



ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the Government's Downstream Oil Supply Resilience consultation. ACS represents 33,500 convenience retailers across the UK including the following fuel retailers Rontec, Motor Fuel Group, MRH, Co-op and thousands of independent retailers. For more information on ACS see Annex A.

There are 8,430 fuel forecourt stores across the UK, trading in rural (51%), suburban (24%) and urban (25%) locations. London forecourts sell more fuel per store than any other region in the UK and Wales has more forecourts per head than other parts of the UK. There are a diverse group of fuel retailers operating in the UK. 20% of fuel sites are operated by multiple retailers, 13% oil company-owned multiples, 24% Independent multiple retailers and 42% independent retailers¹.

ACS has answered the relevant consultation questions below. For more information on this consultation response please contact Edward.woodall@acs.org.uk or call 01252 533014.

- 1. Consultees are invited to provide further information on the expected cost of fuel supply disruptions. BEIS' analysis of potential economic impacts is discussed further on Page 15 of the Impact Assessment.**
- 2. Consultees are invited to provide comment and evidence on the likelihood for loss of operations or financial failure resulting in loss of supply. BEIS' analysis of risk is discussed on Page 11 and 12 of the Impact Assessment.**

Disruption to the fuel supply chain can be very damaging to fuel retailers' businesses and cause extensive disruption at sites. The exact impact of the disruption depends on the individual circumstances of each fuel disruption and the length of the disruption. Where there has been large scale national disruption, such as tanker driver strikes, fuel retailers report significant disruption to operations on site for staff and a significant decrease in shop sales. No fuel disruptions, to date, have resulted in financial failures in the fuel retailing sector.

Fuel Supplies

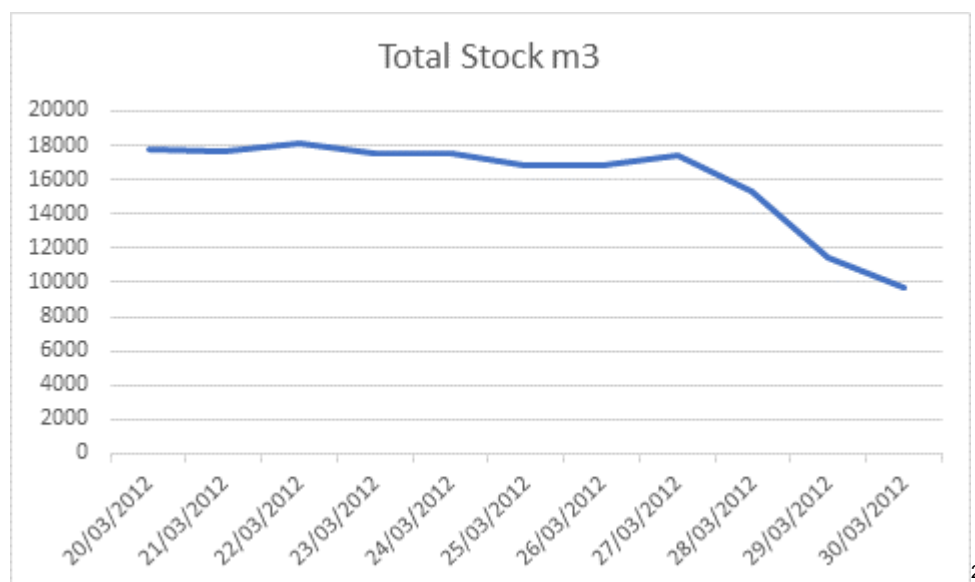
Fuel retailers have estimated that across the network of sites operated (relating to largest independent operators) there would be approximately four days' worth of fuel stock across their network of sites. This does not mean that each individual site has four days' worth of reserves. Each site's fuel reserve would be determined by the tank storage underground, the throughput on each site, and the rate of tanker deliveries.

From previous experience of fuel disruptions, fuel reserves are likely to be depleted much quicker than the estimated four-day reserve held across their network of sites. The decline in fuel reserves is entirely dictated by the extent to which consumers panic buy fuel. From

¹ [ACS Forecourt Report 2017](#)

previous fuel supply disruptions, retailers estimate that consumer panic buying would result in fuel reserves running down to a level where rationing would begin after one to two days.

Data from one fuel retailer showed that during the 2012 fuel tanker driver dispute that fuel stock levels reduced by 42% over a three-day period. The graph below shows a depletion in fuel stocks from 27th March to 30th March as there was increased national media coverage of the tanker drive strikes and communications from central government direct to consumers.



In the event of a fuel supply disruption it is difficult to avoid consumers panic buying especially when modern communication can quickly instigate consumer panic. Retailers have indicated that it is important the Government are willing to act quickly to communicate with the public about the nature and extent of the fuel disruption to alleviate concerns.

The cost of buying fuel and the credit terms available to fuel retailers determines the amount of fuel that can be stocked. From a fuel retailer perspective, it is not viable to invest in maintaining high fuel reserves in their underground storage tanks. Storing large quantities of fuel would be expensive and undermine retailers' cash flow and other business operations. Instead fuel retailers maintain sufficient fuel reserves to meet consumer demand and frequency of fuel tanker deliveries to sites.

Shop Sales and Operational Disruption

Fuel retailers have reported that forecourt shop sales suffer greatly during fuel disruption. Data shared by ACS members in relation to the 2012 UNITE fuel tanker site resulted in a significant decline in shop sales. This is significant as the UK forecourt fuel sector is increasingly reliant on sales from their convenience store businesses. Queues at fuel sites during fuel disruption deter consumer from accessing the shop whether by car (71%) or on foot (25%)³.

Fuel disruption can put significant pressure on stores colleagues that are required to manage the site differently and deal with members of the public that are anxious about

² For more information on this volume data please contact ACS' Public Affairs

³ ACS Forecourt Report 2017 pg 15

securing fuel. Colleagues will begin to monitor fuel stock levels more closely and when stock levels fall below a certain threshold move to rationing fuel to consumers. This means reducing the number of pumps available on the site and moving the manual filling of cars by colleagues to ensure rationing levels are adhered to.

Rationing fuel require higher staffing levels on sites and puts colleagues in working environments that they have been trained to manage, but will nonetheless not be familiar with. The key difficulties for colleagues at sites will be remaining safe whilst filling vehicles on the forecourt, dealing with anxious customers and checking that any containers consumers are filling with fuel are compliant⁴. Fuel rationing is likely to be flash point for abuse, especially on designated sites where only certain priority workers will be able to secure fuel.

7. Information-reporting – scope: Based on BEIS’ rationale, and the areas for reporting proposed in Annex A, please suggest any additional areas where you believe information-reporting would be beneficial to Government’s oversight of the downstream oil system and therefore to improve resilience.

We recognise the need for the Government to monitor fuel levels on a national basis and we understand from conversations with BEIS Officials that wet stock management levels are already monitored. We believe that the provision of wet stock management data via third party organisations should be possible, but some additional administrative burdens and costs may be incurred to set this up. We suggest that Government complete further analysis on the costs associated with reporting wet stock management systems through conversations with third party wet stock management providers.

We seek clarification whether it is proportionate for the Government to require daily wet stock management data for all fuel sites or whether weekly data would be more proportionate given the small number of fuel supply chain disruptions that occur and impact on the domestic fuel market nationally. The Government must also provide clarity on how and when they would act upon this data, for example would the Government seek to intervene in the market if an operator elected to reduce their fuel stock levels or would action only take place when fuel levels were reduced regionally or nationally?

Retailers have suggested that sharing stock levels would provide limited financial advantage to their competitors therefore we believe the competition risks are limited. However, reassurances would be needed that fuel volume data would not be shared publicly through some form of non-disclosure agreement or memorandum of understanding between the Government, fuel retailers and third party wet stock management providers.

8. Information-reporting – scope: BEIS proposes specific reporting thresholds for each part of the regime as set out in Annex B, where appropriate these are consistent with existing reporting regimes. If you do not consider these to be appropriate, please suggest alternative reporting thresholds and a rationale for the selected level.

We urge BEIS to consult closely with third party wet stock management system providers to ensure that the criteria for submitting daily reports can be delivered without placing any cost or administrative burden onto fuel retailers. Given that the Government already receives data

⁴ Consumer must use approved containers; with a screw top, marked *petroleum spirit, Highly Flammable* and restricted to a maximum number of containers.

from third party providers, we would assume that the model set out in Annex B, column 6 of the consultation has already been tried and tested to preclude any additional costs for fuel retailers.

Point 25 of the impact assessment suggests that 25% of forecourt owners do not have wet stock management technology⁵. We agree that 25% of forecourt sites may not have wet stock management systems but we believe that these retailers sell a very small proportion of UK fuel by volume. We urge BEIS to consider only requiring wet stock management reporting from fuel sites that already have wet stock management systems.

We believe it is unlikely that a retailer operating six fuel sites would not have a wet stock management system and that their fuel volumes overall would have limited impact on downstream supply chain resilience. Moreover, it would place significant burdens on BEIS and the fuel retailers to collect, collate and report the data. We therefore recommend that BEIS revise the threshold for wet stock management reporting to **only** fuel sites with a wet stock management system already in place.

9. Information reporting – impact: BEIS welcomes comments and feedback on the impact on business resulting from the information reporting proposals; and on the approach and assumptions used to quantify benefits. This is discussed further on Page 16 of the Impact Assessment.

As above, we urge BEIS to minimise additional costs associated with reporting wet stock management data on fuel retailers. We believe the submission of data on a daily or weekly basis should not result in further costs for fuel retailers, but this can only be guaranteed by Government working with closely third party wet stock management providers to be clear about information requirements and how the data needs to be presented.

10. Ownership test – scope: BEIS proposes that all downstream oil companies handling at least 500,000 tonnes per year would be captured in the scope of the ownership test. If you do not consider this appropriate, please suggest an alternative threshold and the rationale for the selected level.

We believe that fuel retailers should be excluded from the ownership test proposed by BEIS. We do not believe that fuel retailers should be subject to an ownership test that has clearly been design for the protection of refinery takeovers from financially unstable investors or investors that represent a risk to national security. We also believe that it would difficult to apply an ownership test to the fuel retailing sector given their complex structures in relation to physical ownership of sites and fuel product.

The powers contained in the Enterprise Act 2002 already allow the competition authorities to intervene in the market where there is a merger that may act as a threat to competition. Section 58 of the Enterprise Act 2002 also sets out the parameters where the Secretary of State may intervene through specified considerations and lists ‘national security’ as a consideration⁶. We believe these powers are sufficient for the merger and acquisition of fuel retailers.

⁵ [Downstream oil supply resilience: impact assessment](#)

⁶ [Enterprise Act 2002 Section 58](#)

We recommend that the Government exclude fuel retailers from the ownership test with regulations specifically stating that fuel retailers are excluded from the ownership test.

17. Industry-led measures – approach: Please set out how you think an industry-led reserve tanker fleet scheme could be best delivered including on the structure of the scheme (e.g. collaborative, company limited by shares).

18. Industry-led measures – members: Which part of the downstream oil sector do you consider best placed to manage the reserve tanker fleet: Hauliers, Wholesalers or some other category of undertaking? (Sector group definitions used for the purpose of this consultation are provided at Annex C). Based on the sector group chosen, how best could membership contributions be determined (for example, by using the Duty Point as described above)?

We have reservation about the Government handing over the responsibility and cost of the reserve tanker fleet to an industry led body. Given the Government's concern about fuel resilience it would seem sensible to retain ownership and control of the reserve tanker fleet within the Government. Additional support from industry could be offered to Government in negotiating the cost and appropriate size of the reserve fleet.

Retailers are not best place to run an industry led reserve tanker fleet. We believe an existing haulier of fuel would be the most appropriate body to manage the reserve fleet. Fuel hauliers are a very powerful stakeholder in the supply chain with access to wet stock fuel levels and control of supply to sites. The proposal for contributions towards the reserve fleet being based on volume owned as it passes through the duty point would be support by fuel retailers. Fuel retailers in our membership purchase their fuel after the duty point, but we would expect that any extra costs, higher up the fuel supply chain, would be passed on to retailers through the price of fuel.

While we understand the need for a reserve tanker fleet it is also necessary to have drivers with the capabilities to operate the fleet, this will need to be a central part of the Government's deliberations about the tanker fleet. We would value further information from the Government on how the fleet will be operated in the event of a fuel disruptions. The reserve tanker fleet drivers will be required not only to drive the vehicles but also collect and distribute the fuel to sites.

ANNEX A

ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 50,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.

Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.



WHO WE REPRESENT

INDEPENDENT RETAILERS



ACS represents 22,870 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions. These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

SYMBOL GROUPS AND FRANCHISES



ACS represents 15,060 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits. Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents 12,165 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls, Conviviality Retail and others. Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

THE CONVENIENCE SECTOR



In 2016, the total value of sales in the convenience sector was £37.5bn. The average spend in a typical convenience store transaction is £6.13.



There are 50,095 convenience stores in mainland UK. 74% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 390,000 people. 21% of independent/symbol stores employ family members only.



24% of shop owners work more than 70 hours per week, while 22% take no holiday throughout the year. 74% of business owners are first time investors in the sector.



Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors. 84% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2015 and May 2016, the convenience sector invested over £600m in stores. The most popular form of investment in stores is refrigeration.

OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

ACS INVESTMENT TRACKER

Regular quarterly survey of over 1200 independent and symbol retailers which is combined with responses from multiple businesses representing 3,970 stores.

ACS LOCAL SHOP REPORT

Annual survey of over 2200 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 5,765 stores. The Local Shop Report also draws on data from him! research and consulting, IGD, Nielsen and William Reed Business Media.

BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.

For more information and data sources, visit www.acs.org.uk