

## HEADLINE NEWS

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## A Monopoly in Disguise

A key element of the Lebanese economy, the petroleum sector accounts for an estimated \$1 billion in annual imports. Petroleum derivatives were once imported by the Ministry of Electricity and Water Resources, which held a monopoly over the import of fuel and gas oil. But with the destruction of the Zahrani and Tripoli refineries during the Civil War, the government abandoned its role to the private sector.

However, the feeling among many in Lebanon is that privatizing this sector has simply instituted what appears to be another form of virtual monopoly, rather than a successful model of privatization. The government has since limited itself to controlling the quality of imported petroleum derivatives and specifying a schedule of prices in accordance with the companies and power stations. This is in contradiction to decree #6281, dated December 28, 1973, and legislative decree #79, dated June 27, 1977 stipulating that all oil and its derivatives be imported by the Ministry of Industry and Oil.

Also, the government continues to pay approximately LL20 billion in unproductive labor to employees of the out-of-commission Zahrani & Tripoli refineries, according to figures released by the 2000 Budget Report. This understanding and the consensus that a level playing field has not been established to encourage competition and reduce prices can be addressed through a more transparent tendering process or the rehabilitation of refinery operations in Lebanon.

### Imports

Since 1997, the volume of imports has developed as shown in Table 2 on page 8. According to the chart, the quantity of imported diesel has increased steadily through the years. This is due to two factors:

- The government's reliance on it to operate the new power plants
  - An increase in the number of cars and buses operating on gas oil.
- In turn, the latter has led to a decrease in imports of benzene and fuel oil.

### Importing Companies

Private companies import petroleum derivatives either on their own (benzene, fuel oil and jet oil) or for the government based on tenders (diesel and fuel oil for the local market and power plants). These companies include: Kogeco, Falcon, Pan Arab Inter-trade, Gulf Inter-trade, United, Norco and Gas Al Shark. Today, they import petrol derivatives from Syria, Eastern Europe and the Gulf region.

Working with the Ministry of Energy, they specify a weekly schedule for sale of petroleum derivatives according to international prices as well as shipping, insurance and custom duties. Due to the inaccuracy of technical determinations regarding imported derivatives, it is difficult to determine the revenues of these companies.

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However, the Court of Audit prepared a 1998 study of revenues based on volume of imports in 1996. Estimated revenues are shown in Table 1.

## Our Company

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