GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:434
ANSWERED ON:24.11.2005
RATIONALISATION OF KEROSENE
Kharventhan Shri Salarapatty Kuppusamy;Mohite Shri Subodh

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether according to a National Council for Applied Economic and Research Study, siphoning off of kerosene from PDS to non-household use is estimated as 18.1 per cent of the total sale of kerosene;

(b) if so, the details alongwith other finding of the study;

(c) the reaction of the Government thereto; and

(d) the steps taken/proposed to be taken to prevent black-marketing of kerosene?

Answer

MINISTER OF PETROLEUM & NATURAL GAS & PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) & (b) : With a view to assessing the genuine demand requirement of kerosene in different States/UTs, the Government commissioned a comprehensive study through the National Council of Applied Research (NCAER) in December 2004. NCAER have submitted their report in October 2005. The study inter-alia estimates siphoning off of kerosene from PDS to non-household use as 18.1 per cent of the total sale of PDS kerosene in the country. The main conclusions of the of the study are annexed.

(c) : The report is under examination of the Government for taking an appropriate view on the recommendations.

(d) : In order to check the black marketing of Public Distribution System (PDS) kerosene, the Central Government have made provisions in the Kerosene (Restriction on Use and Fixation of Ceiling Price) Order, 1993, issued under the Essential Commodities Act, 1955, that dealers cannot sell PDS kerosene at a price higher than the price fixed by the Government or Oil Marketing Companies (OMCs) and that the PDS kerosene dealers should prominently display stock-cum-price board at the place of business including the place of store on conspicuous place. The State Governments undertake distribution of PDS kerosene through their PDS network and also implement the Control Orders issued by the Central Government under the Essential Commodities Act, 1955.

With a view to strengthening the kerosene distribution system so that the PDS kerosene is made available to the consumers at the right price, the Government have also launched a pilot project "Jan Kerosene Pariyojna" in 420 blocks in the country effective 2nd October, 2005. The project involves strengthening of distribution infrastructure at the block and sub-block levels, and involvement of Panchayati Raj Institution in monitoring the distribution of PDS kerosene.

Annexure to Parts (a) and (b) of Lok Sabha Unstarred Question No. 434 to be answered on 24th November, 2005 regarding rationalisation of kerosene.

1. Kerosene allocation made by the Central Government is on a historical basis.

2. Per capita allocation is biased towards richer states.

3. There is no set pattern of kerosene allocation to different types of cards, so that only a few states made the distinction between BPL and APL cards while making allocations.

4. Most States fix the kerosene quota for different card holders on the basis of LPG usage.

5. A few states allot a quota to card holders on the basis of the number of registered units on a card.

6. States like Andhra Pradesh and Kerala allocate kerosene specially for lighting. Kerala makes an allocation for fishing also.

7. Most states have 3-tier monitoring system. But the efficiency and effectiveness of the monitoring system is questionable.

8. All states except Gujarat impose state level taxes and duties on PDS kerosene ranging fro 1 per cent in Orissa to 22 per cent in Punjab (pre-VAT regime). This make Punjab the costliest state in the country in the pre-VAT regime, as far as PDS kerosene is concerned.

9. Kerosene penetration in the country is estimated as 94.4, 68.9 and 86.9 per cent respectively for rural, urban and all areas.

10. Kerosene penetration declines with increase in income levels both in rural and urban areas.

11 Per household kerosene consumption of kerosene using households is estimated as 55 litres. Per household kerosene consumption shows an increasing trend with income in rural areas, whereas it shows a declining trend in urban areas.

12. The main usage of kerosene is for lighting. At the all-India level kerosene penetration for lighting in rural areas is as high as 92 per cent. Among urban areas it is 51.5 and 57.5 per cent respectively for cooking and lighting.

13. At the all-India level nearly 61 per cent of the kerosene is used for lighting and in rural areas this share goes up to 73 per cent. In urban areas too, nearly 35 per cent of kerosene consumption is for lighting.

14. PDS is the main source of kerosene purchases. About 78 per cent of the kerosene consumed is purchased from PDS at PDS price. In rural areas, 82 percent of kerosene purchases are from PDS at PDS price and the figure is 69 per cent for urban areas.

15. As income levels go up the share of PDS kerosene purchased goes down. This is observed for all areas.

16. Kerosene penetration in rural areas is close to 98 per cent for BPL and other types of card holders. It goes down to 93 and 86 per cent respectively for APL and no-card households.

17. The share of kerosene consumption of APL card holders in rural areas is 48 per cent. At the all-India level, APL card holders consume 51 per cent and BPL card holders consume 37 per cent of total kerosene.

18. Kerosene from FPS is available for 49 per cent of the households when they need it, 45 per cent of the households said that it is available when needed only sometimes.

19. Mostly, kerosene is distributed on a monthly basis. 73 per cent of the households receive kerosene from FPS on monthly basis.

20. Weekly distribution of kerosene is most common in West Bengal (more than 80 per cent households purchase kerosene from FPS on weekly basis).

21. Kerosene is purchased from FPS/hawker at non-PDS price by 12 per cent of households in rural areas and 10 per cent in the urban areas.

22. Non-PDS kerosene purchased by households either from the FPS/hawker or from the open market costs households nearly twice the PDS price.

23. Households in rural areas generally pay a higher price for PDS kerosene compared to their counterparts in urban areas. This is mainly on account of the pricing structure of PDS kerosene because transport charges between the retailer and the wholesaler in the retail-selling price depends on the distance between the two. Since most of the wholesalers are based in urban areas, rural households pay a higher price for PDS kerosene.

24. At all-India level, 68.4 per cent of kerosene using households uplift their entire entitlement. The same is 68 per cent and 69.7 per cent at rural and urban, respectively.

25. Nearly 75 per cent of BPL kerosene using households in rural area uplift their entire kerosene entitlement. At all-India level 76 per cent of BPL and 69 per cent of APL kerosene using households uplift their entire kerosene entitlement.

26. Among rural BPL cardholders, who do not take their entire entitlement, nearly 53 per cent cannot afford to buy kerosene. Nearly 27 per cent could not afford to purchase their entire entitlement at one time and another 26 per cent use other cheaper fuels. In urban areas, the figures are 13 and 16 per cent, respectively.

27. Nearly 75 per cent of the households purchasing non-PDS kerosene in rural areas said the kerosene colour of PDS and non-PDS kerosene is same. In urban areas this figure is 58 per cent.

28. Similarly of colour of PDS and non-PDS kerosene, and non-PDS kerosene purchases from FPS/hawker provide ample proof that diversion of PDS kerosene is taking place.

29. The study estimates three different kinds of diversion/leakage − siphoning off of PDS kerosene for non-households usage, diversion from PDS to market and PDS purchases by no-card households.

30. Total diversion/leakage of PDS kerosene is estimated at 38.6 per cent of total sale of PDS kerosene in 2004.

31. Siphoning off of kerosene from PDS to non-household use is estimated as 18.1 per cent of total sale of PDS kerosene.

32. Diversion of PDS kerosene to market and repurchased by households at more than double the PDS price (black marketing) is estimated as 17.9 per cent of total sale of PDS kerosene.

33. Households without any cards purchase another 2.6 per cent of the total sale of PDS kerosene from FPS/hawker at PDS price.

34. Estimated diversion/leakage is extremely high (more than 50 per cent of sale of PDS kerosene) in six state, viz,. Bihar, Chandigarh, Delhi, Jharkhand, Orissa and Punjab.

35. Very high leakage(40-50 per cent of sale of PDS kerosene) is observed in four states, viz,. Assam, Chhattisgarh, Tamil Nadu and Uttaranchal.

36. High leakage is observed in eight states, viz., Andhra Pradesh, Gujarat, Haryana, Karnatka, Madhya Pradesh, Maharashtra, Meghalaya, Rajasthan and Uttar Pradesh.

37. Low leakage (less than 20 per cent of sale of PDS kerosene) is observed in Goa, Himachal Pradesh, Kerala and West Bengal.

38. There is some unmet demand for kerosene as the quantity supplied to them is less than their requirement. This unmet demand is estimated to be 13.4 per cent of the current level of household consumption of kerosene. The same is 11.8 per cent of current level of household demand of kerosene.

39. Unmet demand of kerosene is estimated at 13.3 per cent and 8.8 per cent of current household demand for rural and urban areas respectively.

40. In aggregate, the current level of demand is nearly 93 per cent of sale of PDS kerosene. However, in all States, the current level of demand is not less than the current level of sale of PDS kerosene.

41. Himachal Pradesh, Kerala, Meghalaya and Orissa are the only states where current level of demand is 10 per cent more than the current level of sale of PDS kerosene.

42. So, what is required now is the redistribution of sale of PDS across different states.

43. Some States provide PDS kerosene to fishing community from their PDS allocation. Of late, the technology to convert outboard engines of motorized fishing crafts to use LPG as fuel is available. The operating cost could come down to Rs. 70 per hour as compared to Rs.230 per hour at present. It will also reduce marine pollution levels and reduce subsidy on account of kerosene.

44. Total kerosene demand in next five years is expected to increase by 0.9 per cent per annum.

45. It is expected to increase relatively faster in urban areas (1.9 per cent) as compared to rural areas (0.4 per cent).

46. Kerosene demand for BPL and other cards is expected to decline by 0.2 per cent as compared to 1.6 per cent growth for APL and no cards.

47. Kerosene demand for lighting in next five years is expected to decline by 2.9 per cent. It is expected to decline relatively faster in rural areas (3.1 per cent) as compared to urban areas (1.9 per cent).

48. Kerosene demand for lighting in next five year is expected to decline by 3.8 per cent for BPL and other cards as compared to APL and no cards (2.3 per cent). Expected decline for BPL and other cards is higher than the APL and no cards both in rural and urban areas.

49. Kerosene demand for heating in next five years is expected to increase by 4.6 per cent. It is expected to increase relatively faster in rural areas (5.5. per cent) as compared to urban areas (3.5 per cent).

50. Kerosene demand for heating in next five years is expected to increase by 5.6 per cent for APL and no cards as compared to BPL and other cards (3.2 per cent). Expected rate of increase for APL and no cards is higher than the BPL and other cards both in rural and urban areas.

51. Domestic LPG demand is expected to go up by 11.3 per cent in next five years. LPG demand is expected to grow relatively faster in rural areas at 12.9 per cent as compared to 10.6 per cent in urban areas. This demand may go down if there are supply restrictions in order to curb diversion of subsidized domestic LPG cylinders.