



Northern Ireland
Assembly

Committee for Enterprise, Trade and
Investment

OFFICIAL REPORT (Hansard)

Fuel Pricing: RMI Petrol Retailers
Association Briefing

10 October 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Patsy McGlone (Chairperson)
Mr Phil Flanagan (Deputy Chairperson)
Mr Sammy Douglas
Mr Gordon Dunne
Mr Paul Frew
Mr Fearghal McKinney

Witnesses:

Mr Richard Law	
Mr Terry Mulherns	Maxol
Mr Brian Madderson	Retail Motor Industry Federation
Mr David Cox	Texaco
Ms Una Lilley	Topaz

The Chairperson: You are all very welcome. It is good to have you with us. Thanks for facilitating the Committee and coming along today to give us some evidence around fuel pricing, which has been quite a big issue with a number of members. Normally, the structure of the Committee is that we allow you 10 minutes to make a presentation and, subsequently, we have questioning from members. No member goes beyond five minutes, and that includes the responses. I am here to keep an eye on things and structure things as best I can at this end. Mr Madderson, are you going to make the opening statement?

Mr Brian Madderson (Retail Motor Industry Federation): Yes. Thank you very much for the opportunity to come to speak to you today. I have brought with me four independent retailers from Northern Ireland to support our position. The Petrol Retailers Association represents the independent retail section. Across the UK, there are three sectors: oil company-owned and operated filling stations; supermarket-owned and operated filling stations; and independently owned and operated filling stations. The latter will, in most cases, have some kind of brand franchise such as BP, Maxol, Texaco, Star or Topaz Energy. Those are some of the brands available in Northern Ireland.

Northern Ireland is now unique among the four home countries, in as much as there are no longer any oil company owned and operated sites in the multinational brands. Shell has pulled out of Northern Ireland, as have BP, Jet and Esso, and the reason is that they could not make any money by retailing.

Before I continue, really interesting questions to ask, and they are not facetious, are these: is there a national emergency plan for baked beans? Is there a national emergency plan for washing powder? Is there a national emergency plan for alcohol? Of course, the answer is no, but there is a national emergency plan for retail road fuels. That is because road fuel is a matter of national security. It is

absolutely essential to businesses and private motorists, and it is recognised as such by the Government. So, there is a national emergency plan for fuels, and, in fact, only this morning, I was in touch with Westminster because we have a situation looming in Scotland right now where the United union has declared a go-slow and overtime ban at the Grangemouth refinery, and it has an 80% majority ballot for full strike action there by the end of this month.

Scotland is right under the microscope at the moment, and our energy resilience is of paramount importance if that refinery were to be stopped by industrial action. So, we are looking with the Government at contingency plans right now. I do not know whether any of the Grangemouth fuel comes by a short sea tanker around to the Northern Ireland terminals, but it is something that you might want to try to find out, and I shall certainly do that when I get back to London. This is of particular importance, and I have been involved with the Secretary of State, Rt Hon Ed Davey, in trying to bring to his attention this position of energy resilience and road fuels resilience, because, with 6,000 fewer forecourts today than we had in September 2000 when there was last a fuel dispute and there was blockading of terminals, it means that we have far less stock in far fewer places all over the UK.

The second point is that the way in which the Government tax arrangements policy, not legislation, is being appropriated means that the independents particularly are now keeping minimum stocks underground because the cost of a fuel tanker today is £50,000 for petrol. Of that, 60% is Government tax, VAT and excise duty. The independent sector is the only sector that has to pay that tax before it has even collected it from its customers. The supermarkets have power to bludgeon their suppliers to offer extended credit terms and the oil companies get 28 days duty deferment from HMRC and the Treasury; goodness knows why when the oil companies have got more cash than any of us. It is the independent sector that is being financially disadvantaged by having to buy this £50,000 tanker. Just 10 years ago, it was £25,000, so you can see the scale of the increase in the intervening period.

So, they have to buy this £50,000 tanker of fuel, 60% of which is tax, and we have to pay our suppliers, generally speaking, by direct debit within a matter of a day or two of taking delivery. It might be a week or 10 days before we have sold that tanker out, so that is the cash flow difficulty. It is no wonder, ladies and gentlemen, the independents are running on bottom stock in their tanks. It is no wonder, with 6,000 fewer fuel forecourts, we have less fuels resilience than we have ever had in the UK. The same will apply here in Northern Ireland, I am sure.

One reason for this is the pricing policy of the supermarkets. They are discounting below cost and they are selling below cost. Justin King, chief executive of Sainsbury's, announced on BBC Radio 5 Live that they have sold fuel below cost for six months and gained a 6% increase in volume. That is the only product that they have sold below cost, and I say that that is irresponsible selling. It is irresponsible because a 6% volume increase on their annual volumes represents the entire volume of over 80 independent filling stations. How can they survive when a big supermarket such as Sainsbury's is sucking their entire volume out by selling below cost?

We do not have a national emergency plan for baked beans, but we have a national emergency plan for fuel because it is so vital to all our jobs, the economy, businesses and motorists, yet we have supermarkets selling below cost. That cannot be right. We have supermarkets offering 10p a litre off the price of fuel, which is below cost. That cannot be right.

Interestingly, right now, the Australian Competition and Consumer Commission is looking at the situation there where they have two very large supermarkets, Coles and Woolworths, which are discounting fuel. The commission has seen that this is putting independents out of business, so it is looking at taking action to stop supermarkets discounting fuel, because, in the long run, even in the medium term, this will be bad for consumers. They might get a short-term price gain, but in the medium to long run, there will be fewer forecourts and, therefore, fewer jobs and facilities to serve the communities and the motorists.

One key thing that we have found out this year is that all the previous information on market share of supermarkets is incorrect because one of the supermarkets operating in Northern Ireland has failed to fill in the returns. The Deloitte report for the Department of Energy last year was based on a supermarket share of 39%. The Office of Fair Trading, which reported in January this year, had a supermarket share of 39%. Lo and behold, in the middle of this year, the Department of Energy said that the wrong figures had been supplied and that the supermarket share is now 47%, moving up to close to 50% for petrol, so no wonder the independents have been suffering, you might say, with a conspiracy theory. Was it right that one of those supermarkets did not report the figures? Was it right

that the Department of Energy did not pick up the error for four years, so that we now have a situation where all the supermarket share figures have been misquoted by the press, Governments and Members of Parliament? We now have the correct figures. We are looking to see whether we can provide those corrected figures for Northern Ireland as well.

I think there are several things that this Committee could look at in trying to provide a better deal for the consumer. One is to consider that you are virtually an island nation in the sense of the logistics of getting fuel here, almost like the western islands of Scotland, so why should the whole of Northern Ireland not have a tax rebate on the duty to help get a better balance of pricing between Northern Ireland and the mainland, which is generally running about 1p a litre above, on average? Why not go and ask the Treasury and HMRC for a 1p a litre tax rebate because of the extra cost of getting fuel to Northern Ireland?

The second thing —

The Chairperson: I am conscious that we are running a wee bit over time, so could you make a few points quickly in the next minute, please?

Mr Madderson: Yes. The second one is to look at supermarket discounting. In my view, and in the view of many, that should be outlawed, because it is not baked beans that they are dealing with; it is fuel, which is a national security item.

The third area is really just for Northern Ireland. There is a lot of pressure on some of our members to take illicit and laundered fuel as a means of competing against supermarket pricing. I am sure that that is not the way you would want to see the market going.

Chairman, thank you for the opportunity to give you a short briefing.

The Chairperson: Thanks very much indeed for that. I live and, for a good part of the time, work outside a place called Cookstown in County Tyrone, where we have one independent who is highly competitive and, indeed, most of the time, is at least level with the supermarket chains. We have ASDA and Tesco in Cookstown, so whatever he is doing, he is doing it right. I do not know what sort of lessons can be learned from that. You probably know who it is; it is Go, which does a pretty good job with competition. Whatever he is doing, he is doing it right. You mentioned the supermarket share and average volumes, and you referred in particular to the Department of Energy and Climate Change, and returns being made by one supermarket chain. Which one is it?

Mr Madderson: I am not at liberty to give that information. It was privileged information given to me, but I am sure that, if you were to ask the Department of Energy, it would be able to tell you. It is one that is operating in Northern Ireland.

The Chairperson: That is OK. It is just that you raised it, so we might as well ask. You are the experts in all this. My father, God rest him, had a filling station. Those were the days when you had BP, MS and all those companies in the place. At that time, there were different qualities of fuel. You had the super, or supreme, and the standard fuel. Are there any differences between the grades or types of fuel that are sold? I am not talking about the illegal stuff; that is a matter for the police and Revenue and Customs. Anecdotally, I have heard people say that some fuels give more economy than others that are bought at a different outlet. I wonder whether those types or qualities of fuel still exist, or is there a distinction between the qualities of fuel that can be provided?

Mr Madderson: One of the retailers might like to answer that question.

Mr David Cox (Texaco): I will try to answer it as best I can. The additive that is put in at the terminal makes a difference. Texaco has an additive that is injected into a base product at the racks before it goes into the tanker. I would have said that BP supreme or the premium unleaded fuels are superior, cleaner products than the base products drawn from the terminal. So, yes, I think that there is a difference.

The Chairperson: So, when people buy at one outlet and compare the productivity or economy of that product with a product from another outlet, that anecdotal evidence, for want of a better term, could be a sound observation on the part of individuals?

Mr Cox: Definitely. A very base product diesel could have been prone to freezing during that couple of bad winters that we had, but a premium brand with a proper additive should not have given any trouble.

The Chairperson: Thanks very much for that.

When you refer to the grey market, I presume that you mean the illegal market?

Mr Madderson: Correct.

The Chairperson: That is OK. That clarifies that point for me.

You mentioned cash flow difficulties. Could you expand on that a wee bit more for me, please? What does it mean? You mentioned that oil companies get a 28-day deferment. Is that a deferment in the payment of VAT?

Mr Madderson: The 28-day deferment is historical. I do not know the reason why they have been given that deferment arrangement.

The Chairperson: Is it a deferment of the payment of VAT?

Mr Madderson: No. It is deferment of the payment of excise duty, which is currently 57.95p per litre. Oil companies get that deferred. However, all the oil suppliers insist on their customers, the retailers, giving some sort of financial guarantee. It might be through a bank or a lien on property, but it is at least some guarantee, because they are dealing with big numbers. They then pay that duty to HMRC within the 28-day deferment period. However, as far as the retailer is concerned, they will have to pay that, generally speaking, within one or two days by direct debit. I do not know whether it is the case in Northern Ireland, but some larger retailers or groups can negotiate a week's extended payment terms, but at a cost; it does not come free. So, the baseline is that the retailer has that money taken out of their bank account within one or two days of the supply being effected, but they do not then recover that from their customers for some days.

The Chairperson: OK. Thanks very much for that.

Mr Dunne: Thank you very much, lady and gentlemen. Apologies for keeping you waiting for so long. I have just a couple of points. We all recognise that you have made an investment at your various sites in Northern Ireland. I would like to put that on record. I live in the north Down area, and I do not travel extensively. In north Down, we have seen considerable investment in Holywood, Bangor and Donaghadee in the filling stations, which are obviously supplemented by the mini supermarkets. Are those mini supermarkets vital to the survival of the business? Are they the key to survival?

Ms Una Lilley (Topaz): Absolutely. Quite honestly, there is very little money, if any, to be made on fuel by the time you pay for the administration that comes along with it. That is why you do not see filling stations in Northern Ireland without shops attached. Am I right in saying that the one that you mentioned in Cookstown is an unmanned site?

The Chairperson: Yes.

Ms Lilley: It is a company-owned site that has no overheads.

Mr Dunne: We recognise the investment. I have noticed it in our area quite a bit over the past 10 years, and that is to be welcomed, especially during the downturn in the economy. The mini supermarkets take on a life of their own and draw people out of the town centres, but they also suit a lot of customers, who can drive down, get convenience shopping and move on.

We see the difficulty that you have in selling fuel to the public, who go to the supermarkets to buy their fuel. It comes down to pounds, shillings, pence and competitiveness. Where I live, some of the major independents have invested heavily, but the supermarkets are half a mile up the road. Unfortunately, people are not filling their tank at the independents, and that is the big challenge and the issue that you are trying to address.

What more can be done? The man in the street says, "Why do they not reduce their costs and be competitive with the supermarket half a mile down the road?"

Mr Madderson: One reason is that the supermarkets do not apply full costing to a forecourt operation. It sits as a gross margin contributor within the entire store operation. So, the business rates, energy costs, labour costs and financing costs will all be taken by the main store. They will not, as an independent has to, apply full costing to their forecourt. If they did, they would probably find that they were in negative margin even though they can buy more effectively than we can.

Mr Dunne: So, they are running as a loss leader on the fuels.

Mr Madderson: You are absolutely right, and they admit to doing that. I think that that is irresponsible; they can do that with baked beans or washing powder. In a press release, the Australian commission said that, if the supermarkets want to look after consumers and benefit them, for heaven's sake, give them cheaper food and cut the price of milk, bread, eggs, baked beans and washing powder, but do not do it on fuel because that will wipe out all the independents and reduce the consumer's choice, availability of facilities and protection, should there be any disruption to supply at any time.

Mr Dunne: Generally, do you think that the Northern Ireland Government have been supportive of the supermarkets, even in planning legislation? Has that been an issue?

Mr Terry Mulherns (Maxol): Looking at it from an independent retailer's point of view, that appears to be the case. On the face of it, that seems to be the case with their planning decisions for the large supermarkets. On one side, we are told that we cannot develop in rural places because we are taking away from town centres, and then, six months later, a large multinational will open up outside the same town centre. I imagine that it is because they can afford to go through the appeals process and have deep pockets, whereas independent retailers do not have that and have to work with the local planning office.

Mr Richard Law: All the profits that multinationals make go back to England somewhere, whereas, if it was kept in the local communities, it will be spent again in the local communities. Twenty years ago, we did not have any hypermarkets over here. We still have the same population roughly and the place is now full of hypermarkets.

Mr Dunne: You talked about a tax rebate. Is that a realistic option?

Mr Madderson: Yes. Danny Alexander, the Chief Secretary to the Treasury, has called for information. I think that about 17 areas in Northern Ireland were highlighted where retailers would have the opportunity to register a 4p or 5p a litre duty rebate, as commenced in the western isles of Scotland on 1 March 2012. Treasury was looking to extend that to certain areas of the mainland — three in England, four in Wales and nine in Scotland — and 17 in Northern Ireland. That was roughly the make-up. However, from my most recent discussion with the deputy director of the Treasury, I understand that interest in the scheme from Northern Ireland retailers was minimal because the price threshold that Treasury set was almost unobtainable. The same has happened in Scotland. I spoke to the head of the Highland Council in Inverness, where only 18 out of a possible 98 rural filling stations even applied to register for that new scheme because they could not meet the price threshold levels. Those were set at about 6p a litre above the national averages in each of the three months for which you had to register and provide pricing information. My guess is that the Treasury did not want the scheme to come in. It set the pricing bar very high. Very few, if any, will be granted in Northern Ireland.

You still have the same issue as the western isles: the oil company suppliers tell me that it costs more generally to get fuel into Northern Ireland than it does to most of their sites on the mainland because they have pipelines. The whole of the UK is covered by fuel pipelines. The Chevron refinery at Milford Haven has a pipeline to London and one up to Manchester. Esso Fawley has a pipeline to the midlands and East Anglia. Shell and BP also have pipelines. Everything has to come to Ireland by short sea tanker to Derry or one of the three terminals in Belfast. That costs more money. If that is the case, why should you not apply for the whole of Northern Ireland and say that you are an island community? In effect, geographically, it is. You have the same issues as the western isles of Scotland, albeit to a lesser degree. You should put in for a 1p rebate. Why not?

Mr Dunne: That is food for thought. Thanks very much.

The Chairperson: We just found out that Grangemouth refinery does supply fuel to Northern Ireland.

Mr Madderson: Well, you ought to be very careful. You need to look at where that is coming in and at what sort of volumes, and the contingency plans that are being put into place by the oil companies that bring in the fuel so that you do not run short here. I was advised this morning — this is not scaremongering — that Westminster is taking that issue very seriously. I broadcast through the trade publication 'Forecourt Trader'. I sent out an e-newsletter advising all retailers in Scotland to increase their stocks to at least 54% of their normal weekly usage, starting immediately.

The Chairperson: It would be helpful if we could have sight of that e-newsletter that you referred to.

Mr Madderson: Yes. Who shall I send a copy to? I can do that this morning.

The Chairperson: Send it to the Committee Clerk, please.

Mr Flanagan: You are all very welcome. Una, I am more interested in your ice cream than your petrol and diesel, but that is my flaw.

The arguments around fuel duty have been very well made for a number of years. It is one small aspect that we need to continue to do. One of the bigger problems facing independent retailers is around the whole issue of economies of scale, particularly in the border area, where they really do not sell the same quantities of fuel as they would in other areas. Patsy talked about Cookstown, where people will go to a filling station and fill their tank. However, if you go to somewhere like Enniskillen and most other places in Fermanagh, you will see people putting in a tenner or £20 — enough to get them across the border to the South to fill up because it is a wee bit cheaper there. What can be done to resolve that problem to help local independent retailers here?

Mr Madderson: Nothing, other than duty equalisation for diesel. I believe that the Republic has a much lower level of duty on diesel, which is the same as exists in many countries on the near continent. I used to have filling stations in Kent and around Dover. We got very little business from trucks because they have 300-litre, long-range tanks. They fill up in Luxembourg, where they pay tax on diesel at 30% of the UK level. Westminster needs to recognise that problem. I have raised it with them time and again. I reckon that the Government lose £1.5 billion a year by allowing those trucks, with four long-range tanks, to come into the UK. The Government miss out on all that duty and VAT. Yet we charge them nothing to come into the UK and use our roads. On Sunday night, my car was involved in a crash with a Polish left-hand drive van, which was on the wrong side of the road, so I am particularly against them at the moment — that is one of the problems with living in Kent. These drivers come in with their trucks, and they can make two round trips from Dover to Edinburgh without refilling. They are killing the haulage trade, so any pressure that you can bring to bear on Westminster to introduce a differential on diesel, as the Republic and some continental countries have, would be good.

Mr Flanagan: Would you be keen to explore the possibility of transferring the setting of the rate of fuel duty from Westminster to our Executive so that we could make a decision locally on what, in the best interests of everybody here, the rate of fuel duty should be?

Mr Madderson: I do not have a problem with that.

Mr Flanagan: You said that the Westminster Government should bring in a rebate of a penny a litre, but fuel is 8p or 9p more expensive in some parts of the North than in others — that is without even going across the border. A rebate of a penny a litre will not sort out the whole problem. What other action needs to be taken to deal with the other issues?

Mr Madderson: You have named one, which is the duty differential between the Republic and the North. Certainly, the ready availability of illicit, laundered and smuggled fuel is another. We work very closely with HMRC over here. We work with Pat Curtis, who is HMRC's national oil leads for special investigations. We work to bring in stiffer penalties and to have yet more involvement in seeking out illicit laundering activities. I gather that another one was discovered yesterday. So it is pretty prevalent and another area that needs to be addressed. Also, be wary of the supermarkets selling

below cost and discounting fuel. We think that that is irresponsible. I am sure that you can do something about it here.

Mr Flanagan: Have you assessed the possible increase in fuel bought locally if the rate of duty were to be harmonised across the island of Ireland? Could you do that?

Mr Madderson: Possibly, but we have not done it.

Mr Flanagan: Will you find out whether you could do that, because it would help with our evidence base? We put forward the argument that fuel duty should be harmonised, but the response was that it would cost x millions of pounds a year. We then put forward the argument that, because fuel duty would be harmonised, fewer people would cross the border and the tax would, in fact, go up.

Mr Madderson: It would certainly impact on smuggled fuel, too. Yes, we could talk to Pat Curtis at HMRC. I am meeting my opposite number for the Republic, David Blevins, next month, so I am sure that we could work up a small paper on that. If you would like to confirm that to me, we will do something for you.

Mr Flanagan: How much support does HMRC give to your members or to small retailers? I am working with a guy in Fermanagh who is an independent, non-branded petrol and diesel retailer. He had a significant quantity of fuel taken away because someone accidentally put red diesel into their car, and HMRC came out and took the whole lot off him. There is no avenue open to him to get that back. Is there anything that can be done to get HMRC to work better with retailers who are not in the wrong instead of imposing harsh penalties on them?

Mr Madderson: We have a good, close working relationship with HMRC. We could take that example up with HMRC if you would like to channel it through to me formally.

Mr Flanagan: This is my final but, probably, most important question. What would you like the Assembly to do to help small, independent, locally owned retailers? As you said, the more money that goes through them, as opposed to the supermarkets, the more money stays local and creates local jobs and local spend. I, and presumably all members, would be keen to further support those retailers. What can we do specifically to help them?

Mr Madderson: There are four retailers here. I will ask them to comment on that.

Mr Law: The two main things are, first, that supermarkets should stop subsidising their shops and selling below cost. Secondly, something needs to be done about the amount of smuggled fuel coming in because it is still a big problem.

Mr Flanagan: Do you have any idea how you would solve the first problem of cross-subsidisation?

Mr Law: Is it right that the supermarkets sell below cost? Is that fair trading?

Mr Flanagan: It is probably not sustainable.

Mr Law: It depends on the turnover in their shops. They turn over tens of millions of pounds every month, so they can sustain it.

Mr Flanagan: No, I mean that it is not sustainable for other retailers. The supermarkets will do that for as long as everyone else exists, but when everyone else goes, the price will shoot up again.

Mr Law: That is correct.

Mr Madderson: We are looking at the Aberdeen example. Fifteen years ago, there were about 35 independent retailers; today, there are none. None? In Aberdeen, the oil city of Scotland? The supermarkets have killed them all. I have provided some of the evidence from our retailers to the Office of Fair Trading.

Another example comes from the Midlands, where there were five independent retailers, but Tesco came in and blew them out with lower pricing. Now, only Tesco is left, and its prices are higher than some independents a little further away.

When supermarkets blow out the independents, they have no competition, so their prices go up. The result is queues at supermarket drive-throughs right back to the main road because there are no other opportunities to buy fuel locally.

Mr Douglas: Thank you for your presentation. Do you not think that you are picking the wrong battle by focusing on the likes of Sainsbury's, which, as you mentioned, is cutting its price by 10p a litre? Over the years, in my constituency of East Belfast, people have continually asked me why the area does not have more retailers. I support buying local, but the same people who ask that question take taxis to supermarkets because they are cheaper. It is impossible to do anything about the subsidising that you mentioned because the supermarkets now sell insurance and bicycles, never mind food. Where do you stop and start on this? Do you try to stop them selling bicycles? Asking people not to shop at supermarkets is a very difficult sell. I was going to say that people will vote with their feet, but they will vote with their tyres. The fact is that the cheapest prices are in the supermarkets.

Mr Madderson: With respect, all the items that you mentioned are not items of national security. There is no emergency plan for bicycles or for insurance, but there is for fuels. That is the key.

Mr Douglas: That is one element of it, yes.

Mr Madderson: So the supermarkets are, we believe, irresponsible in taking a product that is governed by national security and selling it below cost. In doing so, they wipe everyone else off the face of the earth, as they have done in many areas.

Mr Douglas: That is a fair point. The other issue is that, in my experience over the past couple of years, a different trend in shopping has emerged. People used to go out once a week to fill their boot with shopping and get petrol at the same time. People, including my family, now shop two or three times a week. I shop at our local petrol and diesel retailer, not just to support local business but because some of their products are far cheaper than those in the supermarkets. So is it also about building on that because that will attract people. People go to get cheaper and, may I add, quality food. They would rather do that than nip two miles up the road for cheaper petrol.

Mr Madderson: One of the key areas is that a forecourt takes a lot of investment. Pumps, tanks and pipelines all have to be double skinned to prevent any environmental damage. There is also the cost of the surface of the forecourt, the lighting and the alarm system. In many instances, the forecourt requires a far bigger investment than the shop. However, retailers are not making any money to reinvest when next they have to completely upgrade their forecourt. If they are making very little or no money, they will think twice and close.

Mr Douglas: Richard, you mentioned the problem of smuggling. I know that that has been a big problem for Northern Ireland, but is it still a big problem?

Mr Law: I think that it is still a problem in Northern Ireland.

Mr Frew: The price differential across the Province came to light when the Committee was told that petrol in Ballymena was dearer, or cheaper, than in Coleraine or Belfast. Assuming that the cost of transporting petrol is a big factor, you expect that petrol stations further from the docks or the main city will be more expensive and that petrol will become cheaper as you come towards the main docks or cities. I suppose that it would assist your argument about the scorched earth policy of the supermarkets that local competition is bringing the price down. We know how the supermarkets function and how they are organised. Can you explain the difference between petrol stations aligned to oil companies and those that are independent forecourts? How are the independents organised? Are they totally individual?

Mr Cox: First, I see your point about the differential. The public perception seems to be that someone in Lisburn pays more than a guy living in Cookstown, but the guy living in Cookstown is getting a fantastic deal and paying below cost. I will give you an example: just last week, on 1 October, if I had matched Tesco and Sainsbury's, which operate within four miles of my business, I would have made a gross profit of £28·80 from selling an entire road tanker of fuel. I was, in fact, 4p a litre dearer than

them. The price is driven primarily by a supermarket that wants to drive footfall in an underperforming store, such as the one in Craigavon, which is not doing very well. If the supermarket takes 10p off a litre of fuel, the whole place is buzzing — it has an effect. However, independents cannot afford to take 10p off, so when they take a hit on fuel, they lose money and go out of business. That is the concern for an independent.

Mr Frew: Sorry for my ignorance about how an independent works, but do you set your own price, Mr Cox? Is that in your control, or are you forced to sell at a certain price by the company from which you buy?

Mr Cox: I am not told to sell at a certain price by my suppliers. Realistically, the market determines the price, and there are a lot of markets within Northern Ireland. Bangor, for example, can be very competitive. With a lot of hypermarket competition concentrated in Bangor, the big loss leader for supermarkets is the fuel to bring people in. As Brian said, you see this happening when the supermarkets decide to have a go at one other by way of a bit of a price war. It sort of flutters out in the surrounding area, but it kills the independents. So when prices come back up again, two independents might have gone out of business. It is a misconception, really, that people are being overcharged in a certain area. They are not being overcharged; they are doing extremely well and buying below the cost price that I pay. People are buying petrol for less than I can buy a tanker load in Cookstown. Perhaps, that goes a wee bit towards explaining the price differential in the towns and regions.

Mr Frew: Yes. You are with Texaco. Are you linked with any other independent Texaco forecourts?

Mr Cox: No. I am a stand-alone, one-man-band family business.

Mr Frew: So you really are independent: you live or die on the petrol that you sell.

Mr Cox: Yes.

Mr Frew: You will be aware of the Groceries Code Adjudicator, who has come in to investigate items that supermarkets sell. Fuel is not one of those items. Did you do any work with the Government to try to get fuel on to that list so that the adjudicator could scrutinise it?

Mr Madderson: Yes, but, of course, all the supermarkets' figures were completely erroneous at the time. Unfortunately, the Office of Fair Trading was looking at a graph on which — look at the ones that I supplied to the Committee — it looked as though, according to the official figures, the fuel sold through supermarkets had been levelling off over the past four years. So the OFT said that the market was working well and that there was no real cause for its involvement. However, the latest set of figures shows that the supermarkets' growth has continued unabated, and they now have virtually 50% of the petrol market. According to the OFT's criteria, that amounts to at least an oligopoly, if not a monopoly. So, through the Government, we are pushing the OFT to reopen the situation now that we have those new figures available to us.

Mr Frew: Are you pushing hard on that?

Mr Madderson: Yes, we certainly are.

Mr Frew: Although the Groceries Code Adjudicator has certain teeth, she will not affect prices. On food, for example, she cannot help producers get a better price on an individual product, but she can look at the practices that supermarkets use. Do you think that, even if her remit were to include fuel, she could make a big difference?

Mr Madderson: I think that, as we are likely to see in Australia, there will be action to prevent supermarkets using fuel for discount purposes.

Mr Frew: You talked about a tax rebate of a penny per litre. Of course, in my party, Nigel Dodds MP has pushed vigorously to get tax reduced in the UK overall and for Northern Ireland to be a special case. In light of what we receive from the Barnett formula, I imagine that that would always come at a price. As you mentioned, our reason for arguing for that is that we are different from GB, in that we do

not have pipelines everywhere. Electricity is now interconnected throughout Europe, so what has stopped an oil company laying a pipeline to Ireland or Northern Ireland?

Mr Madderson: I imagine that it would be the investment costs. You would have to ask the oil companies.

Mr Law: I suspect that it is also because the lack of population means that not a high enough volume would be involved.

Mr Frew: So it just would not be viable.

You mentioned the work that you do to pressure and lobby the Office of Fair Trading. Yet, we have a report — do not ask me the year or type — from the Consumer Council. In its conclusion, it states:

"The OFT report indicates that the presence of a supermarket fuel retailer has a positive impact on pricing within the areas in which they are located."

When the OFT uses language like that, you can see the whole population heaving a great sigh of relief and saying, "Good on you, supermarkets". The supermarkets would also say that they are not the problem because they have only 7% of the stores in Northern Ireland and 27% of the market share. How would you counter that?

Mr Madderson: I would certainly raise a query about the 27% of market share. If the supermarkets' share of the UK market has gone from 39% to 47% and one of the companies — the company — that created that change is located in Northern Ireland, I suspect that their overall share in Northern Ireland is more than 27%. I would not hazard a guess at what it is, but I suspect that it is greater than 27%. Work is being done to determine what the new figure is.

I find the Office of Fair Trading a completely disappointing organisation, in as much as it is consumer biased. Any treatise from other Departments, such as the Department of Energy and Climate Change's work on national security, appear to have carried no real input.

Mr Frew: The Consumer Council, in its conclusion to the report, also stated:

"Ending the practice of local pricing and giving consumers the best possible price for petrol and diesel would not only provide lower prices for consumers across Northern Ireland, it would also drive lower prices from other road fuel retailers seeking to remain competitive."

That is the view of the Consumer Council. Yet, Mr Cox said that getting a better deal regionally means that you are buying below cost, whereas everywhere else has a uniform cost. How do you counter that argument from the Consumer Council?

Mr Madderson: It clearly does not understand that fuel is a product that has national security issues associated with it. Fine, let the supermarkets fight it out for consumer benefit on baked beans, white bread and so on. Last year's Kantar report looked at the pricing level of basic items among the four main grocers in the UK and the same items, after currency conversion, in the four main supermarkets in Germany and France. In all cases, the UK was found to be substantially more expensive. I guess that is why Aldi and Lidl are having such phenomenal growth. They are providing these foodstuffs at a price that meets consumers' aspirations, whereas, in order to cross-subsidise fuel, the big four supermarkets are having to increase store prices. We showed the OFT an example of that. Last year, Tesco in Inverness offered a 50p a litre discount on five items: every time you bought one item, you got a 10p a litre discount, so, for five items, it was 50p. Four of those five items were cheaper in Asda and Morrisons in Inverness at the same time as Tesco was running that fuel promotion. That is bad for consumers because those who are unable to drive — the infirm, the elderly etc — pay more in supermarkets than they need to.

Mr Frew: My last question relates to that point. When you put the question of regional pricing to the supermarkets, they say that it is all down to footfall: lower footfall in a store means that they have to put their prices up. I take it that you would say that they are involved in a scorched earth policy in which they are trying to do away with the competition to get a full monopoly? Is that right?

Mr Madderson: Yes. I do not know that it is as blatant as a scorched earth policy, but, as Richard and David said, underperforming supermarkets, or those with very strong local growth targets, will try to use fuel as the driver for increased footfall.

Mr Frew: So it is not a direct attack.

Mr Madderson: It is not necessarily a direct attack, but I guess that that is the unintended consequence.

The Chairperson: I hear your strong message about the national security of fuel. The Committee is conducting an inquiry into energy, which is another major item of national security. An argument that is taking shape and can be put forward is for increased intervention by way of price regulation. Do you have any thoughts on that?

Mr Madderson: Not specifically on an intervention policy on fuel. I would have to ask the retailers for their views on that. We have not addressed that in any significant questionnaire to our members, but we could do that.

The Chairperson: You placed emphasis on Australia and concerns about escalating shopper docket discounts — there is a nice bit of alliteration running through that one. Ultimately, if the Government are to make an intervention, it has to be by one or two of the methods available to them. One of those could be the regulation of pricing.

Mr Madderson: We will take the question back with us, sir.

The Chairperson: So you will consult your members before answering that question?

Mr Madderson: Yes.

Mr McKinney: Mr Cox is an independent trader. To what extent is there multiple ownership of sites by individuals?

Mr Madderson: In Northern Ireland, there are very few. The Henderson Group is the largest by some distance, and I think that it has 60-plus sites. The next largest is the oil company Maxol, which probably has 20-odd sites. As far as the independents are concerned, after that, the most that you might have is someone owning one or two sites.

Mr Law: That would be about right.

Mr Madderson: So, apart from those two, just ones and twos.

Mr McKinney: I understand the difficult position that you find yourselves in. However, as Mr Douglas pointed out, hard-pressed families are finding it very difficult in the current economic situation, particularly in rural areas such as Northern Ireland, so they will look for an opportunity to get a deal. I appreciate the margins that you operate under, but is there any room for you to take the supermarkets on at their own game and employ some loss-leader tactics that would benefit your consumers and potentially increase footfall?

Mr Law: We do that through shop offers that continually change. We run offers on bread, milk, baked beans and so on. However, unfortunately, the big attraction is fuel, and that is why the hypermarkets get away with it.

Mr McKinney: What about other economies of scale that are open to you? Would, for example, buying fuel in bulk communally be an option?

Mr Law: No. We cannot take on the supermarkets.

The Chairperson: Thanks very much for being with us today. A number of issues were raised. I think that we will wait until next week when the Hansard report will be ready. We will work our way through that as a Committee and see what issues we should raise further. Your comments about the urgency

of the situation and Grangemouth have been well heard, and we will establish the factual situation of the supply that comes into the North and make representations pretty pronto.

We will keep you informed about what we are doing, specifically on the issues and concerns that you raised. I am sure that the Committee has your contact details, but, if not, perhaps you would supply them to a member of the Committee staff on your way out. Thanks very much for your time.

Mr Madderson, sorry about the earlier mix-up over your identity.

Mr Madderson: That is fine. Thank you very much, Chair.