Keeping Trinidad and Tobago on the move: a profile of NP

BY DAVID RENWICK

The 'four sisters' – Texaco, Shell, BP and Esso (Exxon) – dominated petroleum products marketing in Trinidad and Tobago for decades (and still do in some other parts of the Caribbean), until they all but disappeared from the scene when the 'national identity in energy', to which we have repeatedly referred throughout this publication, began to assert itself.

Whether that has been for good or ill in this area of the petroleum industry is a matter for debate but suffice it to say that once the government had acquired BP Trinidad's oilfields in a joint venture with a small US independent, Tesoro Petroleum Corporation, in 1969, it was probably only a matter of time before the company's remaining assets would eventually pass into the hands of the State.

This they did in 1972, being vested in the Trinidad and Tobago National Petroleum Marketing Company Limited, thereafter known to all as NP, the abbreviation which hangs on all its service stations today. As Dr Ken Julien, who has played a major role in the evolution of the modern, gas-based energy sector in the country and the man who coined the term 'national identity in energy', points out: "The purchase of BP's oil producing interests in 1969 inevitably led to the need for national ownership and management of BP's marketing assets."

Thereafter, and for a number of reasons, the government moved to acquire more petroleum marketing properties and part of Esso's retail station network fell into NP's hands in 1973, followed by Shell's in 1974 (not surprisingly, since that multinational's oilfields and refinery had already been purchased by the government) and, finally, Texaco's in 1975 (nine years before the industry giant decided to opt out of refining in Trinidad and dispose of its processing and oil-producing fields on land to the government).

As Dr Julien has noted, NP, by virtue of its name, "allowed the word 'national', for the first time, to be associated with the energy sector." But it was not an entirely smooth progression, by any means. Former Trinidad and Tobago Energy Minister, and a senior Shell manager at the time, Barry Barnes, remembers that Esso, for which he says he still has a "high regard", saw "the way the ball was rolling" and "decided it wanted to sell but wasn't sure the government could pay for its service stations and, in any event, didn't want to get into any negotiations with the government."

So Esso offered its stations to Shell instead. "But we at Shell," Mr Barnes recalls, "didn't want to annoy the government, so we said 'we're buying the Esso stations but we're prepared to let you have some,' and the government agreed to that. Of course, we selected the stations we wanted to keep for ourselves."

Photograph courtesy of MEEI

A Texaco-owned 'SkyChief' filling station in the 1960s

When the government took over Shell's operations in Trinidad in 1974, its service stations actually remained under the successor company, Trintoc's, control for two years until it was decided to hand them over to NP.

Interestingly, Trintoc's first managing director, Walton (Wally) James did not regard this as a good move, a view he still holds today. "For several years, Trintoc was actually involved in production, refining and internal as well as external marketing and when they decided to take the marketing side away from Trintoc, I went along to oppose it."

He did so on what he considered to be very logical grounds. "I thought it was the best thing for the country to have one large integrated company. That was the way we should have gone. Trintoc would have been a vertically integrated oil exploration, production, refining and marketing company, marketing both domestically and internationally."

Though this concept was not agreed to at the time, it is today back on the table for consideration by the government. As for Texaco, Dr Eric Williams, the then Prime Minister, clearly wanted to complete the circle and bring that multinational's marketing interests into the ambit of the public sector and saw his chance when the Oilfield Workers Trade Union (OWTU) called a strike in 1975. Barry Barnes remembers that, "in the middle of the strike, the Prime Minister took everybody by surprise by announcing that the government had acquired the Texaco retail business."

Photograph courtesy of NP

NP supplies a network of over 150 service stations throughout Trinidad and Tobago

So, by the mid-'70s, NP was on its own as the only wholesale and retailer marketer of petroleum products – at least, transportation fuels – in Trinidad and Tobago and there is at least one generation of citizens that has grown up knowing nothing about the great names of international petroleum product marketing, unless they travel to the other countries in the Caribbean or overseas.

Managing NP has always been one of the trickier tasks in the government-owned petroleum sector, simply because what it provides at the pump is essential to the wellbeing of a very mobile citizenry. Vehicle ownership in Trinidad and Tobago is now close to one-in-two, which must be near the highest, or even the highest, in the world. Middle class Trinidad and Tobago citizens have never been patrons of public transport to any great degree and depend on their cars to get them around probably more than their counterparts in most other countries.

So if the service network is not functioning – and NP is responsible for supplying about 153 of them now – because of strike action by its employees or failure to provide product in time, it becomes a major social and, potentially political issue. Indeed, though Trinidad and Tobago enjoys the highest per capita income in the Caribbean, successive governments have been careful to subsidise the cost of gasoline, diesel and liquefied petroleum gas (LPG), simply because of the importance that all three have in the lives of citizens. This does not only involve private motorists but the public transport system as well, since a much-esteemed part of that is provided by what is known as route taxis. These are privately owned and for decades have underpinned the service offered by the government-owned bus system, which, at least until recently, most users had considered unsatisfactory.

If gasoline prices rise, then so do the fares charged by the route taxis and this can generally be counted on to cause an outcry by travellers. The 2008 increase by 33 per cent (or by TT$1 to TT$4 per litre) in the price of premium gasoline in Trinidad and Tobago produced unexpectedly mild protest only because taxi drivers had the alternative of super gasoline at TT$2.70 per litre which was not changed, while diesel also remained the same, at TT$1.50 per litre

Successive chairmen and managing directors, over the decades, have battled to make the NP branded service stations as efficient as those owned by the majors used to be (this may be a fond illusion but at least it is the perception held by many). NP owns the majority, about 95, of the outlets in its branded network, but allows independent dealers to run about 66 of them. Dealers themselves both own and operate 58 others. NP itself manages only 29 of its own outlets.

However, they all fly the NP flag and the company is responsible for supplying all of them with products and ensuring the stations are fit and proper places to patronise. This is perhaps even more important now that NP actually faces competition at both the wholesale and retail levels for the first time since it was founded, with the arrival on the scene a few years ago of a privately-capitalised rival called the United Independent Petroleum Marketing Company (Unipet), though, so far, the latter only controls a handful of branded outlets.

NP's current Chief Executive Officer, Richard Callender, a veteran of the petroleum products marketing business (he did a similar job for the state-owned Petrotrin but in the international market), professes "not to be at all worried" about the potential competition posed by Unipet stations but noted that the presence of even a minor rival should have some positive effects on service standards at the NP stations.

Neither NP nor Unipet can compete on pricing, since the margins at every stage are all fixed by the government, which only leaves service as the deciding factor. With the demand for retail fuels in Trinidad and Tobago growing by 3.5 per cent a year, as new vehicles pour on to the road at a rate of about 10,000 annually, the demands on the service station networks are rapidly increasing.

In the 12 months to March 2008, 231 million (mn) litres of premium motor gasoline were sold in Trinidad and Tobago, 296 mn litres of super gasoline and 182 mn litres of diesel in a market of 1.25 mn people, so the extraordinary demands on service station operators are clear. As Mr Callender is the first to point out, NP and Unipet should not really be compared because the former's responsibilities; investment in infrastructure including bulk storage, port and gantry facilities, capital support of service stations in rural areas, the purchase and maintenance of equipment and distribution of fuels; are that much greater.

"We have the kind of infrastructure to manage which Unipet does not," he points out. "The playing field is simply not level."

For example, NP is obliged to service Tobago and since there is no pipeline between the two territories, fuel has to be sent to Tobago by ship which, at the current controlled margins, means a loss for NP on every cargo.

NP is also the only wholesaler of LPG ('bottled gas', as it is often called) in the country, which is almost as important a remit as the supply of gasoline and diesel, since thousands of households use such gas for cooking and heating water. Any disruption in the supply of this commodity represents as great an inconvenience to the citizenry as does a shortfall in motor vehicle fuels.

Over the years, NP has also set up a lubricating oil blending plant at its headquarters at Sea Lots in Port of Spain. This is being considered for an upgrade from 18 mn litres a year to 25 mn litres. The company is very proud of this facility, which is International Standard Organisation (ISO) certified and has been engaged by the likes of Chevron, Castrol, Total and Lockheed to blend their own branded lube oils and other automobile fluids.

With the encouragement of the government, NP has even taken a leaf out of the book of the multinationals and expanded into the Caribbean, having set up a station of its own in Dominica. Three others there sell NP branded products.

NP's current Chairman, Lawford Dupres, a former Managing Director of Petrotrin, says the company will "look at any further opportunities that may come up in the region. We have a general remit from the Energy Ministry to look at these things and we have examined a few already but they don't come up that often. The majors are well entrenched in the Caribbean and when they decide to leave for one reason or another, they have their own way of going about the finding of replacement investors."

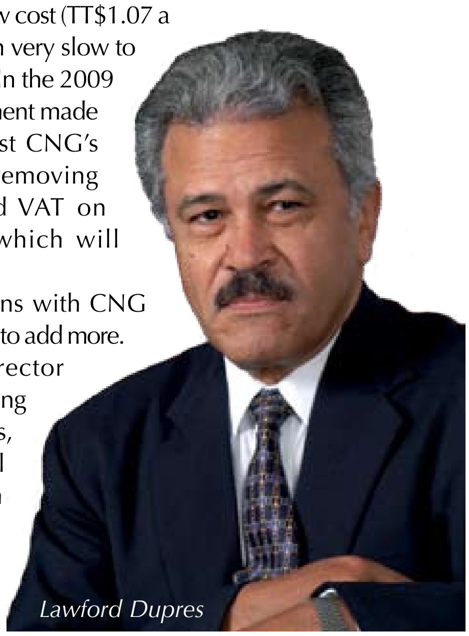
Mr Dupres does insist, however, that he wants NP to "get it right at home first, before we consider further expansion abroad" and one of its current imperatives is conforming to environmental standards by replacing most of its stock of underground tanks at service stations with leak-proof double-walled storage facilities. Chairman Dupres notes that "this programme will take some time and cost a lot of money but the government is helping us by directly providing capital."

With its controlled margins, this is hardly the kind of investment NP could undertake itself, in view of its pretty limited capital-retention capabilities – it earned an operating profit of a mere TT$16 mn and a net after-tax profit of only TT$4.3 mn in 2007. In this environment and with rising costs for imported materials, NP will have to fight to keep its unionised labour, maintenance and haulage contractor costs all down as much as it can. However, it is simultaneously embarking on an extensive improvement to its own station network, with 46 of them to be upgraded by 2013 (and this is already beginning to add an attractive element to certain parts of Port of Spain, its environs, and other parts of the country). It will build 20 new stations at strategic locations along the national road and highway system.

It is also adding new technology, for example, fuel dispensers with credit and debit card reading capability to allow for self-service, though Mr Callender hastens to add that "we will still have attendants to keep the 'human touch' in place." He is particularly keen on the last point. "Notwithstanding all the technology we have, we must retain the personal touch in order to provide the best service to our customers."

NP will also be largely responsible for managing the government's push to have motorists use more environmentally-friendly compressed natural gas (CNG), rather than gasoline and diesel. Despite its low cost (TT$1.07 a litre), CNG has been very slow to take off in Trinidad. In the 2009 budget, the government made an attempt to boost CNG's attractiveness by removing customs duty and VAT on conversion kits, which will reduce the cost.

NP has 10 stations with CNG facilities and intends to add more. The managing director says it is also installing fast-fill compressors, "so motorists will spend minimum time refilling in accordance with international standards." ❑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