

VALERO GAINING STEAM
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5. VALERO BRAND GAINING STEAM IN SOME EAST COAST MARKETS

Valero is adding more branded gallons, through a combination of reflagged properties and some very high volume ground-ups now in the cards for MidAtlantic markets.

A flurry of signings began this winter when Valero inked upstate N.Y. marketer Manley's Mighty Marts. That firm will reflag 10 Exxon sites to Valero. Signups in N.Y. have continued with Tuxedo, based M. Spiegel & Sons adding Valero signs at stations in Syracuse and elsewhere. Meanwhile, Newburgh based Warex Terminals has plans to put the flag on at least four stations in Westchester County.

Other multi-brand jobbers are adding Valero to their mix. Pennsylvania/New Jersey jobber Lehigh Petroleum has branded five stations to Valero with a commitment for at least five more. Lehigh has been among the most active consolidators in the area, bidding on real estate that majors are divesting.

But the sleeper sign-ups for Valero are coming in north Jersey where new ground-ups are being constructed by APPCO and ADPP. Some of the new sites -- and there are plans for at least a dozen -- are projected to do volumes of several hundred thousand gal/mo.

It's easier for Valero to push its brand now, thanks to supply concerns and the company's status as the largest U.S. refiner. Marketers have also been enthusiastic about Valero's popular "reload" option that pays marketers additional rebates when contracts are renewed. For example, a jobber receives, say, 1ct/gal for the first three years of his 10-year contract if he pulls all contractual volumes. In Year 7, Valero may offer him another 1ct/gal for an additional three years if he "re-ups" for another 10 years. The "reload" plan is offered at Valero's discretion, based on terminal-by-terminal economics and the potential of the site, and can be offered every seven years (OE 10/28/02).

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