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Rana bhagwandas commission report

FINDINGS: THE GOVERNMENT OF PAKISTAN HAS MADE RS 10.23 TRILLION IN TAXES ON PETROLEUM PRODUCTS

The Justice Rana Bhagwandas commission submitted a 74-page report on petroleum prices to the Supreme Court of Pakistan Wednesday. The Rana Bhagwandas judicial commissions set up on June 22, to look into the oil pricing mechanism and soaring trend in the petroleum products and present it before the court by June 30 on a request by the commission itself. According to the report, since 2002, the Government of Pakistan has made Rs 10.23 trillion in taxes on petroleum products. In 5 years profits have surged of petroleum companies including PSO, Shell Pakistan, Caltex, Attock Petroleum, Parco, National Refinery, Pakistan Refinery and Attock Refinery while Bosicor Refinery's profit has also risen massively Over 3 years. The Bhagwandas report said that over five years the government had made severe mistakes when it came to oil pricing, leading to the impression that ill intentions were at play. From 2002 to 2009, the government made ten trillion rupees in taxes and oil companies were given unusual profits. The commission also said that oil companies and refineries did not given customs officials pricing proof either. Also, OGRA was not involved in the pricing decisions for four years, something which is illegal. At one point former State Bank governor Dr Ishrat Husain's opinion was sought on a report. He said that many of the mistakes were unintentional.



RECOMMENDATIONS: FIXING GST, OMC & DEALERS MARGIN

The commission recommended small, medium, and long term strategies for oil pricing. It proposed fixing the general sales tax, oil company profits and dealer commissions in rupees, instead of by the percentage system. This fixation in margins will put a ceiling in case of hike in petroleum prices. It suggested deregulation of fuels such as HOBC, LDO and JP1, and handing over their management to the private sector. Currently the prices of HOBC, LDO and JP1 are regulated by OGRA. OGRA being the authority set the prices of these products using international relationship of prices (of these products). The report emphasized very much on the affairs of the companies and particularly recommended bringing transparency into the financial affairs of PARCO. Currently the annual demand of petroleum products in the country as per estimates for 2008-09 is about 18 million metric tons. Indigenous crude oil explored in the country is around 17 per cent of total requirement while 83 per cent of the requirement is met through imports of crude oil, refined HSD (High Speed Diesel) as well as furnace oil. Local as well as imported crude oil, refined by PARCO, National Refinery Limited, Pakistan Refinery Limited, Attock Refinery Limited and Bosicor Pakistan Limited caters for about 11.7 metric tons annually on 100 per cent utilization.

Findings of the report have been presented to the Supreme Court of Pakistan, Recommendations in the report if implemented will benefit the masses and may have a **NEGATIVE** impact on Oil Refineries, Oil Marketing Companies and Oil Dealers.