

Rs10bn contract for LPG sale under a cloud

By Khaleeq Kiani

ISLAMABAD, April 8: A new controversy is brewing over a Rs10 billion contract for the sale of liquefied petroleum gas (LPG) to automobile sector through 400 retail outlets of Pakistan State Oil (PSO) that is likely to jeopardise government plans to introduce LPG as a motor fuel.

Informed sources said the ministry of petroleum and natural resources had convened a meeting of the PSO's board of directors on Friday, apparently in a move to rescind its earlier decision of awarding a contract to Petrosin — a Singapore-based company — to set up 400 LPG auto-gas stations across the country.

The sources said the PSO's board had earlier approved through a majority vote the deal with Petrosin, following a competitive bidding process and detailed negotiations with competing parties.

Earlier, a similar contract with Associated Group of Iqbal Z. Ahmed had been put off because of differences between PSO management and the group over exclusive rights and distribution margin to the PSO and its dealers.

The sources said a powerful group within the government was putting a lot of pressure on the PSO board to scrap the deal with Petrosin so that it could be awarded to 'other interested parties' on the grounds that the Singapore-based company was in litigation with government institutions.

A few days ago PSO announced that it had signed an agreement with Petrosin to arrange and supply LPG to PSO's auto-gas stations. "The party shall also invest in the infrastructure for the estab-

lishment and operation of selected PSO auto-gas stations," it said.

The PSO had said that other interested parties were welcome to sign similar contracts for retail pumps on the same terms and conditions as worked out with Petrosin.

Before the announcement, the Associated Group had complained to Minister for Petroleum and Natural Resources Syed Naveed Qamar that PSO was delaying finalising a contract with AG and had demanded his personal intervention to resolve the differences so that the group's LPG auto-gas project could go ahead.

Fasih Ahmed, a spokesman for the Associated Group, told *Dawn* that its negotiations with PSO over the contract were put off without any reason and that the group was surprised to know about the finalisation of a deal with its competing bidder.

Answering a question, he said his group was not using any influence or pressure to get the deal. He said the AG's LPG marketing company, Lub Gas, had been in negotiations with PSO for the utilisation of the oil marketing company's retail outlets on a non-exclusive basis to sell LPG to motorists as auto-gas. The negotiations ended abruptly before an agreement could be arrived at on mutually acceptable terms.

Sohail Latif, the chief of Petrosin Pakistan, told *Dawn* that his company had signed an agreement with PSO for LPG auto-gas business through a transparent and competitive process but there were some private groups who wanted to suspend or delay it for sometime through cooper-

ation of "some government functionaries".

He said the contract his company had signed was a "legally valid and binding agreement".

He said the project entailed import of LPG and development of infrastructure for its sale to automobile customers through 400 outlets of Pakistan State Oil.

The project would involve setting up of LPG dispensers at PSO's retail outlets at an estimated cost of about Rs9 million per station and supply of uninterrupted LPG to motorists for at least five years. The company is required to supply up to 10 million tons of LPG per day to PSO pumps.

Sources in the petroleum ministry said the Petrosin would pay Rs7.03 per kg to PSO and its dealers against AG's offer of Rs6 per kg. Other terms offered by Petrosin were also better than AG's, they said.

Earlier, PSO had entered into a memorandum of understanding with Associated Group for LPG supply at auto stations that could not be translated into an agreement because of differences over pricing and exclusivity rights.

However, the Associated Group said early this week that it was no more interested in setting up LPG auto-gas stations with PSO. It said it was not seeking exclusive rights over LPG sale to motorists. It said PSO approached Lub Gas in writing on March 30, offering the company to set up LPG auto-gas stations at PSO sites. However, it informed them that it could not proceed in the absence of the financial details of the agreement PSO had signed with Petrosin.