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

By David Renwick

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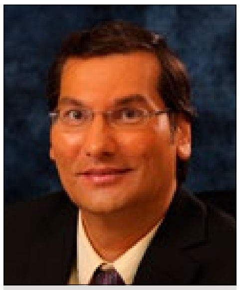
The 'four sisters' – Texaco, Shell, BP and Esso (Exxon) – dominated petroleum products marketing in Trinidad and Tobago for decades (and still do in some other parts of the Caribbean), until they all but disappeared from the scene when the 'national identity in energy', to which we have repeatedly referred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



Neil Gosine
Chairman, NP

In the case of 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.

So, by the mid-Seventies, 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-one, 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 140 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 diesel 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.

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 99, of the outlets in its branded network, but allows independent dealers to run about 69 of them. Dealers themselves both own and operate 45 others. NP itself manages only 30 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 ▸

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only controls 24 branded outlets.

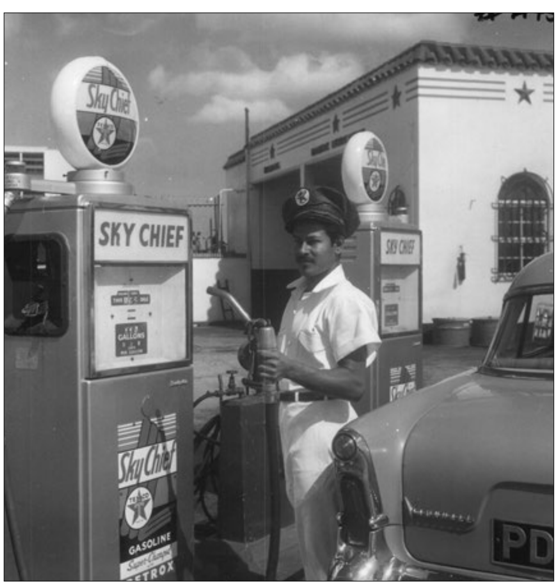
Neither NP nor Unipet can compete on pricing, since the margins at every stage are all fixed by the government, which only leaves service as the deciding factor. With the demand for retail fuels in Trinidad and Tobago growing by 3.5 per cent a year, as new vehicles pour on to the road at a rate of many thousands annually, the demands on the service station networks are rapidly increasing. This is reflected in the 1.2 billion litres of liquids and compressed natural gas (CNG) which NP alone sold in 2011 (latest available data).

Even though NP says it welcomes the competition, there is a school of thought which suggests that NP and Unipet have different roles entirely, the latter being strictly profit-driven, the former with more of a 'social' remit, though in a commercial context.

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 asimportant a responsibility 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.

Photograph: MEEA



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

Over the years, NP has also set up a lubricating oil blending plant at its headquarters. The company is very proud of this facility, which is International Standard Organisation (ISO) certified and has been engaged by Castrol and Total 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, Neil Gosine, says the company will aggressively pursue other investment opportunities in the wider Caribbean region "including Haiti, Guyana, Suriname and the Dominican Republic." In fact, the MOU with Haiti, signed in July this year, provides for NP setting up nine branded service stations there. NP is also looking at bunkering in Haiti, in collaboration with Petrotrin. In addition, NP is spending money to upgrade as many of its service stations in Trinidad and Tobago as it can and adding new technology in the form of double-walled tankage, remote leak-detection systems, credit card payments at the pump and convenience stores ('Quik Shoppes') in as many stations as possible.

The company will also be involved in 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$1.00 a litre), CNG has been very slow to take off in Trinidad. Eight NP stations now have CNG facilities but chairman Gosine acknowledges the challenge of convincing motorists to switch over. 'The subsidy for diesel is so great (its priced in Trinidad and Tobago at TT$1.50 a litre) that there is little or no incentive to convert," he points out. ■