

**MINISTRY PAPER No. \_\_\_\_\_**

**PERFORMANCE OF THE PETROLEUM COMPANY OF JAMACA FOR FINANCIAL YEAR 2005/2006 AND FOCUS FOR FINANCIAL YEAR 2006/2007**

**1.0 Introduction**

This Ministry paper is intended to inform Parliament and the public in general on the performance of the petroleum Company of Jamaica (PETCOM) during the 2005/2006 Financial Year and its plans for 2006/2007.

**2.0 Corporate Mission**

The corporate mission of PETCOM is to build a company that is responsive to customers' needs, profitable in its operations, and socially responsible, while endeavouring to implement positive changes in the petroleum trade in Jamaica.

**3.0 Corporate Objectives**

The objectives of the company are:

- (a) to set example regarding competitive pricing of petroleum products to the public;
- (b) to set example of good corporate relationship with key stakeholders in the critical petroleum trade;
- (c) to maximize sales and profit by pursuing strategies that seeks to give the customer the best possible service and satisfaction;
- (d) to gain market share by providing superior all-round service to the customer; and
- (e) to conduct operations in a safe manner, with due regard to employees, contractors, customers, the general public and the environment.

#### **4.0 Vision Statement**

The vision of the company is to be Jamaica's premier provider in the petroleum industry, through its hallmark of quality products and services and affordable prices at convenient locations.

#### **5.0 Priority Targets for the 2005/2006 Financial Year**

- To achieve product sales volume of 1.096 M barrels.
- Growth of 5.66% in retail volume sales over 2004/2005, to achieve a volume of approximately 573,700 barrels.
- Stable performance in land fuel sales volume to achieve a total of approximately 375,255 barrels.
- Growth of 7.86% in LPG sale volume relative to sales in 2004/2005 to attain a sixteen percent (16%) share of the LPG market.
- Growth of 68.96% in lubricant sales
- Growth in overall sales income from \$5.30 B in 2004/2005 to some \$5.56 B in 2005/2006
- Growth in actual gross profit from \$410.087 M in 2004/2005, to \$454.375 M in 2005/2006.
- Growth in net operating income from actual \$26.90 M in 2004/2005 to approximately \$26.59 M in 2005/2006
- Growth in net profit before tax from an actual value of \$26.361 M in 2004/2005 to \$24.776M in 2005/2006.
- Growth in net profit after tax from an actual figure of \$18.854 M in 2004/2005 to \$16.518 M in 2005/2006
- Continued expansion of the service station network with the proposed addition of three (3) new stations.
- Improvement in the company's overall profitability and financial viability.
- Development of the company's brand and corporate images, placing special emphasis on service quality and safety.
- Continued development of human resource capability

#### **5.0 Performance/Achievement – Financial Year 2005/2006**

- PETCOM's market share at the end of 2005/2006 stands at approximately thirteen percent (13%)
- Total product sales were approximately 1.087 M barrels.
- Retail sales of approximately 534,906 bbls, somewhat below projections due in part to the fallout of one service station
- Land fuel sales will be approximately 401,385 bbls (7% above target).
- LPG sales of approximately 146,743 bbls, reflecting 15% growth above prior year and 4% above projections, with an overall market share of sixteen percent (16%). This marks the highest sales for LPG in the history of the company. One

additional filling plant was opened and a number of significant commercial accounts added.

- Lubricants sales of approximately 3,852 barrels or about thirteen percent (13%) above prior year.
- Sales income of an estimated \$5.950 B.
- Net Operating Income is estimated at \$26.586 M.
- Net profit before tax is estimated at \$24.77 M.
- Net profit after tax is estimated at \$16.518 M.
- Two (2) new service stations (Ocho Rios and Lluidas Vale) were added to the network.
- There was an improvement in the company's overall profitability from (minus \$18.854 M) in 2004/2005 to \$16.518 M in 2005/2006.
- The company is nearing completion of its re-launch program and is experiencing greater brand exposure and visibility
- Human resource training and development are ongoing.
- PETCOM experienced a most successful sponsorship and support for the JMMC Rally of which the company was integrally involved as lead sponsor.
- The company enjoyed first-time successful sponsorship of the Portmore Metropolitan Cricket League

## **6.0 Programmes and Targets for Financial Year 2006/2007**

- a. Growth in overall sales volume to 1.143 M barrels representing 5.20% above 2005/2006 year, and market share of thirteen percent (13%).
- b. Growth of 9.54% in retail sales volume to achieve approximately 584,453 barrels in sales, reflecting a segment market share of eleven percent (11%).
- c. Growth of one percent (1%) in LPG volume sales to 146,814 barrels, increasing the segment market share to seventeen percent (17%).
- d. Land Fuel sales volume of 406,780 barrels
- e. Growth of 25.55% in lubricant volume sales to 5,027 barrels, increasing the segment market share from three percent (3%) to four percent (4%).
- f. Growth in overall sales income to \$6.507 B.
- g. Growth in gross profit to \$535.382 M.
- h. Growth in net operating income to \$37.700 M.
- i. Growth in net profit before tax to \$37.002 M.
- j. Growth in net profit after tax to \$24.669 M.
- k. Continued expansion of the service station and LPG filling plant network with the addition of a minimum of three (3) and two (2) new locations respectively.
- l. Review and adjustment of the re-launch campaign to improve brand image, existing performance and the company's financial viability.
- m. Restructuring and strengthening of the LPG and Lubricants Department with the goal of increasing efficiency in product and service delivery.
- n. Reduction in the company's overall operational break-even levels with a view to reducing expenses in all areas.

- o. Re-launch and re-positioning of the Pace Lubricant line of products to significantly expand sales.
- p. Continued development of human resource capability through training.
- q. Implementation of tracking system for LPG cylinders.

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**Phillip Paulwell**  
**Minister**  
**Ministry of Industry, Technology, Energy & Commerce**  
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