



Pakistan State Oil

PSO refutes allegations by All Pakistan CNG Association (APCNGA)

Apropos the news items published on Tuesday, Apr 19, 2016 by a section of media pertaining to remarks from All Pakistan CNG Association (APCNGA), Pakistan State Oil (PSO) categorically refutes the false statements and maintains that such mala fide actions are aimed at damaging the reputation of a responsible national institution like PSO. The fact of the matter is that the chairman of APCNGA has twisted the facts and there is no veracity in the news that PSO is demanding illegal payments from CNG operators.

It is made clear here that the OGRA letter referred to in the article did not refer to any pricing or rent issue rather it advised to initiation of process of renewal of explosive licenses or cancel lease/franchise agreement of CNG stations whose explosive licenses had expired to ensure safety of CNG stations.

PSO gives top priority to safety at its forecourts and it was PSO which informed OGRA, CIE, SSGCL and SNGPL vide their various letters in 2013 and 2014 that some CNG stations are operating without having valid explosive licenses hence gas should be immediately disconnected of those CNG stations until compliance of Rules/Law is made. OGRA being the regulatory authority should intimate Explosives Department to take action against those CNG stations where Explosives Licenses are expired. However, no action was taken against the CNG stations violating rules/law rather PSO was advised to cancel the franchise agreements of stations not adhering to the law.

PSO has already clarified in earlier rebuttals published on April 13, 2016 that CNG operators are bound to pay pre-defined percentage of actual quantity of gas sold at CNG stations for each month to PSO and their dealers in accordance with the terms and conditions laid down in the CNG License Agreement signed between PSO and CNG operators. Some of CNG operators have committed willful default and breach of the Agreements by not paying PSO CNG monthly share, hence PSO's outstanding CNG receivables has increased to an alarming level of approximately Rs. 912 Million as of March 31, 2016, causing detrimental impact to the national exchequer.

The Arbitration Awards dated 17.09.2010 and 10.08.2015 are neither binding upon parties nor enforceable until the same has become Rule of the Court. Moreover, the said unilateral Arbitration Awards have been challenged by PSO before Honorable Islamabad High Court, which is subjudice before Court.

Mr. Abid Hayat has falsely stated that PSO is charging over and above OGRA prescribed per kg OMC fee as mentioned in Arbitration Awards. PSO has sought clarifications from OGRA vide letters dated Sep 08, 2010, Sep 16, 2010, Sep 20, 2010, Oct 05, 2010, Jan 25, 2011 and Feb 18, 2011. Subsequently, OGRA replied and clarified vide letters dated Sep 30, 2010 and Mar 03, 2011 that cost parameters only form the basis for determination of maximum CNG selling price to be charged from the consumers and the Agreements between PSO and CNG operators are purely commercial arrangement on which OGRA has no comments to offer.

Mr. Abid Hayat has deliberately disregarded the fact that PSO, in 2013 offered 50% reduction on CNG monthly share with effect from January 2013 to all CNG operators across Pakistan and most 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.

CNG operators have been enjoying all benefits of having CNG stations at PSO retail outlets. 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



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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.

On the contrary, CNG operators are holding PSO CNG receivables of approximately Rs 912 Million consequently contributing financial loss to national exchequer of Pakistan. However on the other hand, they are obtaining payments from PSO against cards, carriage, and other businesses and also enjoying credit supplies of fuels where dealers are working as CNG operators also. Therefore, PSO has recently made certain deduction of such payments in order to recover PSO CNG receivables from the defaulting parties which are monies of Government of Pakistan. PSO being the state owned company is answerable to Government and external Auditors, various government and independent Agencies, other Authorities and its shareholders that why PSO has not been able to recover its receivables from chronic defaulters despite the fact that they are obtaining considerable payments from PSO under various accounts/businesses.

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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