

***South African  
Petroleum Retailers Association  
A SAPRA/BLITS FUEL solution  
to the retail challenges for  
RURAL South Africa***

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National Director***



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# *Outline of discussions*

1. Retail Fuel Industry
2. Objectives of PPA
3. Challenges of retailing fuel in rural SA
4. The solution
5. Summary



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I am a firm believer in “**the people**”.  
If given the TRUTH, they can be  
depended upon to meet any national  
crises. The great point is to bring them  
the real facts

**Abraham Lincoln**



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# ***1. Retail Fuel Industry***

- Retail Fuel is a sophisticated industry that has an undisputable role in the economic development of South Africa
- Industry plays a meaningful role in job creation: some 56 000 pump attendants
- Entrepreneurial development, local economic development and economical empowerment



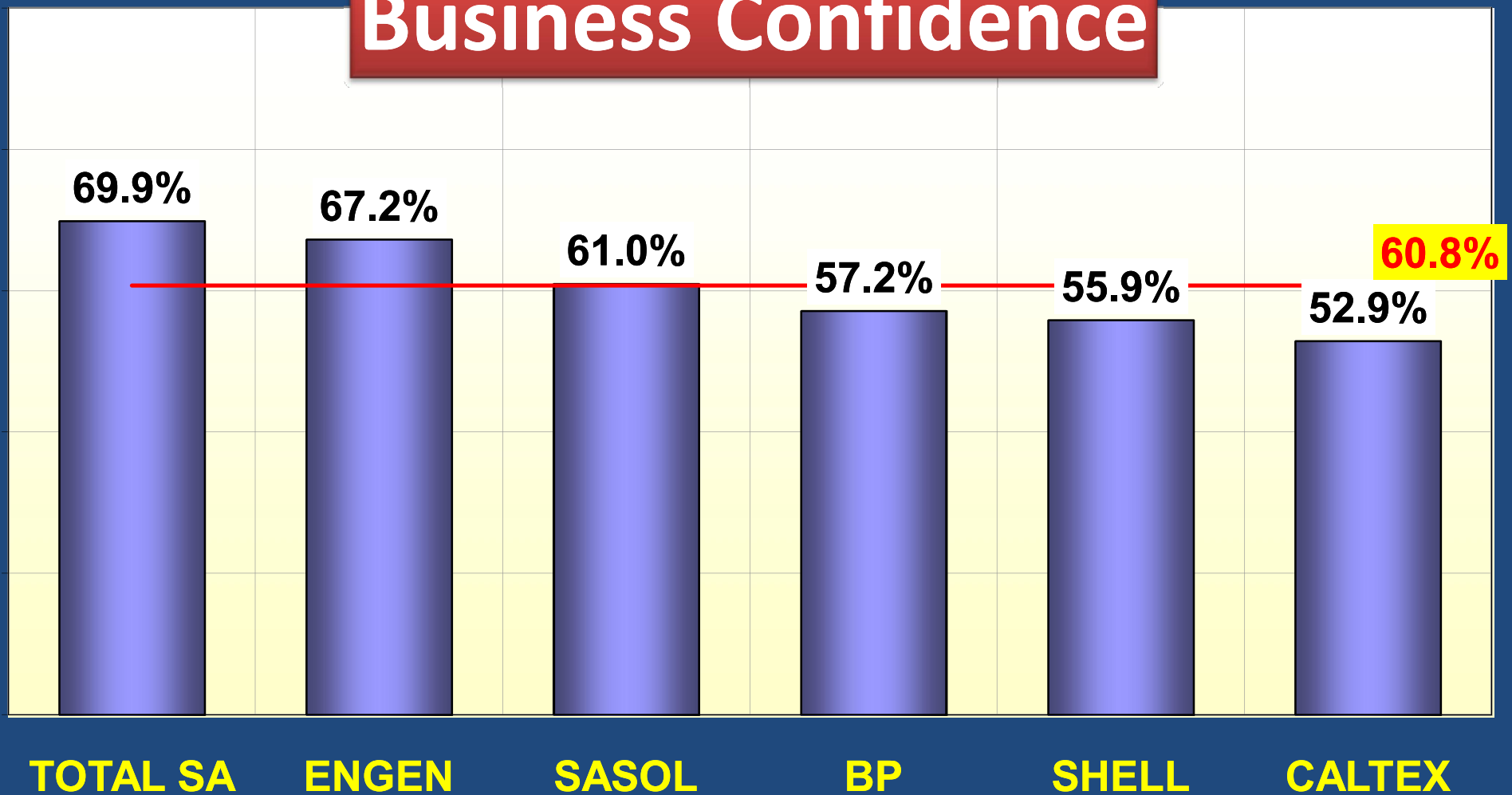
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# ***1. Retail Fuel Industry***

- **Some 4200 service stations**
- **60% of sites are owned by oil companies**
- **These 60% of sites account for 70% of volume sold**
- **Oil Companies focus on upgrading facilities at high volume sites on highways in metropolitan areas**
- **Disinvest from their “tail” sites – too expensive to do business at these sites, deliveries expensive to rural areas**
- **Development cost of a new urban service station could cost in excess of R10m**
- **One sided agreements – little or no flexibility for the retailer**

# Business Confidence



- Questions focused on:
  - General Satisfaction
  - Recommendation

# Net Promoter



**-19.4%**



**-21.4%**



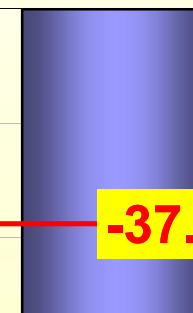
**-28.6%**



**-50.0%**



**-51.9%**



**-53.8%**

**-37.6%**

**ENGEN**

**TOTAL SA**

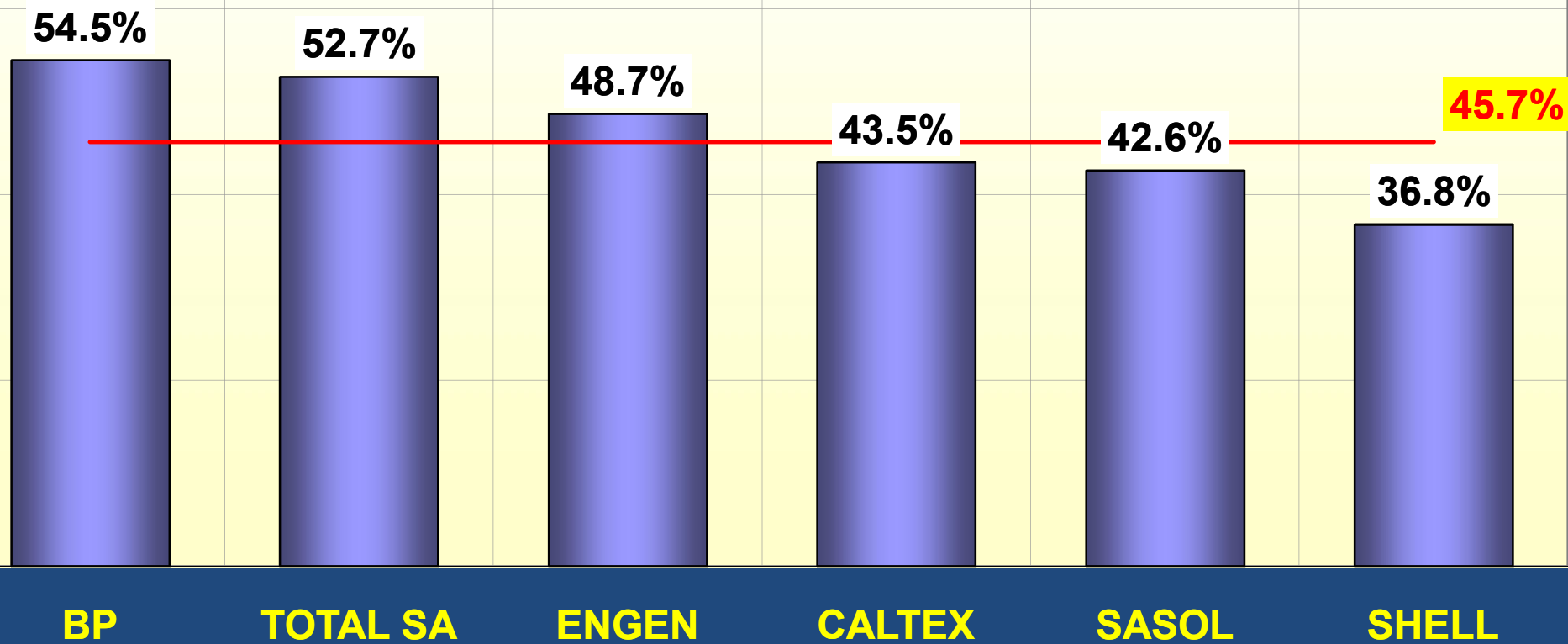
**SASOL**

**BP**

**SHELL**

**CALTEX**

# Agreements

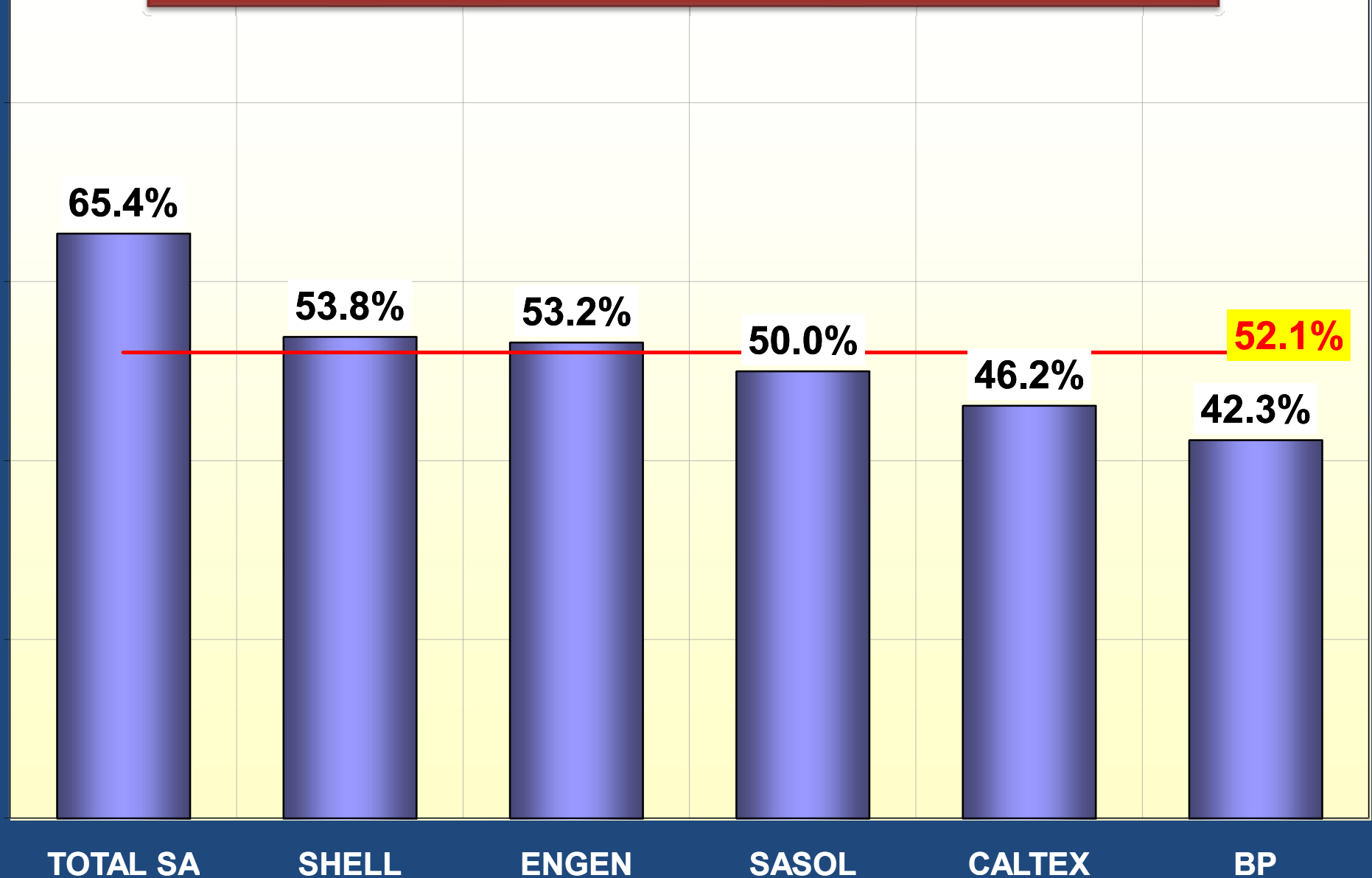




# ***1. Retail Fuel Industry***

- Operational costs high, cash intensive
  - ❖ Tanker of fuel could cost R 335 478 paid in cash
  - ❖ Bank guarantee equal to 2,5 loads of fuel: R838 695
- BEE appointees battle to find financing
- Gearing loaded
- Lack of business experience
- Current BEE status of retail sites at 38%
- Retail outlets have become complex businesses
- High level quality of retailers appointed over the past 15 – 20 years: accountants, engineers, lawyers etc
- Fuel deliveries not always consistent

**My oil company does not let price fluctuations  
effect my fuel delivery times?**



## ***2. Objectives of the PPA***

- Facilitate an environment conducive to efficient and justifiable investment
- Creation of employment opportunities
- Development of small businesses in the petroleum sector
- Preservation of retailing activities for small to medium sized businesses
- Ensuring country wide security of supply of petroleum products at competitive prices



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### *3. Challenges of serving rural areas*

- Poverty
- Little or no service delivery to rural areas
- Environmental Impact Assessments: stringent regulations – SAPRA support these
- Licensing
- Economic/Social development for rural areas
- Entrepreneurial skills development
- Access to funding
- Supply chain of petroleum products to rural areas



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# *The circle of poverty*



Dad, working, staying  
in the CITY



Workplace  
In the CITY -  
Earning R8 000



Traveling to work  
and back  
22 days/month  
@ R600/month



Dad buying food  
at local food shop  
@ R900/month



Leaving behind  
R1 200 to  
provide for  
his family.



Dad, home  
in the rural  
area where  
he belongs.



Going home  
once a month  
- R300-00



Weekends  
away from  
home – R?

# *The circle of poverty*



**Mom & the kids  
staying behind**



**Mom trying to  
put food on  
the table**



**Mom goes back  
to the CITY  
by taxi to buy groceries  
- R 80-00**



**Leaving the kids  
behind for  
the day**



**30 days later,  
and dad is  
home again**



**Lunch time  
after school**



**Mom goes home,  
8 hours later  
- R 80-00**



**Mom is  
spending  
R2 000 in  
the CITY**

# *The unanswered questions???*

- How do we address service delivery to the rural areas?
- How do we create BEE entrepreneurs in these areas?
- How do we assist in rural economic development?



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## 4. The solution...Fuel Energy Centre

- A Fuel Energy Centre designed to assist rural / peri-urban communities with cost effective solution for the supply of petroleum products...**petrol, diesel, paraffin and LPG**
- Energy Centres to be placed on the most preferred location within an existing area of commerce: e.g. Next to an existing SPAZA SHOP or the main taxi rank in trading area



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## 4. The solution...Fuel Energy Centre

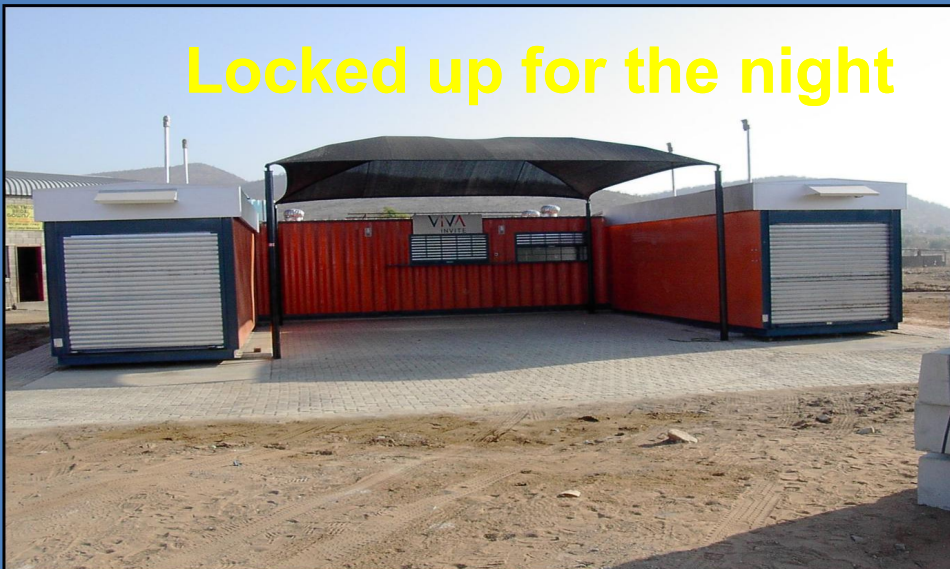
Fuel Station in operation



Canteen/Kitchen



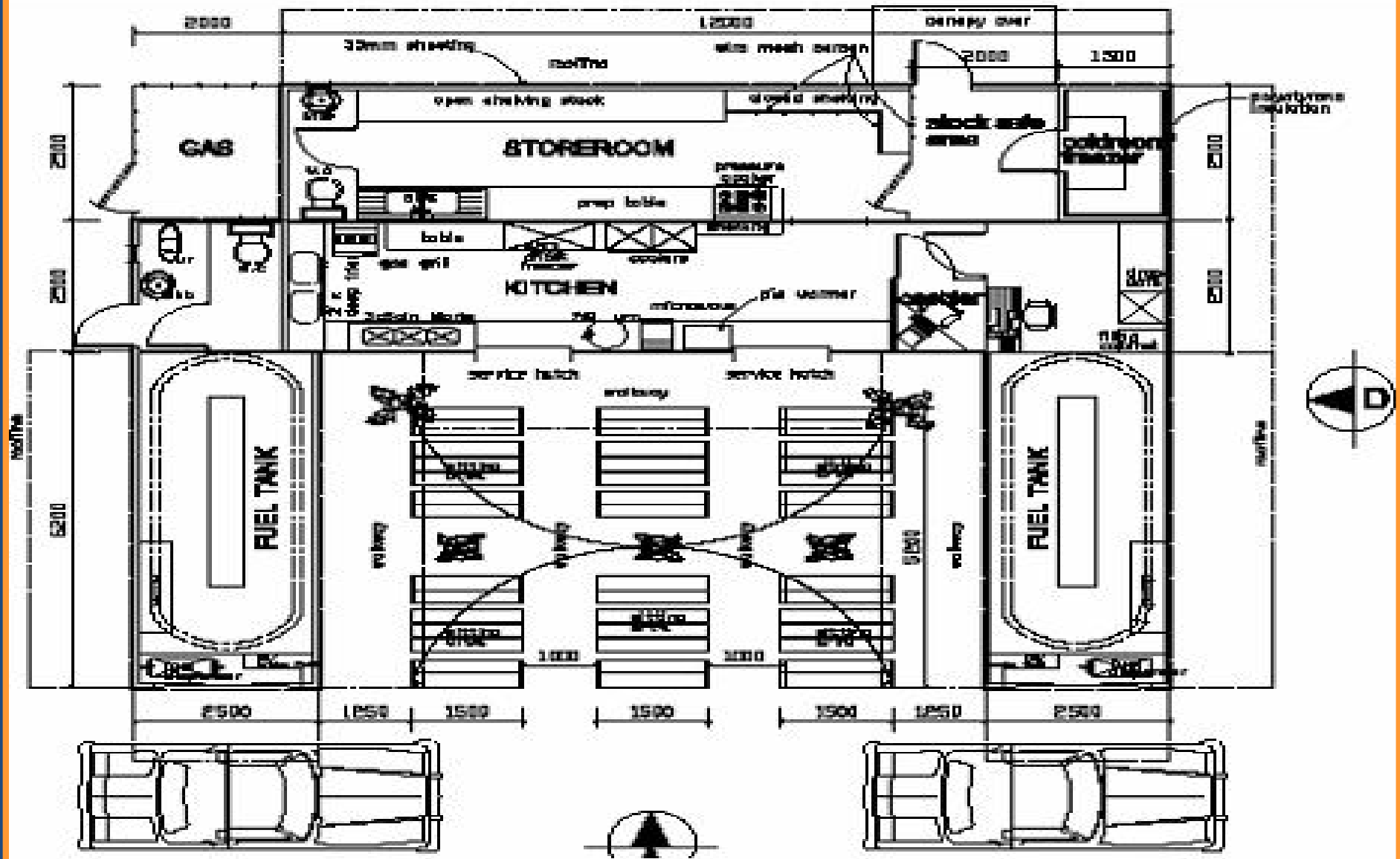
Locked up for the night



Serving the community



## 4. The solution...Fuel Energy Centre





## 4. The solution...Fuel Energy Centre





## 4. The solution...Fuel Energy Centre





## *4. The solution...Fuel Energy Centre*



**Industrial Stainless Steel  
Equipment**



## 4. The solution...*Fuel Energy Centre*

### **CANTEEN IN FULL OPERATION**





## 4. The solution...Fuel Energy Centre





## *4. The solution...Fuel Energy Centre*



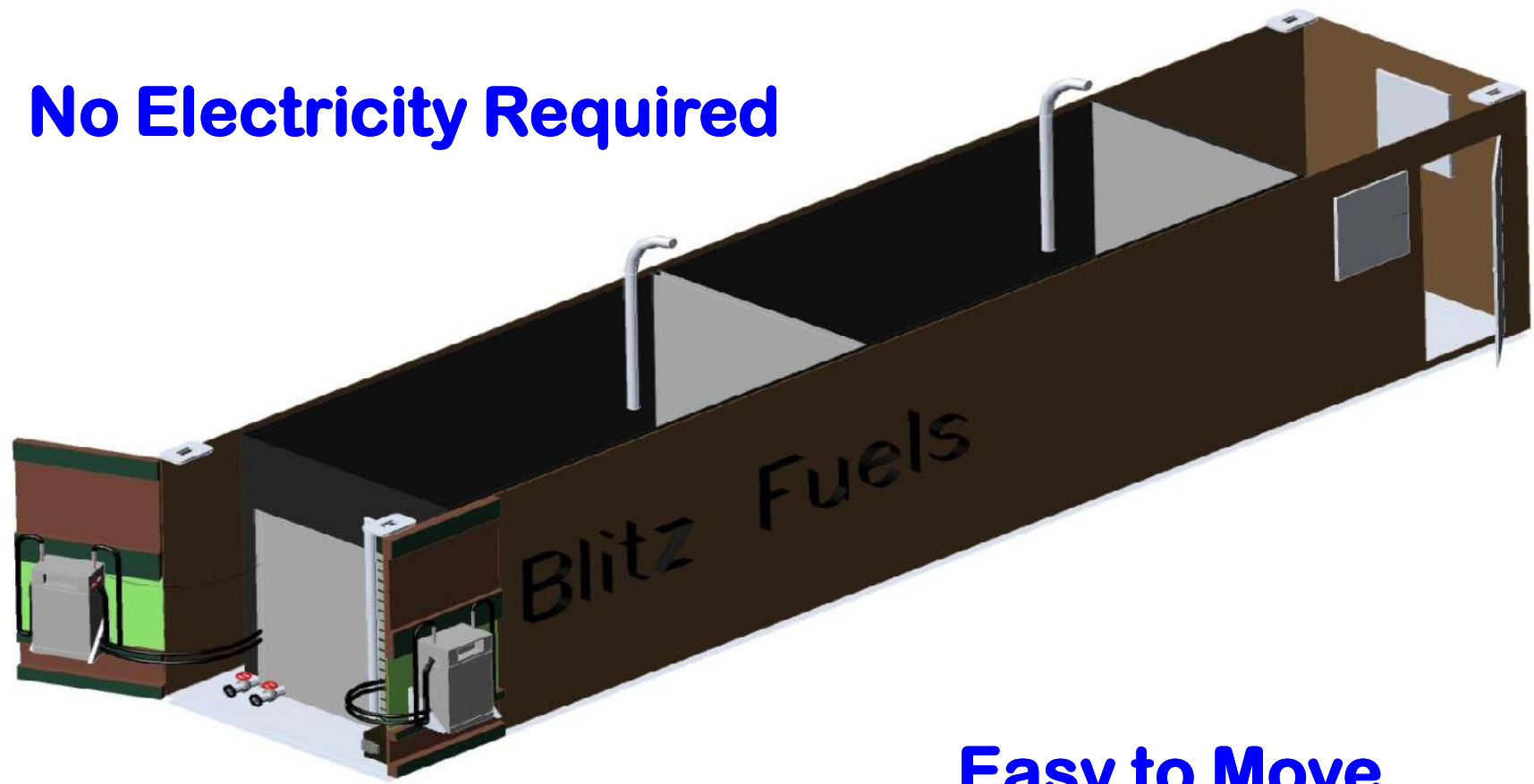
**STORAGE, OFFICE  
SPACE & STAFF TOILET**



## ***4. The solution...Fuel Energy Centre***

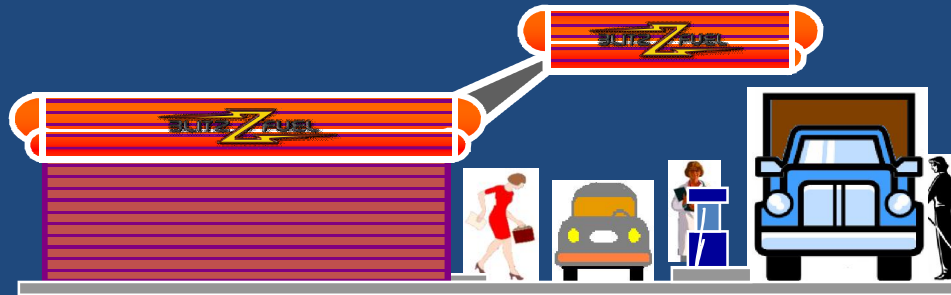
**This fuel storage facility concept was designed for the harsh conditions of Africa with as little as possible infrastructure requirements.**

**No Electricity Required**



**Easy to Move**

# MINI SHOPPING CENTRE CONCEPT



Vodacom Internet Café Post Office Hair Salon Butchery Art & Curios Hardware Fast Foods



**Filling Station with Overnight facilities, Shops, Stalls,  
Training & Medical Facility , Pension , Social Services , Schools  
and other ventures.**

## *4. The solution...Fuel Energy Centre*

**BULK Fuel storage facilities around the country is essential for Government to ensure a strategic fuel storage network to cover most of the main cluster energy centers of South Africa.**



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## 4. *The solution...Bulk Fuel Centre*

**A typical lay-out of a storage facility of 1.8 million liters of fuel. This lay-out can be duplicated to store more than 20 000 000 liters, and can be constructed in 90 days.**



## ***4. The solution...Bulk Fuel Centre***

**Container tanks are placed in such away that it will always be possible to inspect from all directions.**

**To expand the operation, you only need to add more container tanks on either ends of your lay-out.**



## ***4. Bulk Fuel Centre...costs***

**A 1,7m It bulk facility: R 25m**

**A 12,5m It facility R 90m**

**To expand the operation, you only need to add more container tanks on either ends of your lay-out.**



## ***4. The solution...Fuel Energy Centre***

- The primary beneficiaries will be that sector of rural/peri-urban South Africa whose accessibility to such facilities have been severely impaired and restricted in the past
- Energy Centres are optimally suited for areas where land rights are problematic where no freehold title exists
- Security for the investment vests in the value of the equipment and not property
- No risk for any investor
- Energy Centres fitted with state of the art technology to support operator
- Energy Centres completely moveable and could easily be relocated
- Designed to handle extreme weather conditions
- Adhere to all environmental and HSE requirements

## *4. The solution...Fuel Energy Centre*

- Energy Centre provides excellent opportunity for rural entrepreneurs
- Job opportunities:
  - Construction phase 10 – 16 temporally jobs per site
  - Operational phase:
    - ❖ One permanent managerial position
    - ❖ 6-10 pump attendants
    - ❖ 2-4 shop assistant jobs



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# *Fuel Energy Centre...stumbling block*

- **Funding**
  - Does not fit investment profile of formal business sector
  - Institutions like NEF and IDC would have to assist
- Costs between R1,5m - R2m



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## *5. Summary*

- Africa needs solutions for Africa
- As South Africans we have proved to the world that we CAN perform, the successful World Cup Soccer tournament is testimony to that
- We need to put our hearts and souls into it
- Set aside bureaucratic stumbling blocks
- Department of Energy should take this project under it's wings, under the auspices of the Minister



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## *5. Summary*

**If we believe we could make  
a difference, we will**



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One of the most tragic things I know about human nature is that all of us tend to put off “living”. We are all dreaming of some magical rose garden over the horizon – instead of enjoying the roses that are blooming outside our windows today.

Dale Carnegie

*“How To Stop Worrying”*



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***Thank you,  
good luck,  
and  
God Bless***



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