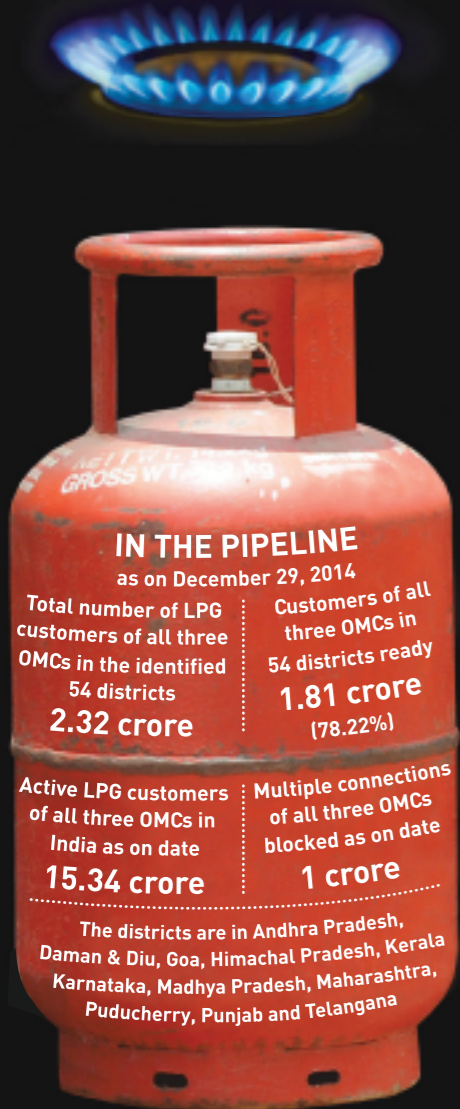


LPG subsidy transfer

It is a long haul ahead for the Direct Benefit Transfer for LPG scheme, aimed at giving "subsidy to the right beneficiary". BY RICHA MISHRA



WITH its "Direct Benefit Transfer for LPG" (DBTL) scheme, the government wants to target "subsidy to the right beneficiary" by curbing black-marketeering and diversions and eliminating bogus connections. Will it be an easy task? Well, that depends on the 15.3 crore active customers, the network of 15,000-odd LPG dealers of Indian Oil Corporation (IOC), Bharat Petroleum Corporation Ltd (BPCL) and Hindustan Petroleum Corporation Ltd (HPCL), and the public sector banks, which transfer the subsidy to customers' accounts.

The DBTL scheme, which was launched by the United Progressive Alliance government on June 1, 2013, covered 291 districts before it was discontinued in early 2014. Following a substantial review, the Bharatiya Janata Party-led government modified it and relaunched the first phase in 54 districts on November 15, 2014. The scheme will cover the rest of the country on January 1, 2015, with 622 more districts.

THE CONCERNS

Has it been a success so far? Yes, says a confident Ministry for Petroleum and Natural Gas, maintaining that there is always scope for improvement. Oil companies too agree, though with a cautious note, as seeding of customers' bank accounts is still a concern.

Dealers, however, fear that it may get difficult in the long run if the government does not increase their commission. A dealer said the current rate of about Rs.44 a cylinder was not enough, and soon it would become difficult to hire delivery boys.

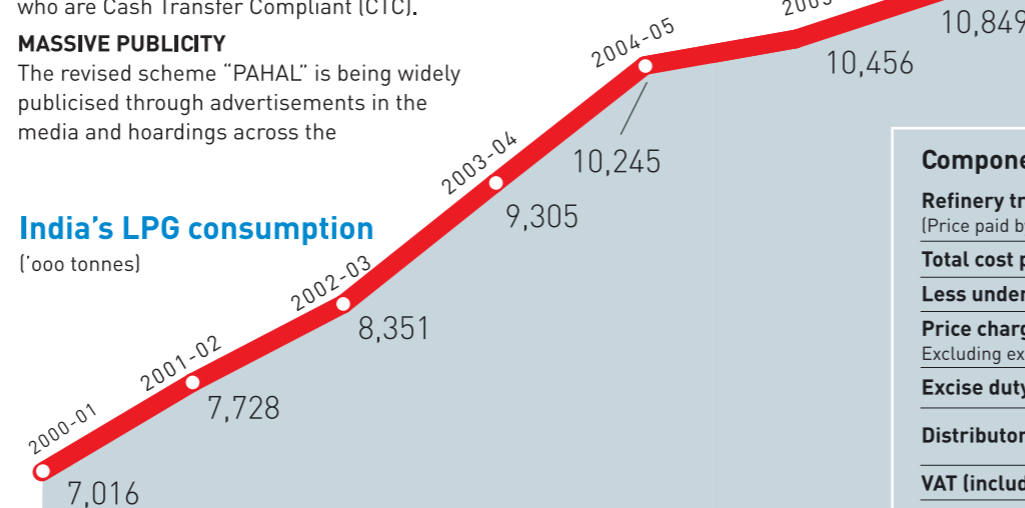
According to IOC, the biggest player, the scheme is running successfully in the States mentioned above. Up to December 22, 2014, a permanent advance of Rs.568 had been transferred to the account of each of the nearly 9.53 lakh consumers. A total subsidy amount of approximately Rs.205 crore was also transferred to Indane customers who are Cash Transfer Compliant (CTC).

MASSIVE PUBLICITY

The revised scheme "PAHAL" is being widely publicised through advertisements in the media and hoardings across the

India's LPG consumption

('000 tonnes)



How the subsidy scheme works

On the first booking under the scheme, a customer will get a fixed subsidy of Rs.568. The actual subsidy will be transferred into the customer's bank account on the date of delivery when the customer takes the cylinder after paying the market price. The market price is revised on a monthly basis. On January 1, 2015, the market price in Delhi for a 14.2 kg domestic LPG cylinder was Rs.708.50 and the subsidised price for the same was Rs.417. The customer is entitled to 12 subsidised cylinders a year.

country; promotions through the electronic media will follow shortly. Forms for linking of Aadhaar and seeding of bank accounts have been made available at the LPG distributors' showrooms. A special drive has also been undertaken to inform customers about the scheme through SMS/letters/personal interaction.

Currently, about 30 per cent of Indane LPG customers are CTC and efforts are being made to add more to the list.

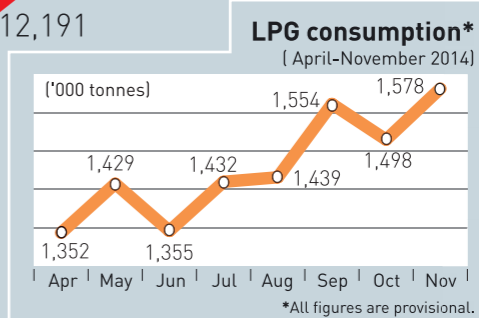
ILLEGAL CONNECTIONS

On black connections, a senior IOC executive said, "There is no term like 'black connections'. However, connections found to be multiple on account of

same name/same address are being detected and blocked. As on December 1, 2014, as many as 58.73 lakh multiple connections of IOC Indane gas have been blocked."

In fact, as on December 30, 2014, around 17,714 customers had opted out of the subsidy scheme. These customers have availed themselves of the option given by the government for those who can afford to buy at market price, the official clarified.

While the government and oil companies say they are prepared to meet any challenge, they also acknowledge that it will be premature to make any tall claims on the scheme's success.



Components of domestic LPG price (subsidised) in Delhi (Rs./cylinder)

Refinery transfer price for domestic LPG (Price paid by the oil marketing companies to refineries)	581.88
Total cost price (Before excise duty, VAT and distributor commission)	631.90
Less under-recovery to oil marketing companies	235.91
Price charged to distributor (bottling plant price) (Excluding excise duty & VAT)	373.41
Excise duty (including education cess)	0.00
Distributor commission (Establishment charges: Rs.26.06/cylinder, Delivery charges: Rs.18/cylinder)	44.06
VAT (including VAT on distributor commission) applicable for Delhi	0.00
Retail selling price in Delhi (rounded)	417.00

Comparative retail price of LPG in neighbouring countries (August 2014)

(14.2 kg cylinder)

INDIA (DELHI)



Rs.414.00

PAKISTAN



Rs.1,012.70

BANGLADESH



Rs.628.57

SRI LANKA



Rs.1,283.33

NEPAL



Rs.916.67