BLOWING OFF STEAM...

He's served with military intelligence in Central Africa, played rugby for Malawi and is an avid hot air balloonist. He also established a network of petrol stations in apartheid-era South Africa during his 34 years of work in the oil industry. Now, along with running a consultancy firm, **Oliver Lupton** has established the Irish Petrol Retailers Association to fight for the rights of forecourt owners he says are facing crisis point by Aaron Tinney

"Irresponsible, apathetic and opportunistic government policy, combined with encroaching competition from multiples indulging in below-cost fuel pricing is crushing the independent petrol retailer" says Oliver Lupton, sitting at a table in Dublin's Clarion hotel to explain how he came to found the unique Irish Petrol Retailers Association (IPRA).

He continues: "Smaller petrol retailers are surviving on only 2 to 3% profits because they are having to sell their fuel at prices 15% below what they should be to cope with supermarket competition."

Doing some basic sums to show this is the case, Oliver calculates that: "The current wholesale price of fuel from the major oil companies is between 101 and 103 cents per litre. Taking TEXACO's current price of 102.23 cents a litre as a specific example, this should be sold at 129.88 cents if we add to the original wholesale price both the 5% profit margin the government say forecourt owners should be making on each litre, plus tax on all this at 21%.

"However, far from almost 130 cents, the independent is having to sell at about 110 cents a litre to compete with Tesco's average price of around 108 cents per litre.

"Retailers can't get by on this, as it means they are making roughly half the profit they should be, but being taxed by the government on 5% a litre regardless."

Oliver says he knows of four petrol stations that had to close in Tralee recently as a direct result of just one Tesco forecourt opening in their area, and adds that the number of independent outlets across the south have fallen by over 25% in the last few years.

He says: "In my opinion multiples like Tesco are cherry-picking the smaller retailers, opening cheaper stations around them to drive them out. When the value of their sites, staffing and the costs of long opening hours are taken into account, there can be no doubt they are also below-cost selling in fuel to increase profits in their core grocery market. They can afford to do this because of the phenomenal volumes of business they have."

In answer to these accusations, a Tesco spokesman said: "We work hard and focus on providing our customers with the best deal possible, and our forecourts and supermarkets cater for people with increasingly busy lives who can now get their food and fuel in the same place."

Oliver says: "Tesco's plans to expand their Tesco Express/forecourt chain, which combines fuel pumps with a convenience store, will undermine the one advantage independents have with their convenience stores and have a shattering effect on them.

"Newer retailers are no longer coming out to open forecourts, and it is all about preserving the existing ones now.

"If Tesco is allowed to dominate the southern market, competition will no longer exist and a monopoly situation is never good for the public."

Oliver's equivalent spokespeople in the North also support his statements.

> **Multiples like Tesco are cherry-picking smaller retailers, opening cheaper stations around them to drive them out.**

Noel Smyth of Northern Ireland's Petrol Retailers' Association for example says: "To see the detrimental effects supermarket forecourts are having on the independents, we only have to look at the situation in Lisburn.

"When one cheaper Sainsbury's station opened there, a Shell on the Belfast Road, a BP on the Saintfield Road and two other stations in Saintfield all shut as a result.

"There must be certain times when supermarkets are operating using below-cost petrol prices just to up their grocery sales, and the sheer volumes of people coming through their doors allows them to do this.

"Bangor's newly-opened ASDA is the latest to try this, selling their fuel at only 90.9p per litre.

"If the independent disappears because of this, you will have a situation close to that in England, where it is very hard to find a local filling station - not a nice feeling when your petrol gauge is flashing red for empty, which has happened to me twice in the UK."

Ray Holloway, director of the UK Petrol Retailers Association also recently said: "Since the supermarkets began their expansion, making their shops attractive with cheap fuel, England has lost roughly half of its forecourts."

Oliver says: "The solution to the problem with the hypermarkets would be price fixing on fuel by the Irish government, and also rationalisation between the North and South on this matter, which would create a level playing field for all businesses, from which fair competition could develop.

"So far, Ireland's government have failed the local retailer in both their tax policy and by allowing huge market forces like Tesco to give away and abuse an essential, scarce fossil resource that should have a singular price.

"Through the new IPRA, I will continue to lobby ministers to take action."

So, how did Oliver's life in oil lead him to become a representative for forecourt retailers, working at what he calls the "coal face" of the petrol retail industry?

While studying economics and commerce at Rathmines College, Oliver began working for Mobil Oil in 1968 aged 18, and stayed with them for 15 years.

Initially based in Dublin, Oliver's first few years with Mobil included training in everything from costing, stock control, transport, shipping, warehousing and lubricant use, before he moved into accounting and distributions for the company.

Then in the early seventies, Mobil Oil chose Oliver to go out to Africa to set up a series of fuel stations in Rhodesia (now Zimbabwe), and then Malawi.

However, before the government would give him a work permit, he had to complete the country's compulsory year of national military service.

Oliver says: "Initially I didn't want to do it, but I ended up spending 14 months as an NCO (non-commissioned officer), and then transferred to Zimbabwe's military intelligence.

"After six months there, I had done my time and a captain in the intelligence corps facilitated my release back into Mobil Oil.

"Moving from Zimbabwe to Malawi, I eventually established and managed 17 petrol production outlets along with over 60 retailers' sites, as well as overseeing the introduction of ethanol, produced from sugar cane, as a petrol additive in Malawi."

"My job was to rebuild the retail network, which had been seriously affected by Malawi's government policy in relation to the Asian community trading areas. I also had to train the country's nationals on how to handle the operation without supervision, as it was becoming increasingly difficult to establish ex-patriots in Africa then.

Oliver also joined and became a director of Malawi's Blantyre Sports Club during this time, and was selected to play rugby for Malawi in 1980 when they went on tour in Zimbabwe. He proudly boasts two caps for "his country" of the time as a prop forward.

However, just as Oliver was really settling in and was due to take over as regional manager of Mobil Oil's complete set of African sites, his work permit was revoked by the government at a time of political unease and upheaval.

He returned to Ireland in 1983, joining Tedcastles Oil Products (TOP) as their retail development manager.

He says: "Until 1983, TOP had only sold road diesel, kersosene and oil for domestic and industrial use. I was employed to balance their barrels by supplying TOP petrol and lubricants along with their existing products.

"It was a slow process trying to get TOP established as a name in petrol, but I eventually helped them grow from having only one petrol site with a kerbside pump to supplying over 180 outlets, with the largest pumping over 25,000 gallons a week."

In fact, when Oliver left TOP in January 1997, it held a 6% market share in Ireland's retail forecourt industry.

Oliver had identified during his time with Tedcastles a niche in the Irish petrol

> “Unless we can sustain a strong lobby group, we might as well close our doors.”

LEFT:
Oliver on guard duty during national service in Rhodesia, Llewellyn Barracks, 1976.

ABOVE:
Oliver (far right) with Mobil Oil’s Malawian site supervisors, 1981.

BELOW:
Oliver (back row, far right), with Blantyre Sports Club directors in Malawi.

market for an independent advisory service to petrol retailers.

He filled this with his own private consultancy firm, the Forecourt Bureau of Ireland (FBI).

It is still providing specialist advice to petrol retailers in negotiating supply arrangements with oil companies, and dealing with contract difficulties when they arise. The bureau also assesses the business worth of the retailer’s forecourt and its suitability for expansion.

Oliver has negotiated for large Southern retailers like Finglas Motors, Melia Service Stations, Naas Oil, Abbey Service Station, Celbridge, and helped Wicklow Cash and Carry establish forecourts on their sites

He says: “The difficulty with running this firm is that you are trying to get money back from retailers in rebates. If I have made them an extra cent or half cent through my contract negotiations, it is very difficult trying to get a commission from them based on the projected profits this will bring them over the years.”

Then came the Irish Petrol Retailers Association, formed in October 2004, after Oliver conducted initial research at the Forecourt Exhibition show that year into the need for an association like this in the South.

Along with Oliver, the other oil industry and petrol retailing specialists heading the association are Annesley Barker, Andrew Fanning and IT consultant Tom Burnell.

Membership of the association now stands at only 75, but Oliver says they need more publicity to get the 300 subscribers it needs to continue.

For an annual subscription fee of €338.80, the IPRA says it gives its members the chance to make savings

> “Ireland’s government have failed the local retailer in both their tax policy and by allowing huge market forces like Tesco to abuse an essential fossil resource.

across all aspects of their business, offers access to information on the industry not readily available and lobbies for positive changes within the business.

Oliver says: "Most of our members have already made their subscription fee back on our advance notifications on petrol price movements alone. This provided by text messaging, and allows retailers to make strategic decisions on when to order and what prices to set on the forecourt."

The IPRA also saves its members money and time by acting as a broker to find the best price for health and safety audits; offering 15% discounts on insurance and also substantial savings on electricity charges in association with Energia Ireland.

It provides information on employment law and government legislation effecting the industry, and is currently developing marketing support to help its members advertise their stations if they wish to sell.

Oliver says: "Along with lobbying for Government price-fixing for all businesses, the IPRA's other current issues include negotiating cheaper credit card charges for members, negotiating new DCI rates and rateable valuation assumptions of profit margins.

"The credit card charges issue shows there isn't enough communication between petrol retailers, as, on one street, there could be one retailer paying 1.2% on credit card payments, while the other is paying 2%. Through membership of the IPRA, we could negotiate the same rate for both."

The IPRA has also been working on changing the public's assumptions about petrol retailers, and Oliver says: "There is the misconception that forecourt owners are ripping people off, as consumers see large amounts of money changing hands for a product that, due to taxation, is cheaper in the South than the North.

"The truth is that retailers work hard providing community services like late opening hours and local employment, and they are lucky to make a profit of €1.2 from sales of €40 in overall sales.

"But basically, the IPRA was formed to try and highlight the plight of the independent petrol retailer, and unless we can sustain a strong lobby group to defend ourselves against the likes of Tesco cutting fuel prices, we might as well close our doors"

Oliver claims global issues will also add to problems in the industry.

He says: "Demand for fuel from third world countries will grow as they develop, and the affluent west has not controlled or reduced its fuel use.

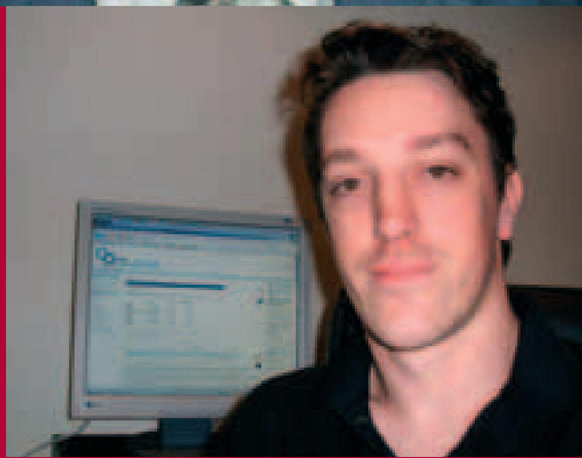
"Oil producing nations have had a bonanza due to recent natural disasters. The Iraq war has created fear and unease, making nations want to stock up on fuel reserves. This makes war an opportunity, not a disadvantage for oil producers, and prices will remain at $60 a barrel at the very least for a few years to come."

Given the work he feels needs to be done to resolve this situation, Oliver says: "Retirement does not come into the picture."

He fills his spare time with his hot air ballooning hobby, and was secretary of the Irish Ballooning Association until 2002. He is still an active member, flying at their balloon meets and air displays every year.

He says: "Ballooning is a wonderful experience, allowing you to glide over the countryside, and it is the only sport where you're actually working with the wind instead of against it, especially on the landing, when the ground comes rushing up to meet you." n

• IPRA website: www.ipra.ie, and the Forecourt Bureau website: www.forecourt.ie



n ABOVE
IPRA Chief Executive, Oliver Lupton.

n RIGHT
IPRA Webmaster and IT Consultant Tom Burnell.

"Most IPRA members have already made their subscription fee back on our advance notifications on petrol price movements provided by text.