, the Government subsequently restrained all companies from making allotments. The Committee were of the opinion that the Government instead of restraining them should have provided guidelines to be followed in case of future allotments. Government's action had put on hold the question of autonomy of oil companies in Post-APM era and oil companies' expansion programme had been stalled. On the one hand the Government claimed to have granted autonomy to oil companies in choosing their retailers and dealers and on the other hand Government had impeded their growth. The Committee had felt that Government lacked clarity on the vital issue of autonomy. They had desired that the Government should define the concept of `Autonomy' unambiguously and should not restrain the oil companies when they acted as per established procedure. Secretary, Ministry of Petroleum and Natural Gas had assured the Committee in May, 2003 that the Government were engaged in deciding this issue and would come out with the final decision expeditiously. The Committee had learnt from the media reports that the Government had finalised the Guidelines. The Committee hoped that these were objective and transparent.

14. In its Action Taken Reply, the Ministry of Petroleum & Natural Gas has stated as under:-

> "The Public Sector Oil Marketing Companies have since framed their own guidelines for selection of dealers/distributors based on the broad principles approved by the Government and have started the process of selection of dealers/distributors."

15. The Committee are informed that the Public Sector OMCs have since framed their own guidelines for selection of dealers/distributors based on the broad principles approved by the Government and have started the process of selection of dealers/distributors. The Committee trust that the selection of dealers/distributors by the Public Sector OMCs would be made according to their respective guidelines without any deviation whatsoever. The Committee would also like to advise the Government not to interfere in such activities unless there is a violation of the guidelines by the OMCs.

D. <u>Level playing field for Oil Marketing Companies</u>

(Recommendation No. 5)

16. The Committee had noted that in the post APM era, the private oil marketing companies were expected to play a significant and major role. They had already initiated activities to set up their marketing network and with their aggressive marketing strategies were expected to compete vigorously with public sector oil companies. Public Sector Oil Companies had been requesting the Government to provide them level playing field to enable them to compete with private sector effectively. While private companies operated purely on economic considerations, the PSUs were bound to fulfil certain social objectives also mainly provision of reservation to various categories of society. The Committee had strongly recommended that Government should statutorily bind all the oil marketing companies to follow these guidelines uniformly. The Government should ensure that private and public sector oil companies operate in the country under one set of rules/guidelines.

17. The Ministry of Petroleum & Natural Gas has in its Action Taken Reply stated as under:-

> "While the proposed Petroleum Regulatory Board will endeavour to provide a level playing field to the Public Sector and Private Sector Oil Companies by broadly regulating/coordinating the activities of these companies, the Government cannot impose its policy regarding selection of dealers/distributors including the reservation policy on the Private Sector Oil Companies."

18. The Committee feel highly concerned over the Government's reply that it cannot impose its policy regarding selection of dealers/distributors including the reservation policy on the Private Sector Oil Companies. If the Public Sector Oil Companies have to be provided a level playing field, it has to be ensured that both Private and Public Sector Oil Companies operate in the country under one set of rules/guidelines. The Committee, therefore, recommend that only those Private Sector Oil Companies which agree to operate entirely under the conditions/guidelines applicable to Public Sector Oil Companies should be authorised to enter the market.

CHAPTER – II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

(Recommendation No. 1)

The concept of Marketing Plans of Public Sector Oil Companies had some laudable objectives such as ensuring availability of petroleum products in remote and far-flung areas, avoiding duplication of infrastructure, providing reservation to various categories to fulfil social objectives and sharing out marketing network amongst the oil companies. After dismantling of the Administered Pricing Mechanism (APM) w.e.f. 1.4.2002, the Government have now decided that approval of any marketing plan was not required from them. The Committee, in principle appreciate this decision. They would, however, like to stress the need to continue with the objectives of the Marketing Plan. The Committee, therefore, desire that these objectives should at the core of the Government's policy for allotment of retail outlets and LPG Distributorships and Government should keep these objectives in view and make them applicable to all companies engaged in marketing of petroleum products.

REPLY OF THE GOVERNMENT

Even after the dismantling of the Administered Pricing Mechanism (APM) with effect from 1.4.2002, the Public Sector Oil Marketing Companies (OMCs) have been setting up retail outlets based on economic/commercial viability, including sales potential of the location. The possibility of duplication of the facilities will only be in the trading area where potential exists for additional outlets which will benefit the customers. The duplication of the facilities will not take place where potential for any additional retail outlet does not exist, as the new retail outlet will not be economically justified.

After the dismantling of the APM, though the Government has decided that the Marketing Plans of the Public Sector OMCs do not require the approval of the Government, the OMCs will have to ensure that 5.6% and 5.3% of retail outlets in their future expansion plans are set up in remote areas and low service areas respectively. The condition is also applicable to the Private Sector Oil Companies which have been given marketing rights.

The new guidelines for selection of dealers/distributorships framed by the OMCs based on the broad principles approved by the Government provide continuance of reservation to various categories in order to fulfil social objectives. The reservation policy cannot be extended to the Private Sector Oil Companies engaged in marketing of petroleum products. However, the other objectives of the Marketing Plans are expected to be achieved through the measures which would be taken by the proposed Petroleum Regulatory Board.

[Ministry of Petroleum & Natural Gas OM No.
P-38012/4/2003-IOC dated 15.10.2004]

Comments of the Committee

(Please see para 7 of Chapter I of the Report)

(Recommendation No. 4)

The Committee note that after dismantling of Dealer Selection Boards (DSBs) the Government had authorised public sector oil companies to implement their Marketing Plan for which permission of Government was not required. During this period IOCL and IBP made some allotments in accordance with the decisions taken by their Boards after following the established procedure. The Committee note that whereas these companies exercised their autonomy and acted expeditiously but the other public sector oil companies did not act swiftly. Later the Government restrained all companies from making further allotments. The Committee are of the opinion that the Government instead of restraining them should have provided guidelines to be followed in case of future allotments. Government's action has put on hold the question of autonomy of oil companies in Post-APM era and oil companies' expansion programme has been stalled. On the one hand the Government claim to have granted autonomy to oil companies in choosing their retailers and dealers and on the other hand Government have impeded their growth. The Committee feel that Government lack clarity on the vital issue of autonomy. They desire that the Government should define the concept of `Autonomy' unambiguously and should not restrain the oil companies when they act as per established procedure. Secretary, Ministry of Petroleum and Natural Gas had assured the Committee in May, 2003 that the Government were engaged in deciding this issue and would come out with the final decision expeditiously. The Committee have now learnt from the media reports that the Government have finalised the Guidelines. The Committee may like to examine these guidelines later but at this time hope that these are objective and transparent.

REPLY OF THE GOVERNMENT

The Public Sector Oil Marketing Companies have since framed their own guidelines for selection of dealers/distributors based on the broad principles approved by the Government and have started the process of selection of dealers/distributors.

[Ministry of Petroleum & Natural Gas OM No.
P-38012/4/2003-IOC dated 15.10.2004]

Comments of the Committee

(Please see para 15 of Chapter I of the Report)

CHAPTER –III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

(Recommendation No. 6)

The Committee have noted that as against 8314 planned locations for ROs, 1392 were pending on 9.5.2002 when DSBs were dismantled. Similarly, 1790 LPG Distributorships were pending against 7441 planned. The Committee have further noted that IOCL together with its Assam Oil Division and IBP as subsidiary company was given more than 60% ROs locations for allotment. IBP independently was given only 3.68% share. An analysis of performance for the period 1999-2000 to 2001-2002 reveals that 83% locations of HPCL, 68% of BPCL, 65% of IOCL and 30% of IBP were pending for allotment on 9.5.2002. In the opinion of the Committee this performance is unsatisfactory. Government have taken a decision to disinvest HPCL and BPCL and with IOCL shall remain as the only Public Sector Oil Marketing Company with IBP as its subsidiary. The Committee find that that performance of IBP in expeditious allotment of ROs has been satisfactory and desire that its marketing network should be further strengthened. They desire that Government should promote and strengthen this company so as to enable it to compete with private companies.

REPLY OF THE GOVERNMENT

After the dismantling of the APM, the Public Sector OMCs including the IBP Co. Limited have full freedom to choose locations for setting up dealerships/distributorships based on commercial criteria and these Companies have already framed their own guidelines for selection of dealers/distributors based on the broad principles approved by the Government. It is expected that these steps will strengthen the Public Sector Oil Companies enabling them to compete with the Private Sector Oil Companies.

[Ministry of Petroleum & Natural Gas OM No.
P-38012/4/2003-IOC dated 15.10.2004]

(Recommendation No. 7)

The Committee have noted that the Government have permitted oil companies to set up ROs outside Marketing Plans and in this category Jubilee Retail Outlets (JROs) were set up. Even after discontinuation of this scheme BPCL has set up One Stop Truck Shops (OSTS). While dismantling JRO scheme, the Government had advised that it would be prudent to invest the huge amount on an increased number of ROs instead of investing heavily in a few JROs. However, BPCL in disregard of this decision spent Rs. 1.15 crore on an average on each OSTS. The Committee do not appreciate this investment on JRO and OSTS and have already recommended in another Report that wherever expenditure has exceeded Rs. 1 crore on one JRO, it should be probed by the respective Chief Vigilance Officer of the company and in case of OSTS it should be probed by Chief Vigilance Commissioner.

REPLY OF THE GOVERNMENT

After the dismantling of the Administered Pricing Mechanism (APM) with effect from 1.4.2002, the Oil Marketing Companies (OMCs) have been given independence in commercial matters. They are free to devise their own strategies to compete in the market.

The BPCL has given the OSTS the brand name of 'GHAR'. The BPCL has reported that the GHARs are providing a wide range of comforts, facilities and services including major non-fuel offerings such as dhaba, rest room, parking etc. to the truckers whereas the regular retail outlets mainly cater to the fuel needs. In addition, OSTS/GHARs also provide Truck tracking facilities and the option of payment through fleet cards. Developing two or three regular retail outlets with the same investment would not yield the same result in terms of both volume of sales and profitability since they would not be in a position to match the offerings from the GHARs. The growing popularity, sales and profitability of these retail outlets have vindicated the claim of the BPCL. In this connection, it may be stated that as of February, 2003 BPCL had 53 GHARs of which 10 were newly commissioned and the balance 43 were established ones. The average sales of the established GHARs were 45 kilolitres (KLs) per month of petrol and 861 KLs of diesel per month. The sales of these GHAR outlets are very high compared to the average sales of BPCL's normal outlets on highways, which is around 35 KLs per month of petrol and 180 KLs per month of HSD. Not only are the fuel sales at these retial outlets quite high, even the non-fuel offerings and allied services like restaurants, dhabas, convenience stores, vehicle repair services, etc., are patronized and are very popular. These facilities also contributed to the increased fuel sales at the GHAR outlets. These outlets have been found to be profitable and fully justify the investment made. As an example, at the Company's GHAR outlet at Mathura, the average monthly sale is 180 KLs of petrol, 1220 KLs of diesel and 3.3 KLs of lubricants. During the last year, the total income of the outlet was about Rs. 1 crore, with an income of about Rs. 25 lakh from the allied facilities. The net profit from the outlet was about Rs. 8 lakh. In addition to the popularity and profit such outlets are bringing to the Company, these outlets have also helped in improving the brand image of the company.

In view of this, the Government do not consider it necessary to get such cases inquired into.

[Ministry of Petroleum & Natural Gas OM No.
P-38012/4/2003-IOC dated 15.10.2004]

(Recommendation No. 8)

The Committee have taken note of the guidelines regarding grant of authorization rights to market transportation fuels issued by the Ministry of Petroleum and Natural Gas dated 8th March, 2002. Resolution of the Government of India dated 21st November, 1997 stipulates that companies owning and operating refineries with an investment of at least Rs. 2000 crore on oil exploration and production companies producing at least 3 million tonnes of crude oil annually were entitled for marketing rights of transportation fuel. The Ministry has now revised this condition and omitted the provision regarding production capacity of 3 million tonnes of crude oil annually. The Committee feel that the earlier stipulation was more objective and imperative and should be restored.

REPLY OF THE GOVERNMENT

The Government issued the Resolution in November, 1997, primarily to increase the investment in Refinery sector and E&P sector. The guidelines for autorization to market transportation fuels issued on the 8th March, 2002 were based on the Report "India Hydrocarbon Vision 2025" which had been submitted by a Group of Ministers in March 2000 in addition to the conditions mentioned in Government resolution of November, 1997. The authorization to market transportation fuels was extended to companies investing or proposing to invest Rs. 2000 crore in E&P, refining, pipelines and terminals. The provisions contained in Government resolution of November, 1997 have been included in the resolution dated 8.3.2002.

[Ministry of Petroleum & Natural Gas OM No.
P-38012/4/2003-IOC dated 15.10.2004]

CHAPTER – IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

(Recommendation No. 2)

One of the objectives of the Marketing Plan was to ensure planned growth in the petroleum sector especially in distribution network. In the aftermath of dismantling of APM, the Government cannot abdicate their responsibility in fulfillment of this objective. The Committee are aware that private companies through their aggressive marketing strategies are generally interested in working in lucrative areas only and have little concern for planned growth. The Committee desire that Government should prepare 'Market Vision' for the next two decades which should include basic parameters of planned growth. The oil companies both public and private should be bound to operate within the ambit of this Vision.

REPLY OF THE GOVERNMENT

In the de-regulated scenario, Public Sector Oil Marketing Companies as well as authorized private companies are expected to take decisions on their retail business on commercial considerations. In view of this, the relevance of any specific marketing plan/vision may be limited. However, to ensure that the customers of remote areas and low service areas also are catered to adequately, the Government have issued guidelines that the private players will also set up a fixed proportion of Retail Outlets in such areas, failing which Government can intervene in the public interest. The proposed Petroleum Regulatory Board will also impose marketing service obligations.

[Ministry of Petroleum & Natural Gas OM No.
P-38012/4/2003-IOC dated 15.10.2004]

Comments of the Committee

(Please see para 12 of Chapter I of the Report)

(Recommendation No. 3)

The Committee have noted that some of the basic parameters of Marketing Plan were Volume Distance Norms, economic viability of LPG Distributorships based on thickness of population, commercial, industrial and developmental activities. After dismantling of the APM, oil companies are now free to set up new outlets based on commercial viability. The Committee are of the opinion that the above mentioned parameters are still very much relevant and should not be ignored in the name of commercial viability. The Committee apprehend that private oil companies might encroach on the trade areas of Public Sector Oil Companies and disturb the balance of planned growth already achieved. The Committee, therefore, desire that Government should continue to have some sort of control on oil companies both in Public and Private Sector to ensure that balanced growth already achieved is not disturbed. The Government can do this by formulating a set of guidelines incorporating them in Market Vision already recommended.

REPLY OF THE GOVERNMENT

As already stated in reply to Recommendation No. 1, even after the dismantling of the APM, the OMCs set up retail outlets based on economic/commercial viability. The issue of likely encroachment on the trading areas of the Public Sector OMCs by the Private Sector Oil Companies will be dealt with by the proposed Petroleum Regulatory Board which will broadly regulate/coordinate the activities of the Public Sector and the Private Sector Oil Companies.

[Ministry of Petroleum & Natural Gas OM No.
P-38012/4/2003-IOC dated 15.10.2004]

Comments of the Committee

(Please see para 12 of Chapter I of the Report)

(Recommendation No. 5)

In the Post APM era, the private oil marketing companies are expected to play a significant and major role. They have already initiated activities to set up their marketing network and with their aggressive marketing strategies are expected to compete vigorously with public sector oil companies. Public Sector Oil Companies have been requesting the Government to provide them level playing field to enable them to compete with private sector effectively. While private companies operate purely on economic considerations, the PSUs are bound to fulfil certain social objectives also mainly provision of reservation to various categories of society. The Committee strongly recommend that Government should statutorily bind all the oil marketing companies to follow these guidelines uniformly. The Government should ensure that private and public sector oil companies operate in the country under one set of rules/guidelines.

REPLY OF THE GOVERNMENT

While the proposed Petroleum Regulatory Board will endeavour to provide a level playing field to the Public Sector and Private Sector Oil Companies by broadly regulating/coordinating the activities of these companies, the Government cannot impose its policy regarding selection of dealers/distributors including the reservation policy on the Private Sector Oil Companies.

[Ministry of Petroleum & Natural Gas OM No.
P-38012/4/2003-IOC dated 15.10.2004]

Comments of the Committee

(Please see para 18 of Chapter I of the Report)

CHAPTER – V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STIL AWAITED

_____ NIL____

NEW DELHI,
December 21, 2004
Agrahayana 30, 1926 (Saka)

N. JANARDHANA REDDY
Chairman,
Standing Committee on
Petroleum &Natural Gas.

APPENDIX-I

MINUTES

STANDING COMMITTEE ON PETROLEUM & NATURAL GAS
(2004-05)

<u>EIGHTH SITTING</u>
(20.12.2004)

The Committee sat from 1500 hrs. to 1530 hrs.

PRESENT

Shri N. Janardhana Reddy - Chairman

MEMBERS
LOK SABHA

2. Shri Anandrao Vithoba Adsul
3. Dr. Rattan Singh Ajnala
4. Shri Tushar A. Choudhary
5. Shri Santosh Kumar Gangwar
6. Shri Jai Prakash
7. Shri Laxman Singh
8. Shri Vanlalzawma
9. Shri Ratilal Kalidas Varma
10. Shri A.K.S. Vijayan

RAJYA SABHA

11. Shri Rajeev Shukla
12. Shri Dipankar Mukherjee

SECRETARIAT

1. Shri P.K. Grover - Director
2. Shri B.D. Swan - Under Secretary
3. Shri P.C. Tripathy - Assistant Director

2. The Committee took up for consideration the following draft Reports and adopted the same:-

(i) ** ** ** ** ** ** ** ** ** **
** ** ** ** ** ** ** ** ** **

(ii) Third Report on Action Taken by the Government on the Recommendations contained in the Forty-Sixth Report (Thirteenth Lok Sabha) of the erstwhile Standing Committee on Petroleum & Chemicals (2003) on the subject 'Marketing Plans of Public Sector Oil Companies and their Implementation'.

3. The Committee authorised the Chairman to make consequential changes, if any, arising out of the factual verification of the Reports by the Ministry and present the same to both the Houses of Parliament in the current Session.

The Committee then adjourned.

***** ***Matter not related to this Report***

APPENDIX– II

(Vide Para 4 of the Introduction)

Analysis of Action Taken by Government on the recommendations contained in the Forty-Sixth Report (13th Lok Sabha) of the erstwhile Standing Committee on Petroleum & Chemicals (2003) on 'Marketing Plans of Public Sector Oil Companies and their Implementation'

I	Total No. of Recommendations	8
II	Recommendations which have been accepted by the Government (Vide Recommendations at Sl. Nos 1 and 4)	2
	Percentage to Total	25%
III	Recommendations which the Committee do not desire to pursue in view of Government's Reply (Vide Recommendations at Sl. Nos. 6, 7 and 8)	3
	Percentage of Total	37.5%
IV	Recommendations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at Sl. Nos. 2, 3 and 5)	3
	Percentage of Total	37.5%
V	Recommendations in respect of which final replies of the Government are still awaited	Nil
	Percentage of Total	Nil