PETROLEUM PRODUCTS PRICING REGULATORY AGENCY (PPPRA)

INTERIM REPORT

NATIONWIDE RETAIL OUTLET

CENSUS

NOVEMBER, 2006

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1.0 INTRODUCTION

The PPPRA in pursuit of its mandate (see appendix 7) to establish a reliable information databank in the downstream industry, with a view to facilitating planning, supply and distribution of products nationwide, secured the Governing Board's approval to conduct a census of petroleum products retail outlets nationwide in collaboration with other downstream stakeholders.

In addition, the exercise was aimed at producing relevant data on the operational activities of Oil Marketers in order to assist in the successful implementation of the Petroleum Support Fund (PSF) scheme. Similarly, the outcome of the exercise becomes consequential in impartial mediatory role by the Agency as a downstream industry commercial regulatory body.

In summary, the objectives of the exercise are to:

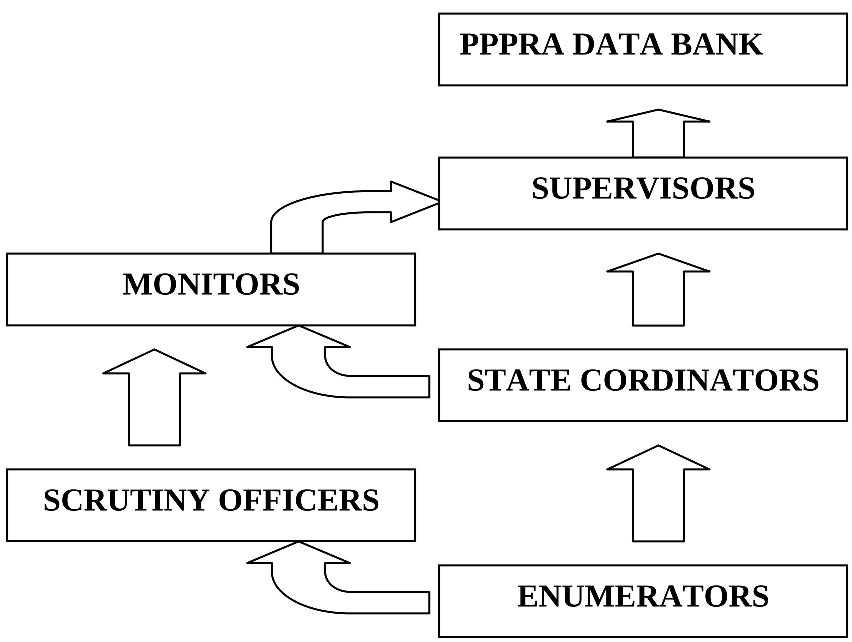
- Determine the number, distribution and locations of retail outlets nationwide.
- Determine the percentage ratios of Depots and retail outlets to the total storage capacities in the downstream sector.
- Deduce the distribution and market shares of Oil Marketing Companies (OMC's)
- Collate data for effective petroleum products planning, supply and distribution.
- Ensure proper monitoring of retail outlets across the country
- Maintain record of retail business activities as a guide towards effective downstream regulatory activities in the industry.

- Enable the Agency in collaboration with the Marketers plan and maintain strategic reserve of petroleum products.
- Enhance effective administration of the deregulation process and attract foreign investment through publication of reliable downstream industry data.

2.0 COVERAGE /METHODOLOGY

The survey covered all existing retail outlets in the thirty-six (36) states of the Federation and the FCT. Questionnaires supplemented with oral interview were employed as research tools. In all, the exercise lasted for six (6) weeks. The flow chart for the data gathering process is illustrated below:

Enumeration Chart



The methodology adopted guaranteed the integrity of the final result of the exercise.

3.0 RESULT AND DISCUSSION

Observation:

One major observation from the exercise is that the deregulation programme has encouraged private participation in the sector, with the construction of new retail outlets and modernization of existing ones.

Functionality:

Majority of the retail outlets surveyed are functional with Akwa –Ibom State recording the highest number of non-functional outlets. See Appendix 1

Distribution of retail outlets:

The exercise revealed that all the thirty-six (36) States including the Federal Capital Territory (FCT) have the presence of Major and Independent Marketers. Bayelsa State recorded the least number of five (5) Major Marketers and forty-five (45) Independent Marketers retail outlets, while Lagos State recorded the highest number of Major Marketers with four hundred and sixty two (462) retail outlets. Ogun State recorded the highest number of Independent Marketers retail outlets of five hundred and sixty (560). See Appendix 2.

The activities of most Independent Marketers were observed to be concentrated around Ogun, Oyo, Abia and Akwa-Ibom States while those of the Major Marketers were largely concentrated in Lagos State.

The South Western part have the highest number of retail outlet of about one thousand and seventeen (1,017) for Major Marketers and two thousand and thirty five (2,135) Independent Marketers, with a total number of three thousand one hundred and fifty- two (3,152) retail outlets as at November 2006.

The North Eastern zone has one hundred and sixty three (163) Major Marketer's retail outlets and seven hundred and twenty six (726) Independent Marketers outlet making a total number of eight hundred and eighty-nine (889) outlets thus recording the least number of outlets among the six zones. See Appendix 3.

Storage Capacity:

The highest PMS storage capacity of 40,422,700ltrs was recorded in Lagos State for Major Marketers, while the least of about 333,000ltrs was recorded in Bayelsa State. See Appendix 4

The Independent Marketers have their highest PMS storage of 29,987,736lts in Abia State, and the least quantity of 2,479,000ltrs was recorded in Bayelsa. Lagos State has the highest total storage capacity of 66,865,500ltrs for PMS while Bayelsa have the least PMS storage capacity of 2,812,000ltrs. See Appendix 4

The total storage capacity of DPK recorded for Major Marketers is 79,085,976ltrs while Independent Marketers capacity has 244,642,447ltrs totaling 323,728,432ltrs storage capacity of DPK across the country.

Similarly, Major Marketers in Lagos State have the largest DPK storage capacity of 19,118,680ltrs while Independent Marketers in Abia State have the largest storage capacity of 16,707,580ltrs. The least Major and

Independent Marketers storage capacity was recorded at Bayelsa, at 177,000ltrs and 1,553,300ltrs respectively. See Appendix 5.

The total storage capacity of AGO for Major Marketers is 89,485,576ltrs while Independent Marketers storage capacity of 299,149,262ltrs was recorded making a total 388,634,834ltrs storage capacity for AGO across the country.

The total storage capacity for the three white petroleum products (PMS, DPK & AGO) across the country is 1,308,292,262ltrs. See Appendix 6

3.0 BENEFITS OF THE SURVEY

- ❖ The national survey outlets census exercise afforded the Agency an insight into following parameters of retail outlets:
  a. Functionality
  b. Marketers Distribution (spread)
  c. Storage Capacity
- ❖ These parameters can be summed up as follows:
  a. The total number of retail outlets is 10,166 with 10,108 functional leaving 58 un-functional and many uncompleted ones.
  b. The six (6) Major Marketers have 2,218 retail outlets or 22% spread across all the States of Nigeria while the Independent Marketers have 7,948 retail outlets or 78% as at the end of November 2006.

c. The total storage capacity for PMS is 161,531,294 litres for Major marketers and 434,397,707 litres for independent Marketers representing 27% and 73% respectively.
d. The total storage capacity for DPK is 79,085,976 litres and 323,728,423 litres for Major and Independent Marketers respectively.
e. The AGO storage capacity for Major Marketers is 89,485,576 litres and Independent Marketers is 299,149,262 litres respectively.

- ❖ The aggregate total storage capacity for the three white petroleum products (PMS, AGO & DPK) is 1,308,292,262 litres.
- ❖ When this result is analyzed further, it will enable the Agency ascertain the national supply/demand gap as well as the consumption pattern on Local, State or Zonal basis.

Depot Holding Capacities:

The exercise was also extended to the depot storage facilities across the country and the analysis is shown in appendix 7

In summary, the total storage facilities in the country is about 5 billion litres out of which depot facilities account for about 74% (3.70 billion litres) and retail outlets 26% (1.3 billion litres). In terms of product storage capacities, PMS accounts for 42%, AGO 34% and HHK 24%.

Also in terms of total storage capacity (Depots + Retail Outlets), the NNPC has the highest storage capacity of 62.63 %, followed by the Independent Marketers with 19.51%, Major Marketers with 10.13% and DAPPMA group with 7.75%.

Considering the consumption pattern of 28, 10 and 7 million litres per day for PMS, AGO and HHK respectively, the storage facility in the country can hold about 76, 168 and 171 days products sufficiency for PMS, AGO and HHK respectively (see the attached table for details).

However, considering the storage capacity of about 1.92 billion litres for the active source depots (Mosimi, Satellite, PH, Warri, Kaduna and all the DAPPMA and Major Marketers depots) where bridging of products are mainly done to other parts of the country, the number of days sufficiency for the PMS,AGO & HHK are 25, 61 and 85 respectively. From this analysis, there is the need to encourage more investment in storage especially around the source depots.

LIMITATION OF THE NATIONAL RETAIL OUTLETS CENSUS

The conduct of the survey was not without limitations of which some were:

a. Most of the retail outlets that did not have products as at the time of the survey, were temporarily shutdown thereby making it difficult to access personnel that could assist the enumerator to complete the questionnaire.
b. Most of the retail outlet did not display their DPR operation license where as very few showed evidence of receipt payment only.
c. Price distortion was observed from the survey and this was mainly due to Dealers sourcing products from other Marketers whose prices included the approved margins meant for the Dealers.
d. Language was a barrier for enumerators that could not speak the local dialects of the areas covered, though this was limited to some few locations.

e. Some of the retail outlets personnel claimed ignorance of the exercise which affected the smooth and timely collection of the required information.
f. There were falsifications of required information by some retail outlets personnel due to their ignorance of the true objectives of the exercise. Some were even hoarding some vital information.
g. Some of the retail outlets did not have proper location addresses which posed serious constraints to the enumerators. This was observed mostly in abandoned or non-functional retail outlets.
h. Some retail outlets were operating without due registration and appropriate registration identification (DPR license) and on sighting the enumerators, they shut their stations.

Conclusion:

Finally, the totality of data obtained and the inferences therein have enriched the information databank of the Agency on the operational activities in the downstream oil sector. To add value to the exercise, it is recommended that periodic updates in consultation with the stakeholders especially the DPR should be carried out yearly.