



# Press Statement

## ADJUSTMENT OF MARGINS IN THE PRICING OF PETROLEUM PRODUCTS

Following the conclusion of a Study of Margins in the **Retail Downstream Petroleum Industry**, comprising oil marketing companies, fuel transporters and filling station dealers, the Energy Regulation Board (ERB) has revised the margins built into the pricing of petroleum products with effect from the March 2007 price adjustment. The new margins are in Zambian Kwacha terms and not in United States Dollars as has been the case.

The purpose of the exercise undertaken by the ERB was to determine:

- a) the profit margins charged by the Oil Marketing Companies (OMCs), Dealers and Transporters in order to ensure that the undertakings being regulated make a reasonable return and that the consumers are charged a fair price; and
- b) develop a method of determining the profit margins and to set a time or specify indicators that would trigger the review of margins.

Arising from the study, the changes in the margins pertaining to the different players are outlined below:

### **1. Dealers**

The dealer margin has been revised from US\$4/litre to K229/litre.

### **2. Oil Marketing Companies (OMCs)**

The OMC margin has been revised from US\$6/litre to K345/litre.

### **3. Transporters**

The transport margin applicable to the Ndola-Lusaka route has been revised from US\$2.6/litre to K148/litre. In addition, applicable transport charges from Ndola to the provincial centres are stipulated in the table below:

***Recommended Transport Charge Schedule to Provincial Centres***

Town	Distance	Local Transport Local Rate (K/Ltr)	Dirt Road Premium Dirt Rd Rate (K/ltr)	Transport Charge Km x Rate (K/Ltr)	Total Transport Charge (K/Ltr)
Chipata	890	19.6	21.5	366.7	408
Kabwe	183	19.6	0	75.4	95
Kasama	759	19.6	0	312.7	332
Livingstone	793	19.6	21.5	326.7	368
Lusaka	321	19.6	0	128.4	148
Mansa	675	19.6	0	278.1	298
Mongu	902	19.6	0	371.6	391
Ndola		39.2	0	0	39
Solwezi	293	19.6	0	120.7	140

Note that dirty road premiums have been applied to deliveries to Chipata and Livingstone as the routes currently involve some dusty road portions.

The transporters' margin has been computed on the basis of the information contained in the table below:

Tanker Capacity	WHITE PRODUCTS			
	Local Rate (K/L)	Below 150Km (K/km/'000L)	Above 150 Km (K/km/'000L)	Dirty Road Premium (K/L)
21m <sup>3</sup> or Less	19.60	414	412	21.50
21 - 35m <sup>3</sup>	19.60	414	400	21.50
Greater Than 35m <sup>3</sup>	19.60	414	400	21.50

The ERB wishes to advise that all margins are based on a Return on Capital Employed of 20%, and further that the margins shall henceforth be reviewed on an annual basis to ensure that they reflect the prevalent macro-economic factors.

The new rates are applicable with effect from the March 2007 price adjustment.

**SILVESTER H. HIBAJENE  
EXECUTIVE DIRECTOR**

**14<sup>th</sup> March 2007**