Impact of Fuel Price Rise - June 2020

Why in news?

In just 12 straight days, India's state-owned oil marketing companies (OMCs) have raised the retail prices of petrol and diesel by Rs. 6.55 and Rs. 7.04 a litre respectively.

What is the price rise scenario?

- A consumer in Delhi would have ended up spending about 9% more on petrol at an Indian Oil Corporation fuel pump.
- Those driving diesel vehicles would have found their fuel costs rise by a little more than 10% in 12 days.
- In comparison, over the same period, the price of Brent crude oil futures declined by about 3%.
- Notably, it contributes a fourth to the value of the Indian crude basket.

What does this reveal?

- The OMCs have frozen their daily resetting of prices for almost 12 weeks following a reduction on March 16, 2020.
- They have now resumed daily price resetting.
- It is disconcerting that between the OMCs and the Central and State governments, automobile fuels have been targeted for generating revenue.
- The build-up data shows that Excise Duty, levied by the Centre, and VAT collected by the Delhi government together constituted two-thirds the Rs. 76.73 pump price of petrol as on June 16, 2020.

Is this decision logical?

- On the face of it, the OMCs' decision to resume daily price resetting would appear to be in broad conformity with the pricing deregulation brought in by the Centre.
- However, the timing of the recent moves to raise levies and retail prices by the governments and fuel marketers, respectively, lack logical validation.
- Apparently, the country is grappling with the impact of a pandemic.
- The aim seems to be to maximise takings from fuel products to offset shortfalls in other revenue streams.
- But this can only bear fruit if petrol and diesel consumption remains

unaffected.

- The rising fuel bill should not end up depleting household consumption budgets.
- With public transportation yet to restart fully in most urban areas and at full swing in other areas, most commuters continue to have little choice but to use personal vehicles.
- Also, with the lockdowns imposed to contain the spread of COVID-19, business activity at all levels is severely hit.
- So, the onus is on the governments, both Centre and States, to facilitate the resumption of economic activity in all possible manner.
- Notably, diesel is the primary fuel for the vast and essential road freight sector.
- So, every incremental addition to transport costs ends up dampening both the transport industry and wider economic revival.
- It is thus imperative that policies do not pose any hurdles to revival of an economy that is already hit, and takes steps to remove them.

Source: The Hindu

SHANKAR IAS PARLIAMENT
Information is Empowering