

# Report on Fuel Prices in the Highlands and Islands

Highlands and Islands Enterprise,  
HITRANS,  
The Highland Council

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# Purpose of Study

At the HITRANS Board meeting on 5<sup>th</sup> December 2008 Experian Catalist was asked to look at the retail fuel pricing for the Orkney Islands in relation to the Caithness area. There was some concern that the pricing in Orkney was significantly at variance from the rest of the market and the situation was for some reason being exacerbated during the period from mid November to mid December 2008. We were also asked to extend this to include the Western Isles and Shetland for comparison purposes.

## Orkney Fuel Supply

Highland Fuels maintains the main storage terminal on Orkney for motor fuels and this is main source of petrol & road diesel supply to the Islands - Highland Fuels maintains the only storage for petrol. Highland Fuels distributes from this terminal but other Distributors may have arrangements with Highland Fuels to supply some retail forecourts. The Highland Fuels depot is sea fed primarily from Immingham. Scottish Fuels has storage in Kirkwall for other fuels and for diesel but not petrol. The Scottish Fuels depot is sea fed primarily from Grangemouth.

During the later part of November and early December we understand that Simpson's were importing road fuels (petrol & diesel) on a road tanker vehicle brought across on a Ferry. We have had confirmation of this from the Petroleum Officer for the area.

It is acknowledged that there is a market on Orkney for other fuels (commercial fuel and domestic heating oils) and both Highland Fuels and Scottish Fuels are involved in this but, in our opinion, this is completely separate from the motor fuels market and there is no general industry evidence that there are any price issues that cross market boundaries. Commercial fuels and domestic heating fuels are their own separate markets.

## Highland & Island Retail Sites

This extract from the Main Report shows the location of the retail fuel network in the Highlands and Islands area.

**Figure 2.1: The road fuel station network in the Highlands and Islands**

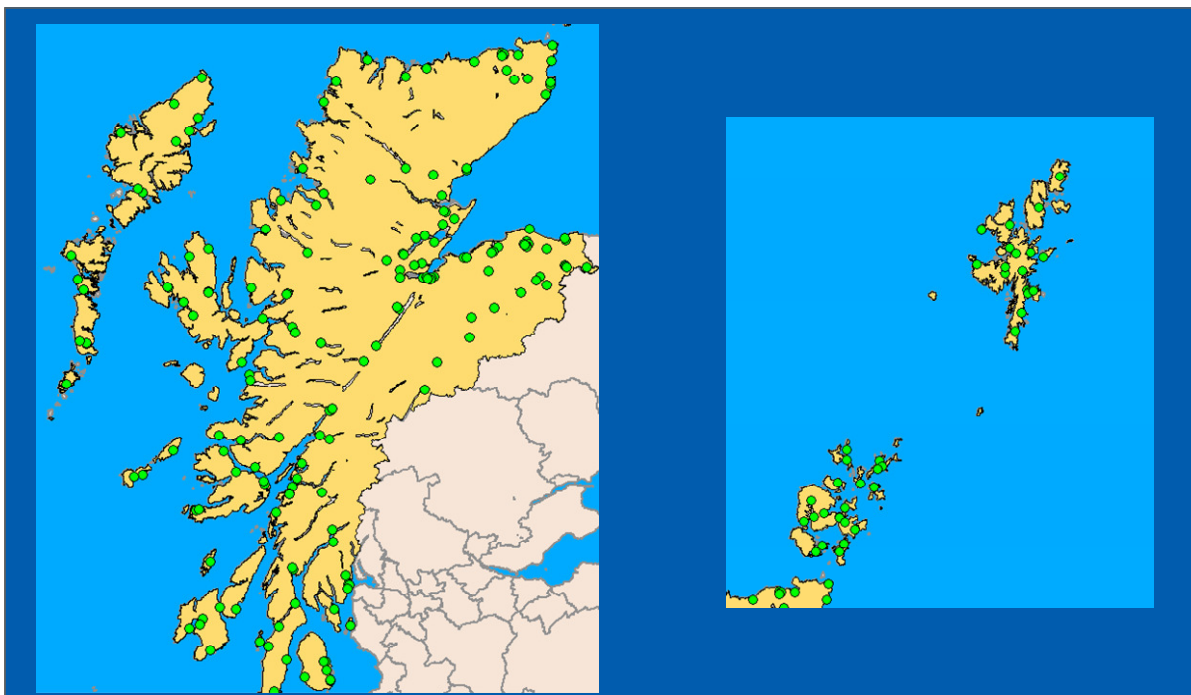


Figure 2.2 shows the number, volume and average volume for each of the former LEC areas in the Highlands and Islands. This highlights the difference in average site volumes in different areas in the Highlands and Islands. In Inverness and Highland there are 34 sites, accounting for 36% of the total Highlands and Islands volume and with an average annual volume of 3.238 million litres. This is comparable with the rest of Scotland. However, in Orkney there are 28 sites, sharing a volume of 6.985 million litres each year (2% of the total Highlands and Islands volume), giving an average volume of just 0.249 million litres. As mentioned in the main report this has significant implications for site operating costs and therefore the price of fuel being charged and the long-term sustainability of sites.

**Figure 2.2: Market Volumes and Comparisons Highlands and Islands, Rest of Scotland, England and Wales**

	Site Count	Volume (Thousand Litres)	Share of H&I Total Volume	Average Site Volume
Argyll & the Islands	47	44,935	15%	956
Caithness & Sutherland	26	26,720	9%	1,028
Hebrides	16	9,690	3%	606
Inverness & East Highland	34	110,095	36%	3,238
Lochaber	13	25,390	8%	1,953
Moray	26	59,450	19%	2,287
Orkney	28	6,985	2%	249
Shetland	19	11,755	4%	619
Skye & Wester Ross	22	13,130	4%	597
<b>Highlands and Islands</b>	<b>231</b>	<b>308,150</b>	<b>100%</b>	<b>1,334</b>
<b>HIE Fragile Areas</b>	<b>80</b>	<b>20,075</b>	<b>7%</b>	<b>251</b>
Rest of Scotland	711	2,692,955	-	3,788
England	7,227	30,442,513	-	4,212
Wales	633	1,911,680	-	3,020

Source: Experian Catalist 2008

## Retail Sites Tracked

Experian Catalist has used their database of UK retail fuel prices to track the retail prices over the 3 month period 2 November 2008 – 3 February 2009 which covers the period under question. These daily prices come from the use of the All Star Fuel card at the retail sites and these prices are collated by Experian Catalist in association with Arval Ltd.

As the retail prices of Unleaded and Diesel tends to be relative and the prices move in-line we decided to only track the Diesel prices as we had a more comprehensive record of prices over the period.

We selected 25 sites to track distributed across the Highlands & Islands Area.

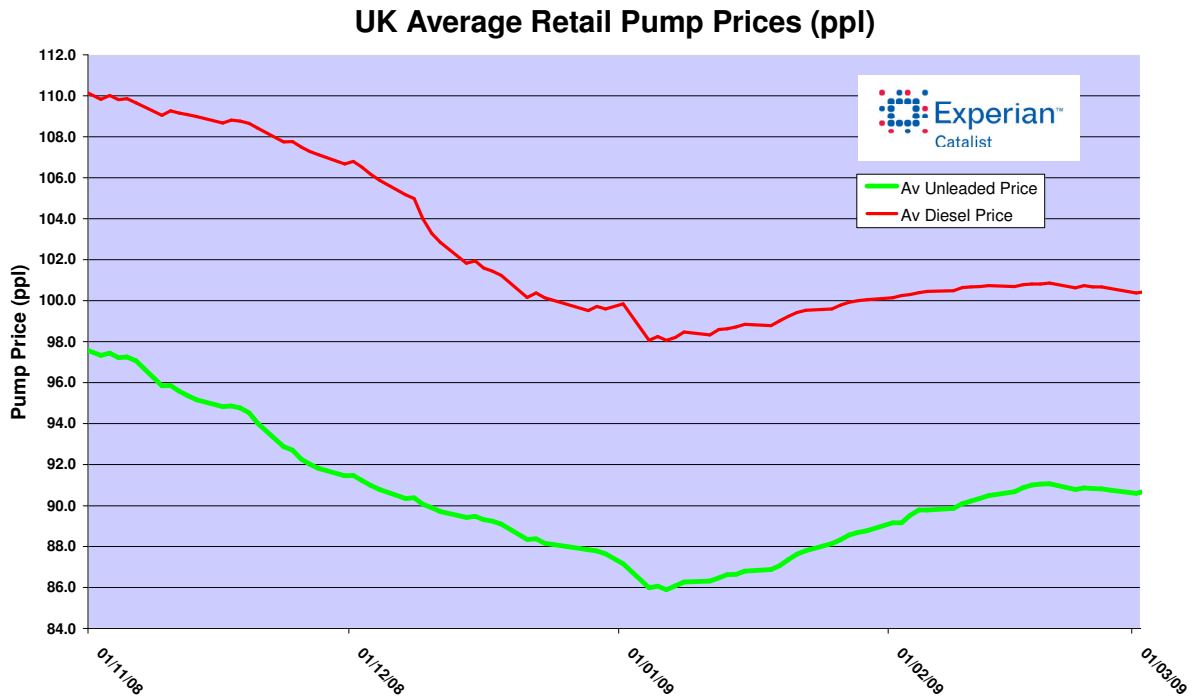
Note: Whilst we did not receive diesel prices for every site every day it is possible on close examination to interpolate between the prices we did receive to create a complete track of each site over the period. This means that for the interpolated dates whilst we cannot be 100% sure that the price changed on a specific day we can be sure of the pattern of prices over the period and this pattern is what is shown on the following charts

Cat No	Brand	Site Name	Town	Local Authority	Postcode
15806	SHELL	KINGSWELL SERVICE STATION	INVERNESS	HIGHLAND	IV2 3UP
17485	ESSO	KESSOCK SERVICE STATION	INVERNESS	HIGHLAND	IV1 1SD
17630	TESCO	TESCO INVERNESS INSHES	INVERNESS	HIGHLAND	IV2 3TW
2579	ESSO	PENNYLAND SERVICE STATION	THURSO	HIGHLAND	KW14 7JU
3995	GLEANER	BRIDGEND FILLING STATION	THURSO	HIGHLAND	KW14 8PP
3996	GLEANER	MACKAYS GARAGE	THURSO	HIGHLAND	KW14 8TU
5253	ESSO	DUNNETS THURSO	THURSO	HIGHLAND	KW14 8EP
12040	UNBRANDED	RICHARDS	THURSO	HIGHLAND	KW14 7DR
17672	UNBRANDED	RICHARDS GARAGE	WICK	HIGHLAND	KW1 5PZ
25638	TESCO	TESCO WICK	WICK	HIGHLAND	KW1 4QS
2552	SCOTTISH FUELS	GAIRLOCH FILLING STATION	GAIRLOCH	HIGHLAND	IV21 2BH
3975	GLEANER	CENTRAL GARAGE	KYLE OF LOCHALSH	HIGHLAND	IV40 8AG
3965	GLEANER	LOCHBROOM FILLING STATION	ULLAPOOL	HIGHLAND	IV26 2SX
4124	GLEANER	EWEN MACRAE	PORTREE	HIGHLAND	IV51 9HD
5229	NATIONAL	PORTREE FILLING STATION	PORTREE	HIGHLAND	IV51 9EU
2580	HIGHLAND	MILLS FILLING STATION	KIRKWALL	ORKNEY ISLANDS	KW15 1BW
5254	UNBRANDED	AYRE FILLING STATION	KIRKWALL	ORKNEY ISLANDS	KW15 1QY
17678	NATIONAL	CASTLE GARAGE	KIRKWALL	ORKNEY ISLANDS	KW15 1LB
5255	NATIONAL	SUTHERLANDS GARAGE	STROMNESS	ORKNEY ISLANDS	KW16 3JY
5730	NATIONAL	LEASKS MOTORS	LERWICK	SHETLAND	ZE1 0PX
17476	NATIONAL	SUTHERLANDS GARAGE	LERWICK	SHETLAND	ZE1 0PZ
17573	NATIONAL	GRANTFIELD GARAGE	LERWICK	SHETLAND	ZE1 0NT
2919	NATIONAL	MANOR FILLING STATION	ISLE OF LEWIS	WESTERN ISLES	HS1 2EU
5440	NATIONAL	SANDWICK ROAD FILLING STN	ISLE OF LEWIS	WESTERN ISLES	HS1 2SL
11296	UNBRANDED	MACASKILL FILLING STATION	ISLE OF LEWIS	WESTERN ISLES	HS1 2SE

# Results

In principle the prices over the full 3 month period shown on the charts below are as expected and everything appears to be following a normal pattern.

In overall UK terms the period in question showed falling diesel prices during November & December with a slight recovery in the New Year but overall the diesel prices finished the period some 10ppl below the starting point in November.



Against this background the following charts show the prices of selected Highlands and Islands sites for comparison purposes.

**Chart1 – Orkney & Caithness.** Comparing the selected sites in the Orkney Islands with sites around Thurso and Wick (including Tesco)

**Chart2 – Western Isles.** Comparing selected sites in the Western Isles with Ullapool & Tesco Inverness

**Chart3 – Island Groups.** Comparing the selected sites in Orkney, Shetland & the Western Isles

**Chart4 – All sites.** For comparison.

Chart1 H&I Selected Diesel Prices - Caithness & Orkney

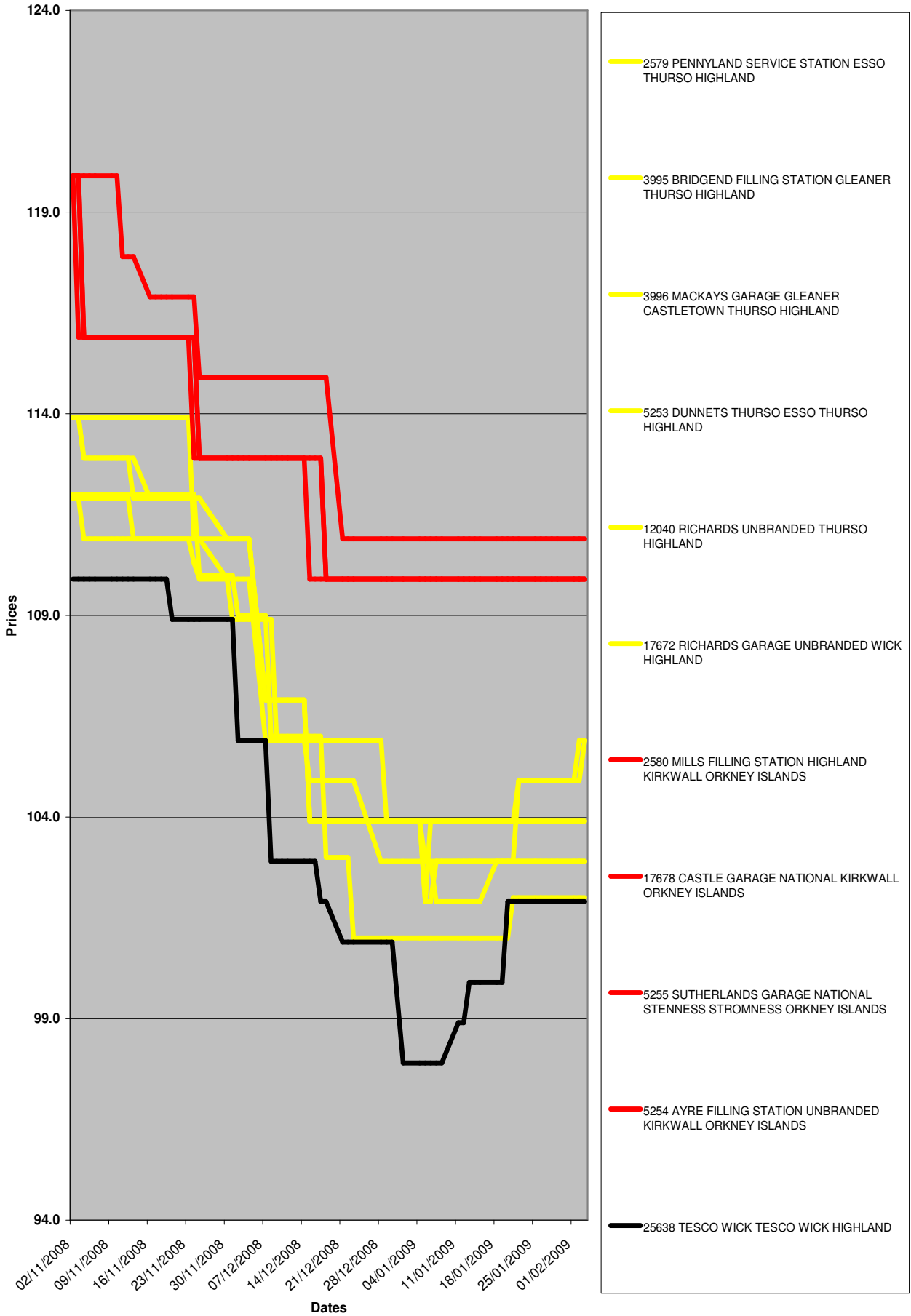


Chart2 H&I Selected Diesel Prices - Western Isles

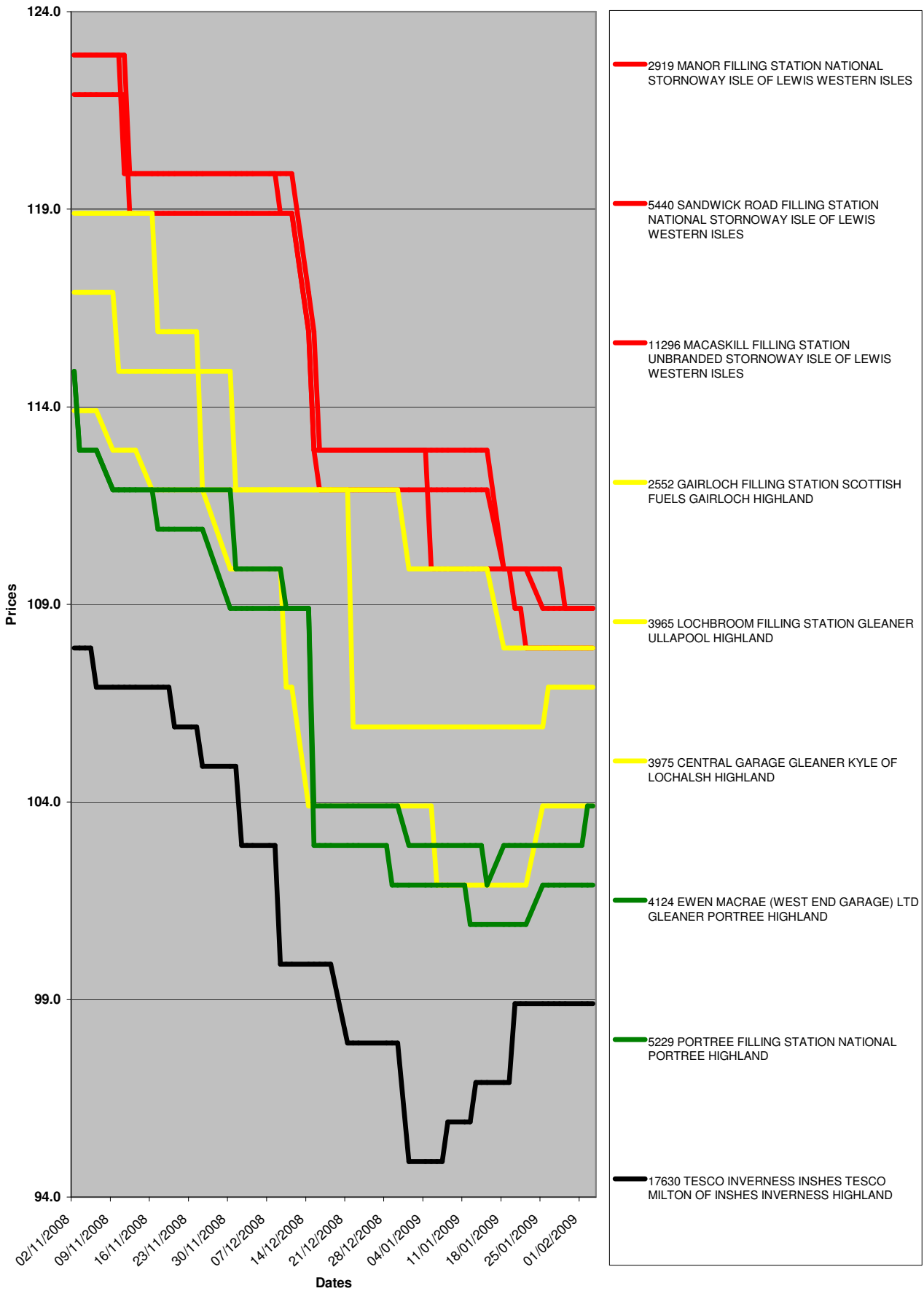


Chart3 H&I Selected Diesel Prices - Island Groups

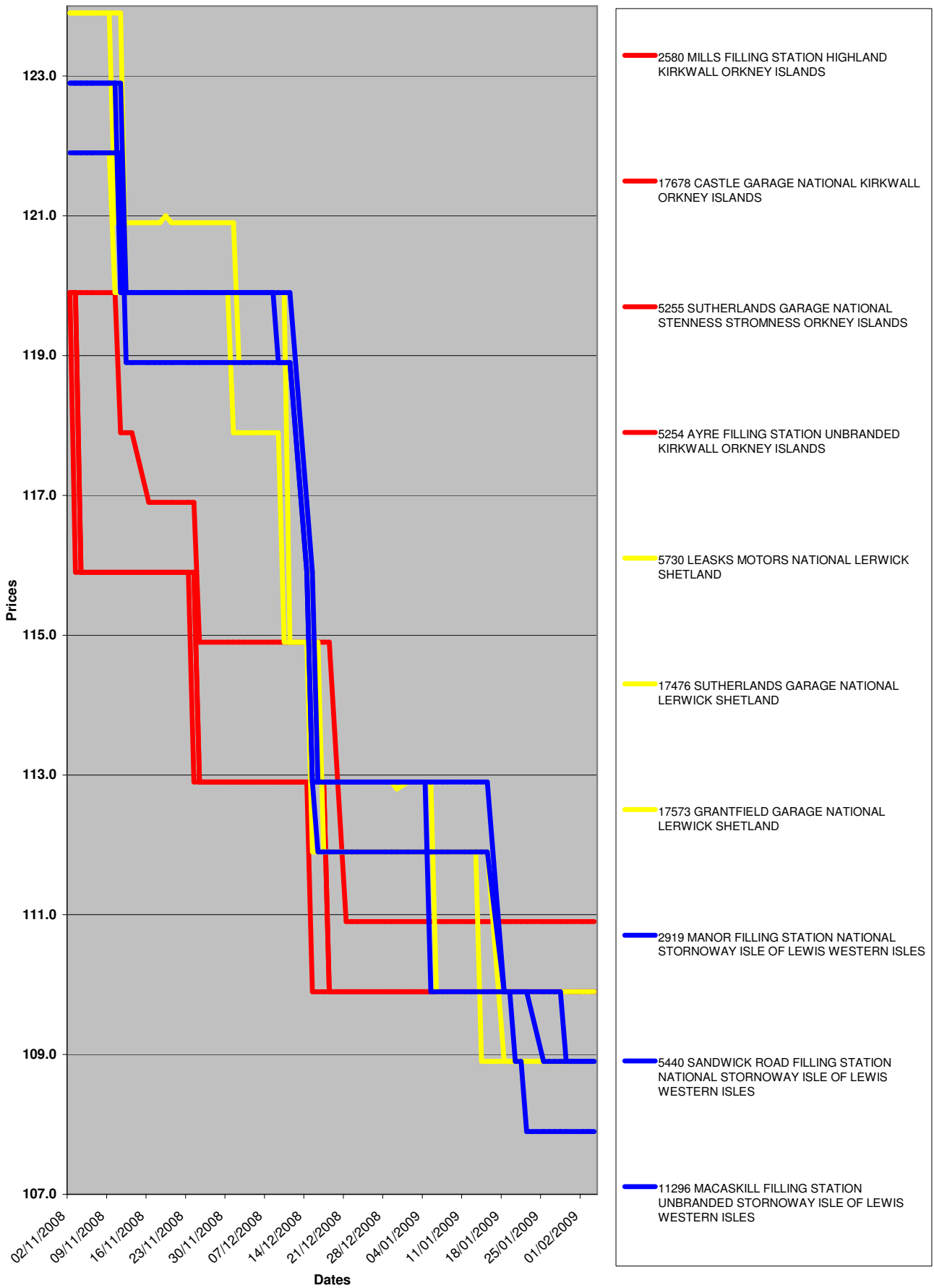
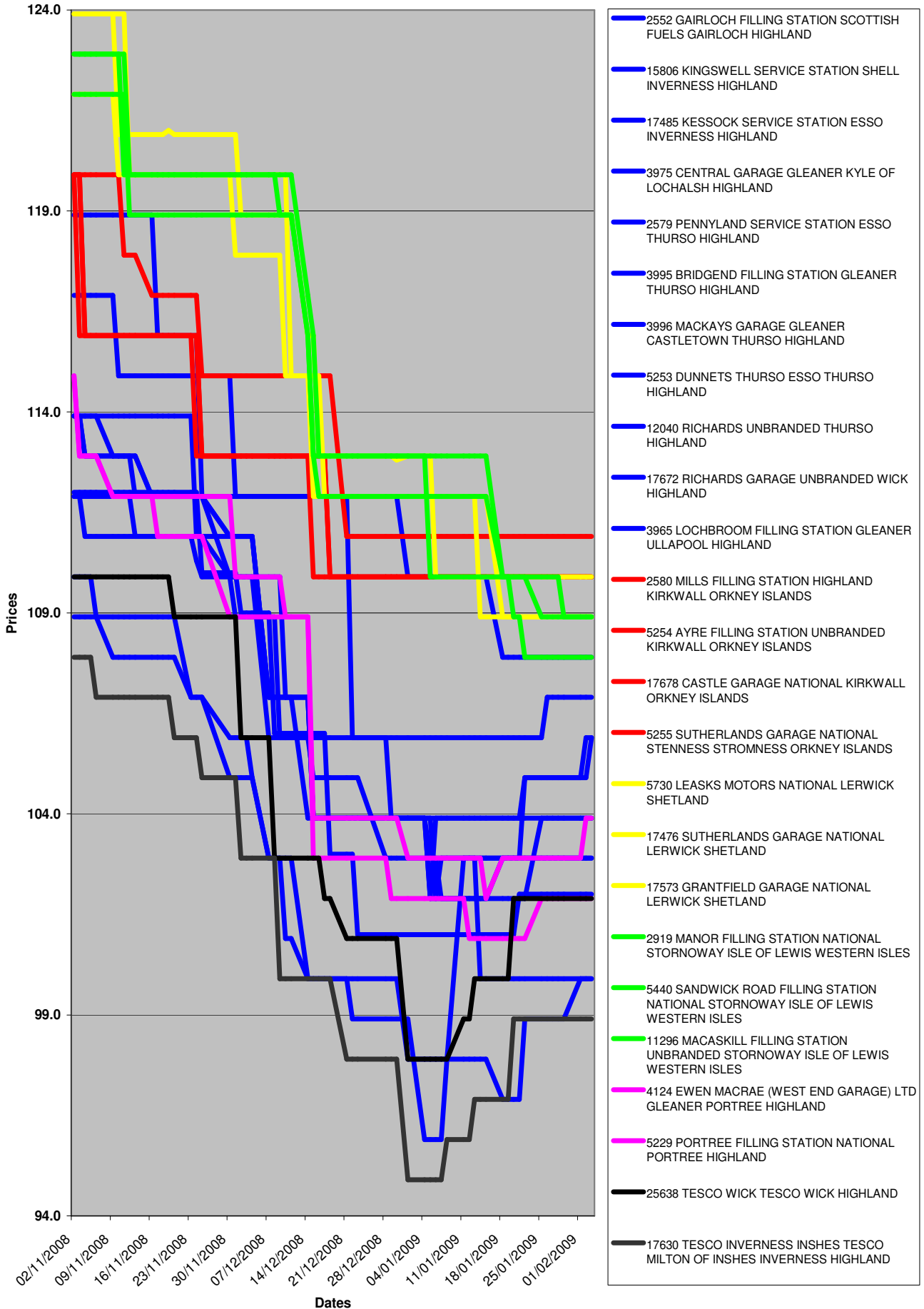


Chart 4 H&I Selected Diesel Prices



# Analysis

A preliminary analysis would show that the patterns across all sites are as expected with the fall in prices during November & December with some slight rises in January & February.

In overall terms the prices mirror the UK averages with a fall of about 10ppl over the period.

As can be seen in Chart1 Orkney prices appear to follow a pattern of about 10ppl above Tesco Wick over the period or around 6ppl above the other Caithness sites around Thurso and Wick. This pattern looks to be consistent over the whole period including when fuel was being imported by road tanker on a ferry.

Shetland and the Western Isles both appear to follow a similar price pattern which is consistently about 12.5ppl above Tesco or around 8.5ppl above the other Caithness sites around Thurso and Wick.

Note that the pattern of price movements at the high volume sites such as at Tesco in Wick and at Tesco in Inverness (the two bold black lines at the foot of the charts) show relatively frequent price changes as the sites track the changes in the buying price of fuel and the changes in competitor site prices. This can be compared directly with many of the sites on the Islands where the change in prices are much less frequent. In a price downward market this reflects the fact that the Island sites have to maintain their prices for longer as they retail much lower volumes and they can't afford to lower their retail prices in line with, say Tesco's, as they still have product in their tanks bought at the higher price.

## Summary

If it accepted that the prices from the 25 tracked sites is representative of the market in the Highlands and Islands then the overall the pattern of prices is as expected and appears to follow the UK market over the period.

There is nothing apparently disturbing the pattern for Orkney during the period when fuel was being imported by road tanker on a ferry. One can only conclude that the market was behaving quite normally and that the additional product being imported to Orkney was simply an opportunity for the distributor at the time due to the commercial availability and prices of road fuels.

The price differentials as seen for Orkney, Shetland and the Western Isles compared to other sites in Caithness reflects the key issues as seen in the main report – the low volume effect in addition to the increased costs of distribution.

AWR 23/03/09