

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:1960
ANSWERED ON:10.08.2006
EXPANSION OF RETAIL OUTLETS
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a): whether the Government has directed the public sector oil marketing companies to suspend the expansion of retail outlets;
- (b): if so, the reasons therefor;
- (c): whether the Government has asked the public sector oil marketing companies to undertake the scientific and rational survey and identify the retail outlets selling less than 200 KL per month; and
- (d): if so, the details thereof and the response of the oil companies thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DINSHA PATEL)

(a) to (d): In a meeting in the Ministry in April, 2006 to review the performance of the oil marketing companies (OMCs), it was observed that while OMCs had expanded their retail outlet (RO) network in a big way after the dismantling of the Administered Pricing Mechanism (APM) in the petroleum sector effective 1.4.2002, adequate attention had not been paid by them to improving the institutional and technological mechanisms, resulting in not only reduction in their average throughput per RO but also increase in complaints of malpractices. It was felt that there was a serious need for introspection by the OMCs on this issue and after deliberations, it was decided that pending a review of the whole situation OMCs should not set up any new retail outlets. A communication in this regard was sent to the OMCs on 20th April, 2006. In the aforesaid meeting, the OMCs were also advised to undertake survey by an independent agency to identify ROs selling less than 200 KL per month along with the reasons for decline in throughput and deterioration of services. Thereafter, following the representations from the OMCs and upon review of the whole issue, it was decided to lift the freeze on setting up of new ROs and a communication sent to the OMCs on 4th May, 2006. However, OMCs had been asked to get the aforesaid survey conducted in a time bound manner.

Subsequently, the Standing Committee on Petroleum & Natural Gas (2005-06) (Fourteenth Lok Sabha), in their Ninth Report presented/laid in the Parliament on 15.5.2006, expressed serious concern over the indiscriminate setting up of ROs by the OMCs and consequent reduction in the throughput per RO, coupled with a general deterioration in the performance of the ROs. The Committee, therefore, recommended constitution of an independent expert team to look into the issues and suggest corrective measures to improve the situation. Accepting this recommendation of the said Committee, the Ministry of Petroleum & Natural Gas (MOP&NG) asked Indian Oil Corporation Limited (IOC) to engage an independent agency for conducting a study of the ROs of the public sector OMCs. It has been decided that the study may be completed within a period of two months from the date of commissioning. In accordance with this decision of the Government, IOC, on behalf of all the OMCs, has since entrusted the job of study of the ROs to the Indian Institute of Management, Ahmedabad. In view of this development, MOP&NG has since advised the OMCs not to proceed with the survey as advised to them earlier on 4.5.2006.