



LAO PEOPLE'S DEMOCRATIC REPUBLIC
PEACE INDEPENDENT DEMOCRACY UNITY PROSPERITY



Ministry of Industry and Commerce

No 1785/MOIC.ITD
Vientiane Capital, dated 7th September 2009

Decision
on management of Fuel importing business and Fuel wholesale service

- Pursuant to a revised Criminal Law No. 12/NA, dated 10th November 2005;
- Pursuant to the Prime Minister's Decree on the management of Importation and Exportation of Goods no. 205/PM, dated 11 October 2001;
- Pursuant to the Prime Minister's Decree on a distribution business no.206/PM, dated 10 October 2001;
- Pursuant to the Prime Minister's Decree on a control of goods price no.207/PM, dated 11 October 2001;
- Pursuant to the Prime Minister's Decree on the Structure and Activities of the Ministry of Industry and Commerce no.188/PM, dated 17 August 2006.

Minister of Industry and Commerce issued the following decision:

Section I
General Provision

Article 1. Objectives

This decision is issued to define rules, regulations, and measures to govern an operation of import business and wholesale service of fuel in Lao PDR. It is to focus on encouraging and promoting such business operations to compete on a basis of regulations and Laws of Lao PDR. It also focuses on limiting violators and advantage-takers by imposing measures on them. That is to safeguard the benefits of the nation, consumers and business operators. Also, it is to encourage the business operators of fuel to determinately serve the society as well as contribute to the development of the country and a better living standard of the community.

Article 2. Terms interpretation

Terms used in this decision have the following meaning:

- Fuel business means business relating to fuel import and wholesale Fuel service;
- Fuel business operator means an individual or legal entity operating a business relating to fuel import, Fuel station or an distribution agent of Fuel.
- Fuel means Gasoline 95, Gas online 91, Diesel and etc.

- Station or distribution agent means a station that sells Fuel to the general public.
- Warehouse containing system means a warehouse for storing fuel of business operators who import fuel, such warehouse has specific technical standard to store the fuel to be supplied to Fuel stations or distributors;
- Transportation system means transporting Fuel from warehouse to Fuel stations or distributors who provide a distribution service to the society;
- A Mark means brand name or a symbol of the Fuel importing company as being registered as a trademark with the relevant agencies.

Article 3. General principles for establishing and operating a Fuel business operation:

Fuel is a strategic commodity controlled by the government. It is a primary factor for the production, and the development of basic infrastructure and the national economy. Therefore, it is important to be controlled and adjusted by the government on the basis of the market economy mechanism. Thus, the establishment and operation of Fuel business in Lao PDR has to strictly follow and comply with this decision and related regulations and Laws issued in each period.

Article 4. Scope of application:

This decision is applied to both local and foreign individual or legal entity who would like to operate a Fuel business in Lao PDR.

Section II

Standard and requirements in establishing and operating a fuel import business and wholesale service of fuel Import Company

Article 5. Requirements for the establishment

Individuals or legal entities who would like to establish and operate a fuel import business and wholesale service of fuel in Lao PDR shall meet the following standards and requirements:

- 5.1. Registered capital shall not be less than 10 trillion kips for building basic technical infrastructure to support these business operations;
- 5.2. Requirements for building their own warehouse system that meets a standard and have a capacity to store at least 1 million litres are fulfilled. The warehouse system shall guarantee safety following the standard set by relevant agencies;
- 5.3. A trade Mark (Logo) for being an agent to distribute fuel of a certain brand name shall be accurately registered and permitted by the Lao National Agency of Science and Technology-;
- 5.4. They shall have at least 5 vehicles for transporting fuel that meet standard requirements of relevant agencies. If some additional vehicles are needed the operator can rent them from authorized transportation businesses;

- 5.5. Have their own station or representatives to distribute Fuel based on their registered brand that can store the fuel and meet a standard requirement;
- 5.6. After being established they shall be a member of the Fuel association;
- 5.7. For those who would like to establish and operate the aforementioned business they shall have certain knowledge and skill or sufficient experiences in certain aspect of the Fuel business operation and if they lack these required expertises, a group of technical advisers shall be hired;

Article 6. Request for a permit for the establishment:

Those who would like to operate a Fuel importing Business in Lao PDR shall first submit a request to the Ministry of Industry and Commerce (Department of Domestic Trade) for consideration and certification as to whether they can meet the requirements prescribed in this decision. Further, officials from Department of Domestic Trade together with concerned agencies shall make a visit to the office location, fuel storage warehouse, Fuel station or distribution agent. When everything complies with the required standards, the request will be sent to the enterprise registration officials for enterprise registration in accordance with the regulation.

Article 7. Requirements for operating such business

Every business that operates a Fuel importing business and Fuel wholesale service shall fulfill the following requirements:

- 7.1. They shall have a certain plan for importation, distribution and marketing. The import shall be done quarterly and annually by obtaining a permit from the Ministry of Industry and Commerce (Department of Import and Export) based on verification by the Department of Domestic Trade on the basic infrastructure of the company and its business operation;
- 7.2. They shall have a deposit account with a bank in Lao PDR;
- 7.3. Fuel being imported by the company each time shall meet the quality standard and comply with the regulation issued by the Lao National Agency of Science and Technology;
- 7.4. The importation shall take place only at the approved border and the importer shall have its own warehouse in that province;
- 7.5. The payment shall be made through the bank in Lao PDR;
- 7.6. The wholesale and retail price shall correspond to the government's decision in each period. Also they shall monitor their own fuel station or distribution agent to ensure that they strictly implement the retail price and the set timeframe as being guided by relevant agencies;
- 7.7. Implement closing and opening time of Fuel stations according to this decision:
 - Open from 6:00 am to 19:00 Pm (from Monday – Sunday).

- The stations that are able to run 24hrs operation shall put up a 24 hr service sign and ensure safety.
- 7.8. They should ensure that there is a reserve of fuel to be used in an emergency situation at least for 10 to 15 days to supply to their own fuel stations or distribution agents;
- 7.9. They shall expand their fuel stations or distribution agent to remote areas;
- 7.10. They shall comply with regulations and Laws related to business operation.

Section III

Rights, duties and obligation of the Fuel importing Business and wholesale Fuel service providers

Article 8. Rights and duties of the Fuel importing Business and wholesale Fuel service providers

- 8.1. They shall draw up principles, methods or regulations relating to the monitoring of their stations or distribution agents in compliance with this decision and other related regulations and Laws;
- 8.2. They shall inspect technical standards and provide necessary technical advice to their stations or distribution agents to ensure the standard and quality of the fuel and to provide sufficient, convenient service and distribution to consumers;
- 8.3. They shall inspect the business operation of the stations or distribution agents in each period according to the signed contract and the management regulation of the retail fuel station in Lao PDR;
- 8.4. They shall advise, monitor and inspect the implementation of the retail price and the timeframe as being directed by the authorities in each period to avoid the Fuel operation taking advantage of society as well as customers;
- 8.5. They shall implement punishment for the management and economic aspect toward their stations or distribution agents who break the terms of the signed contract;
- 8.6. They shall have other rights and duties as being prescribed in other related regulations and Laws;

Article 9. Obligations of the Fuel importing business and the wholesale fuel service provider

- 9.1. Ensure a sufficient supply of fuel to its stations or distribution agents in a regular basis, it is not allowed to stockpile or collude with others to stockpile in any form;
- 9.2. Inspect and control quality of the fuel in their stations and distribution agents regularly to ensure that the Fuel meets its brand's and the company's quality standard being certified by relevant agencies;
- 9.3. Fully comply with their budget obligation with the government (customs – taxation regulation);

- 9.4. Have a detailed and systematic account to monitor the distribution of fuel to each station and distribution agent;
- 9.5. Put up the company's trade mark at its stations or distribution agents to be easily visible;
- 9.6. One fuel station can only be a representative of one brand name of fuel;
- 9.7. Have at least one quality inspection of the fuel or a scale stationed at the company;
- 9.8. Have a system to carry out a warehouse inventory every weekend, month, quarter, year and of the import price (CIF) and wholesale – retail price systematically and regularly to the Department of Domestic Trade, Ministry of Industry and Commerce;
- 9.9. Have other report system for any information or collaboration with Macro management Agencies in order to provide information systematically;
- 9.10. Provide fuel to priority projects by having a written contract and strictly implement such contract;
- 9.11. Be responsible for any violation of its own station or distribution in compliance with the laws;

Article 10. Measures for fuel importing business and wholesale fuel service providers

If the fuel importing business and wholesale fuel service provider infringes the regulation and Laws as indicated below measures will be imposed as follows:

10.1. Against an increase of the fuel price without prior permission

The fuel importing business that colludes with retail fuel stations or distribution agents to increase the fuel price or sell fuel at a higher price than the price set by the government in each period or when an emergency event occurs in any locality or area, will be imprisoned from 6 months to 2 years and will be fined from 1,000,000 kips to 5,000,000 kip each time (according to Article 147 of Criminal Law);

10.2. Against stockpiling of fuel

A Fuel Importing Business that hides fuel in the tank of the station or storage warehouse to gain profit or create difficulty to society will be imprisoned from 1 to 4 years and fined according to customs regulation (Article 148 of Criminal Law);

10.3. Against illegal sale of fuel

1. A Fuel Importing Business shall sell fuel to its own station or distributors only; it is prohibited to sell or propose to sell fuel to other companies' stations or distributors;
2. strictly implement the sale price set by the government in each period;
3. Before increase or decrease of fuel price, the import company shall notify the consumers (its stations or distributors) and cooperate with the government authorities in inspecting the fuel retained in the warehouse or the tanks of retail station for recalculating according to the regulations;

4. if there is any violation, the Fuel Importing company will be prisoned between 6 months to 2 years and fined between 1,000,000 to 10,000,000 kips (according to Article 149 of Criminal Law).
- 10.4. Every Business that imports fuel shall comply with this decision strictly. Businesses that do not legally operate do not comply with the terms of this decision. In addition to the above-mentioned measures the following measures will be imposed:
1. Limiting opportunity to open new stations or distribution agents;
 2. Temporarily suspend its operation or cancel its operation in a serious case;
 3. Reduce the import value of fuel in each quarter or year;
 4. Being classified in the list of misconducting businesses;
 5. Comply with other measures of related regulations and Laws.

Section IV

Award for good performers and measures against violators

Article 11. Award for good performers

Fuel business operators that operate according to this decision as well as other regulations and Laws will not only be commended by the Government and society but they will also receive the following benefits:

1. They will receive a priority in policy consideration for the business operation;
2. They will be granted an appropriate portion of the fuel import in each quarter or year;
3. They will be classified in the list of outstanding business operations and will be proposed for commendation through the media;
4. They will be commended in various forms as seen appropriate.

Article 12. Measures against violator

Fuel business operators that violate this decision will have the following measures imposed upon them:

1. Their fuel import portion will be reduced in each quarter or year;
2. Opportunities for being considered for opening of new stations or distribution agents will be limited;
3. They will be classified in the list of misconducting businesses ;
4. Their operation will be temporarily suspended or cancelled in a severe case;
5. They will be have other measures imposed upon them according to regulations and Laws.

Article 13. Other violation

If any individual or legal entity that operates a Fuel business does not comply with this decision and cause damages to others, they shall be responsible for the damage caused by them. If the

violation falls under the criminal offence, the violator will be punished according to the Criminal Law.

Article 14. Measures against infringed government officials

Government officials who infringe this decision will be punished through: counseling; transferring to another position; relieving from position or withdrawing from government official duties and will be treated on the basis of Article 8 of the Criminal Law and other related Laws and decrees.

**Section V
Implementation**

Article 15. Implementation

The Department of Domestic Trade, Department of Import-Export, Ministry of Industry and Commerce provincial offices and Vientiane Capital are assigned to cooperate with the relevant agencies to implement and develop this decision successfully.

Article 16. Effectiveness

This decision shall be effective after the date of signature and replaces Decision no.1331/MOC, dated 28 December 2005 regarding the management of Fuel business.

**Minister
Ministry of Industry and Commerce**