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Translink Fuels Procurement Strategy

Management of Fuel Price Exposure

Purpose of Submission

To outline the strategy relating to the management of fuel price exposure relating to Derv and Gas Oil used by Translink in the delivery of public transport services in Northern Ireland

Separate procurement arrangements are in place for the physical fuel stocks.

Introduction

Translink, covering Ulsterbus, Metro and N I Railways annually uses almost 40 million litres of fuel, 70% being Derv to a blend of 95/5 bio-diesel. The remainder is Gas Oil, currently 1000ppm. The approximate annual fuel bill is £32m. and represents approximately 30% of operating input costs. The policy is designed to reduce the risk of fuel price movements in the forthcoming business period.

Coverage

Translink will ensure that at all times a rolling minimum of at least 5 quarters forward fuels coverage is in place. It is recognised that that this will overlap annual financial accounting periods.

It is anticipated that any such protection that is put in place will cover a minimum of 90% of the anticipated volumes to be used during the relevant period and up to a maximum of 95%.

Protection may be taken on both Derv and / or Gas Oil, according the state of each particular market at the point in time.

To ensure that the strategy is fully up to date the Purchasing Manager, or his nominated appointee, will monitor the market on a regular basis. The Director of Finance will be regularly informed of market developments.

Should market conditions be favourable, action to cover forward for a period in excess of 5 quarters may be taken at any time under the authority delegated to the Director of Finance. Such period of cover would not exceed 8 quarters.

Legal Obligations

At all times Translink will operate within the EU Procurement Regulations as implemented in the United Kingdom by the Utilities Regulations 2006.

Translink will keep advised its sponsoring department, namely the Department for Regional Development of any such commitments made within strategy.

Translink will only contract with recognised United Kingdom based financial institutions.


All contractual documentation will be authorised by the Director of Finance on behalf of Translink

Professional Advice

Translink will seek external independent advice as to the integrity, effectiveness and timing of any such proposal to protect the long term fuels pricing position.

The professional advisors will go to the market on behalf of Translink, having received instructions from Translink, to secure best terms for the instructions.

The professional advisors are remunerated by means of an annual fee, payable by Translink.

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Approvals Process

Authority is delegated to the Director of Finance to authorise such actions as will commit the Company to enter into financial arrangements to protect the long term fuels pricing position. Where practical the Director of Finance will appraise the Group Chief Executive of the position prior to commitment

Such actions will be reported by the Director of Finance at the earliest opportunity to the Translink Executive Team and NITHC Board.

Stephen Armstrong
Director of Finance

9th March 2008