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Dispute over rental charges and certain clauses in new agreements

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THE dispute between foreign oil companies and petrol kiosk operators began when negotiations regarding new licence agreements ended in a stalemate.

Petrol dealers were unhappy with the higher rental charges demanded and certain clauses contained in the agreements with their oil companies.

Talks reached a stumbling block when some of the oil companies were unwilling to reconsider the dealers' requests.

Petroleum Dealers Association of Malaysia (PDAM) president Major (R) Alang Zahry Ishak said petrol dealers will continue operating even if there is no solution to the negotiations with the oil companies.

The Ministry of Domestic Trade and Consumer Affairs has asked the oil companies to continue supplying their operators until the matter is resolved.

Its minister Tan Sri Muhyiddin Yassin had said the ministry could take action against companies which refused to do so without reasonable considerations, under the Petroleum Development Act 1974 and Supply Control Act 1961.

A final extension was given until the end of the month by the ministry.

Several extensions were earlier given for the parties involved to sort out the necessary details regarding their new retail licence agreements.

Seven petroleum companies operate petrol kiosks in the country under the brands Petronas, BP, Caltex, Esso, Mobil, Projet and Shell.

Alang Zahry said there are oil companies asking for an increase in rental fees up to a maximum of 20 per cent of commission per litre, which currently is at 6.18 sen.

This means that out of every litre a dealer sells, the petrol company wanted about 1.2 sen in rental charges.

He said this rate had already been implemented by some companies since 1999.

National oil company Petroliam Nasional Bhd concluded negotiations with its dealers after taking into account the evaporation factor of petrol and settled at the rate of 0.48 sen per litre.

PDAM has proposed a standard ceiling rate of about 0.93 sen, or 15 per cent of the 6.18 sen, but there has not been any feedback from petrol companies so far.

"The rate we are proposing is still much higher than what Petronas has agreed to.

"If the oil price is the same and other costs, such as labour and utilities, are somewhat similar, the rental charges should have a standard limit too," Alang Zahry said.

Higher operating cost is one reason cited by oil companies as to why they are asking for an increment in rental charges.

However, Alang Zahry said companies get a standard profit margin from sales and operations.

He said that all petrol companies currently take 4.45 sen in profit for every litre sold.

The companies also get back operating cost of 9.54 sen per litre, both standard rates which they can negotiate with the Government for a review.

Besides rental charges, dealers also want oil companies to reconsider a few clauses added to their new licence agreements.

Among them are the proposal that dealers hand over "irrevocable rights" to companies, giving them access to private financial files at any time.

"Each company has its own policy and way of doing business" was the excuse given for their decision concerning the agreement.

Alang Zahry said not all oil companies were unwilling to negotiate further, but one or two had refused to budge.

On the Government's move not to issue new licences to foreign companies to open new outlets in the country, Tan Sri Muhyiddin Yassin had said that the Government planned to gradually reduce foreign oil companies' share in the market.

Alang Zahry said he feels the Government is aiming for more local participation in the petroleum retail business.

Commenting on the same issue, Malaysian-British Trade and Investment Mission Ltd (ITIM) chairman Sir Jeremy Hanley said his delegation feels that Prime Minister Datuk Seri Dr Mahathir Mohamad is serving the best interest of Malaysians.

Speaking after a meeting with International Trade and Industry Minister Datuk Seri Rafidah Aziz in Kuala Lumpur yesterday, he said:

"The Prime Minister wants Malaysians to have an uninterrupted supply of petrol. I think the matter was misreported to us and I'm sure it will be resolved very quickly."

Hanley gave the assurance that the matter would neither hamper bilateral ties nor affect their investments in Malaysia.