



Pakistan State Oil

### **Clarification: Increase in rent of outlets: PSO accused of harassing CNG operators**

**April 11, 2016:** Apropos the news article titled “Increase in rent of outlets: PSO accused of harassing CNG operators” published in “Business Recorder” on 9th April, 2016; Pakistan State Oil (PSO) categorically refutes the false statements and allegations levelled by Mr. Abid Hayat regarding increase in rent of PSO outlets.

It is made clear to all that PSO does not charge any kind of rent whatsoever from the CNG operators rather as per the CNG License Agreement signed between PSO and CNG operators, the operators were bound to pay a pre-defined percentage of actual quantity of gas sold at CNG stations for each month to PSO and their dealers. No increase in rent has been challenged in the Court by All Pakistan CNG Association (“APCNGA”), as stated by Mr. Abid Hayat. On the contrary, in 2010, APCNGA had invoked the Arbitration Clause in PSO CNG Licence Agreement by referring the matter to Arbitrator for seeking reduction in the payment percentage of PSO CNG share, who passed an unilateral award, which has no enforceable and binding upon parties, as the same has not become Rule of the Court. Moreover, the said Arbitration Award has been challenged by PSO before Honorable Islamabad High Court, which is subjudice before Court.

In the referred news item, APCNGA has misrepresented the facts with malafide intentions and ulterior motives with an objective to absolve themselves from their contractual obligations under PSO CNG Licence Agreement by stating that PSO has increased rent percentages however, the factual position is that after consultation with the CNG operators, PSO, in 2013 offered 50% reduction on CNG monthly share with effect from January 2013 to all CNG operators across Pakistan and most of the CNG operators have agreed to these terms and signed the Addendum to PSO CNG Licence Agreement accordingly to avail the benefit of this generous offer from PSO, while remaining CNG operators are also approaching PSO to enter into the said Addendum. Besides that, PSO is also engaged in negotiations with CNG operators to resolve the matter of PSO’s outstanding receivables, which have come to approximately Rs. 912 Million, causing detrimental impact to the national exchequer.

CNG operators have been enjoying all benefits of having CNG stations at PSO retail outlets. As a matter of fact, PSO pays the land rentals, which are increasing with the passage of time due to the appreciated cost of land day by day, NHA and provincial approach road fees, advertisement taxes, professional tax etc., for each of its retail outlets, whereas CNG Operators do not pay or contribute any part of land rental or any taxes/fees as mentioned above. Instead they pay PSO CNG franchise fee ONLY for the use of PSO brand name and space at its petrol pumps for the purpose of installation/operation of their respective CNG stations. Thus the financial benefit to the CNG Operators at PSO retail outlets is quite obvious as compared to the CNG operators at private/independent CNG stations. PSO has not suspended fuel supply of any retail outlet, where PSO CNG share is outstanding, as alleged by Mr. Hayat.

It is further added that PSO always believes in fair and ethical business practices and PSO has always extended maximum facilitation to the CNG operators despite facing a financial crunch and now all concerned parties need to play their due role in order to resolve the matter in an amicable and mutually beneficial manner.

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