Expansion of petrol pumps in India

Why in news?

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State-controlled oil-marketing companies intend to double their retail networks and will shortly allot petrol pump licences across the country.

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What is the rationale behind the move?

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- Though the demand for petrol and diesel at the pump has been growing steadily, no new licences have been issued for the last four years.
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- With the expansion and improvement of the road network and growing prosperity, previously under-connected geographical areas have seen an increasing demand for fuel.
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- These under-served areas need to be given access to petrol pumps.
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- Thus the move will ensure –
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1. Investments in the fuel retailing business
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2. Boost employment
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3. More business for equipment suppliers, transporters and tanker manufacturers
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What are the changes made in the guidelines?

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- The new eligibility guidelines have scrapped the applicants' fund requirements and relax rules on land ownership.
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- Previously, applicants were required to possess Rs 25 lakh in bank deposits or other financial instruments for regular outlets and Rs 12 lakh for rural outlets.
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- Under the new rule, people with no land or a firm tie-up with landowner will also be allowed to apply for the dealership.
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- The winner among applicants will be picked by online draw of lots, after which the credentials will be verified subject to the candidate depositing 10% of the security deposit.
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- The application process has also been made simpler, and can now be filed online.
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- The requirements for allotment have been relaxed, wherein passing the Class 12 exam is no longer required.
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- The distribution of licences will be supervised by an independent agency.
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- Also, the government reservation norms for disadvantaged sections of the society should be followed, subjected to the operational flexibility of companies in appointments.
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What are the concerns?

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- **Increases monopoly** - Large-scale expansion by government fuel retailers would increase their market dominance.
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- India has 62,585 petrol pumps, out of which only 6,000 are run by private companies.
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- The move could force private companies to rethink expansion plan at a time when the government is trying to attract investments in the sector.
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- **Reducing demand** - The average sale of existing outlets has already dropped from 170 Kl (kilolitre) to 140, while the costs are rising and margins

are shrinking.
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- This questions the need for new outlets and also the financial viability to run them in the future.
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- **Shift in focus** - Massive expansion plan shows that state companies are little worried about the rise of electric vehicles, which will affect the government's focus on renewable energy sector.
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- **Land Acquisition** – Though applicants without land at the advertised location/stretch can also apply under the new guidelines, availability and acquiring of suitable land is still the biggest concern.
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What should be done?

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- To obtain a fuel retailing license in India, a company needs to invest Rs 2,000 crore in either hydrocarbon exploration and production, refining, pipelines or liquefied natural gas (LNG) terminals.
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- Thus, an expert committee has been set up recently to recommend relaxing norms for setting up petrol pumps and retailing ATF in India.
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- Along with that, the government could make sure that more petrol pumps are being added along the new highways.
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- Allotments should be made according to a clearly defined schedule and with the economic and commercial justifications clearly laid out each time.
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- This will improve public faith in the independence of the oil-marketing companies.
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Source: Business Standard, Economic Times

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