

No.P-19011/9/2001-IOC
Government of India
Ministry of Petroleum & Natural Gas

Shastri Bhawan, New Delhi.
Dated: the 6th September, 2006.

To

1. The Chairman, Indian Oil Corporation Limited, New Delhi.
2. The Chairman & Managing Director, Bharat Petroleum Corporation Ltd., Mumbai.
3. The Chairman & Managing Director, Hindustan Petroleum Corporation Ltd., Mumbai.
4. The Chairman & Managing Director, ONGC, Dehradun.
5. The Managing Director, IBP Co. Limited, Kolkata.
6. The Managing Director, Numaligarh Refinery Limited, Numaligarh.

Sub: Operation of retail outlets of OMCs on COCO basis.

Sir,

I am directed to state that in order to provide commercial freedom to the public sector oil marketing companies (OMCs), post-Administered Pricing Mechanism regime in the petroleum sector, it was decided by this Ministry vide its letter of even number dated 9.9.2003 that the OMCs would formulate their own policy and procedure for operating those retail outlets, where sites had been procured and facilities created, or which had been decommissioned because of termination of dealerships, on Company-Owned-Company-Operated (COCO)/ ad hoc basis till regular dealers were appointed. However, this could not be formulated by the OMCs uniformly on industry basis so far. The matter has been in consideration for a long time and a number of discussions were held in the Ministry, at different levels, with the OMCs.

2. With a view to finalizing the guidelines, a meeting was again taken by this Ministry on 19.7.2006, under the Chairmanship of Hon'ble Minister of State (Petroleum & Natural Gas), with the Chief Executives and other officers of the OMCs, where a 'presentation' on the subject was made by BPCL on behalf of the OMCs. Minutes of that meeting have been circulated to all concerned vide this Ministry's letter No. R-30024/17/2006-MC, dated 27.7.2006. Based on the deliberations in the said meeting and meeting taken by Secretary(P&NG) on 25.07.2006 and various discussions held earlier, it has been decided to lay down the following broad parameters, on the basis of which the OMCs may finalise their guidelines for operation of company-owned-company-operated (COCO) retail outlets.

(i) While the OMCs may operate permanent COCO retail outlets (i.e. flagship ROs, Jubilee Retail Outlets, Model Outlets, etc.) by their own officers (without job-contractors or ad-hoc dealers), they should phase out the existing temporary COCO retail outlets within a time frame preferably within a year. However, in special circumstances like court cases, complaints, etc., they may have to operate some ROs on temporary COCO basis till final decision on those court cases / complaints.

(ii) The permanent COCO retail outlets should be operated by an officer of the OMC concerned being in overall charge of the outlet. If the OMCs so like, they may post their own personnel for running the permanent COCO ROs. In that case, no labour contractor should be appointed. In case OMCs are not able to deploy sufficient number of their own staff, the balance manpower requirement may be arranged through a labour contractor. The OMCs should stop job-contractorship or ad-hoc dealership for operating permanent COCO ROs and follow the model stated above or shift their such ROs into the category of temporary COCOs, within a period of one month.

(iii) Selection of labour contractors should be in an open and transparent manner, through advertisements only. OMCs should adopt objective parameters for evaluation of candidates for labour contractorship. These parameters should be uniform for all the OMCs. The labour contractor should not be asked to invest in working capital as the working capital has to be arranged by the OMC concerned for running of COCO ROs.

(iv) For the permanent COCO ROs, the labour contractorship may preferably be given for a period of three years in the first instance, instead of the one year system being followed at present. After three years, the labour contractorship may again be advertised for selection.

(v) As regards temporary COCO retail outlets, the period of the labour contract should not exceed one year, by which time the action for appointment of dealers for the COCO ROs in question should be completed. Even for this period, the labour contractors should be selected in the same open and transparent manner by advertisement, as a labour contractor is to be selected for a permanent COCO outlet.

(vi) The phasing out of temporary COCO ROs preferably within a year may be completed as follows:

The temporary COCO ROs, may first be offered and handed over, subject to suitability, to the pending Letter of Intent (LOI)-holders under the following categories in the order these are indicated :-

(a) Special Scheme (Operation Vijay – Kargil). the Kargil allottees

(b) Discretionary quota scheme.

(c) Corpus Fund Scheme (SC/ST category of dealerships, widows and women above 40years of age without earning parents).

(d) Other categories as prescribed in the marketing plans.

(e) The industry may pool their available temporary COCO ROs for offering to the categories under (a) & (b) above. In case no LOI-holder under these categories are available, then these dealerships should be advertised for selection of dealers under normal process.

(vii) The OMCs should stop job-contractorship or ad-hoc dealership for operating the temporary COCO ROs also. The system of ad hoc dealership may be resorted to only in cases of dealerships which have been terminated and where new dealers are to be appointed. The period of ad hoc dealership should not, in any case, be more than four months as adhoc dealership violates the multiple dealership norms. If the dealer can not be appointed within this period of four months, the RO may be taken over by the OMC concerned and operated as temporary COCO with the selection of labour contractor by advertisement .

3. OMCs should frame their detailed guidelines, on the basis of above broad parameters, and with the approval of their respective Board of Directors, without further loss of time as this has been long overdue. A copy of those guidelines, after formulation, may be forwarded to this Ministry for its record. It is stated that while laying down detailed guidelines, OMCs must ensure objectivity and transparency in the matter, and, as far as possible, there should be uniformity in the guidelines of the OMCs. Further, the guidelines should also be given wide publicity by way of hosting on the websites of the OMCs, etc.

4. With the issue of this letter, any other instructions / letters issued by this Ministry in the past, on the subject of running of retail outlets on COCO / ad hoc basis, shall stand superseded.

Yours faithfully,

(V.K. Dewangan)
Deputy Secretary to the Government of India

Copy to:

- 1) Director(Marketing), IOC/HPC/BPC/IBP/ONGC/NRL.
- 2) PS to Minister(P&NG).
- 3) PS to MOS(P&NG).
- 4) PS to Secretary(P&NG)/PS to Addl. Secretary(P&NG)/PS to JS(M).
- 5) Director(M).
- 6) NIC, MOP&NG. It is requested that this letter may please be hosted on the website of this Ministry. A floppy, containing this communication, is enclosed.
- 7) MC Section.
- 8) Guard File.

