

THE HIGHLAND COUNCIL

PLANNING ENVIRONMENT AND DEVELOPMENT COMMITTEE

Agenda Item	12
Report No	PED 61/13

18 SEPTEMBER 2013

RURAL FUEL REBATE SCHEME EXTENSION

Report by Director of Planning and Development

Summary

This report brings Members up to date with UK Government proposals to extend the Rural Fuel Rebate Scheme to remote rural service stations in the Highlands. The report asks Members to homologate the submission made to HM Treasury on behalf of the Council, attached as an appendix to this report.

It is a Council Programme commitment to campaign for fair fuel prices across the Highlands.

1. Background

- 1.1 At the 2012 Autumn Statement the UK Government announced that it was considering whether to seek EU approval for an extension to the current fuel rebate scheme. As part of this work, on 1 August 2013 a Call for Information was made by HM Treasury to fuel retailers, to help identify the fuel costs in remote areas. HM Treasury want to identify areas where prices were consistently at or above defined average levels, i.e. 139ppl unleaded and 145.5ppl diesel in December 2012. In addition, they want fuel retailers to provide copies of their business records to enable verification of the pump price data provided. The Call for Information ended on 4 September 2013.
- 1.2 Detailed work was undertaken as part of the Experian Catalyst Study into Fuel Prices in the Highlands and Islands in 2009. This report identified specific areas in the Highlands, namely Lochaber, Lochalsh, Wester Ross and North West Sutherland where the price of fuel was 10-13ppl more expensive than the UK average. Unfortunately there has been no continued monitoring of fuel prices, with the information gathering process for the proposed extension being dependent on data provided by individual fuel retailers. The Council has been asked to assist with the identification of potential eligible sites, and TEC Services, through their Trading Standards Unit, who manage a database of sites currently operating, has been able to identify 74 potentially eligible sites. Using this information the Council has written to fuel retailers, encouraging them to respond to the call for information from HM Treasury. Knowledge amongst fuel retailers of the call for information, and of the need to make a submission by 4 September, has been patchy. There has been a general lack of publicity regarding the Treasury's proposals, which the Council has tried to

counter by producing a press release informing fuel station operators of the imminent proposal to extend the rebate scheme. This also happens to be the busiest time of the year for many of these retailers, and means that there is a possibility that many may not be in a position to respond within the timescale. The Council has requested that the timescale for submissions be extended, however at the moment HM Treasury is reluctant to do this, citing the need to get the EU to consider the case at the earliest possible opportunity.

2. Current Situation

- 2.1 The current rural fuel rebate scheme recognises that pump prices in island areas of the country are particularly high when compared to the UK average. This can be put down to the higher cost of transporting and distributing fuel in these isolated communities. A low volume of sales also contributes to retailers needing to charge higher prices in order to meet their fixed overheads. Any extension to the scheme will provide support to remote mainland areas that experience high pump prices for similar reasons. Although the Call for Information seeks data from individual sites, the final extension proposal will be based on geographic areas with similar cost characteristics to the islands and not on individual sites.
- 2.2 The Council's letter to HM Treasury following receipt of the Call for Information, welcomes the proposal to extend the rebate to remote areas of the mainland. It reflects the Council's view, contained in the Council's programme, "Working together for the Highlands," that the Council will work with partners to campaign for fair fuel prices across the Highlands.

3. Conclusions

- 3.1 The proposed scheme is welcomed and aligns with the Council's written requests to the Chancellor of the Exchequer to include areas of the Highland mainland as part of the original fuel rebate scheme.
- 3.2 A letter expressing the support of the Council for the extension of the Fuel Rebate Scheme has been sent in order that it met the deadline for submissions of 4 September 2013, set by the Treasury.

4. Implications

- 4.1 There are no Resource; Legal; Equalities; Climate Change/Carbon Clever; and Risk implications in this report.

5. Recommendation

Members are asked to:

- i) Welcome the proposal to extend the rural fuel rebate scheme to the Highland mainland; and to,
- ii) Homologate the contents of the letter sent to HM Treasury, as contained in appendix 1 of this report

Designation: Director of Planning and Development

Date: 28 August 2013

Author: Kenny Macinnes

Background Papers: Proposed extension of the rural fuel rebate scheme: Call for extension

Dharminder Chatta
Head of Motoring Taxation
Environment and Transport Taxes
HM Treasury, 4/09,
1 Horse Guards Road,
SW1A 2HQ

Please ask for: Stuart Black
Direct Dial: 01463 702251
E-mail: stuart.black@highland.gov.uk
Date: 3 September 2013

Dear Mr Chatta

Consultation Proposed Extension Rural Fuel Duty Rebate Scheme

The Highland Council would like to express its support for proposals to extend the rural fuel duty scheme to the Highland mainland. At the time of the previous consultation process, that informed the introduction of the original rebate scheme, we underlined our belief in the need for the scheme to include remote mainland areas. We welcome the Government's recognition of this, and we would like to make a number of points in support of the proposal.

Section 1.2 of the consultation document explains that only areas with similar cost characteristics to the islands will be eligible to apply for the rebate. At the time of the previous consultation we provided data, collected by Experian Catalyst, that clearly demonstrated that in areas, mainland or island where the population is low and geographically remote, higher costs of transportation and fuel distribution will lead to customers being charged a higher price to buy fuel, whether petrol or diesel. At that time fuel was 10-13ppl more expensive in the Highland sites surveyed, (Lochaber, Lochalsh, Wester Ross and North West Sutherland), than the UK average. The average for Kirkwall, Stornoway and Lerwick was 11-12ppl above the UK average. With the introduction of the rebate scheme for island areas we believe that new data you are currently collating, referred to in section 1.3 of the consultation document, will illustrate an increase in the disparity between remote mainland areas and the islands. In support of this data collection process we have assisted with the identification of potentially eligible sites, and are happy to help you, in any other way we can, to develop the scheme for remote mainland areas.

We note that the finalised proposal for the rebate extension will be based on geographical areas, and not on individual sites. In our response to the previous consultation we identified sites in Lochaber, Wester Ross and Sutherland that had similar characteristics. There was at least 30km distance between filling stations, and there was a minimum of 60 km to a supermarket. The Council would like to see these areas recognised as being the basis for a fuel duty rebate scheme in the Highlands.

The price of fuel, particularly in our remote areas is of crucial importance to the Council and our communities, and a commitment to work with partners to campaign for fairer fuel prices across the Highlands, is a key priority of the Council's programme. Furthermore, the issue of the closure of rural filling stations is one which has concerned the Council for several years now. It has an impact on community viability and also on the tourism sector. The extension of the scheme will go some way to ensuring the supply of fuel at more affordable prices, to rural and remote communities throughout the Highlands.

The timescale that you have set out for the receipt of responses is extremely tight. The Council and its partners have undertaken to publicise the call for information, via a press release and also by writing to 74 sites we feel may be eligible for the rebate. During this process we have been concerned at the number of operators who were not aware of these proposals. The summer period is often the only time when many of these operators get an opportunity to generate any significant income from fuel sales and the other diverse products and services they need to trade in order to sustain their businesses through the winter. This makes it difficult to expect them to respond in such a short timescale. Furthermore, the way in which you have asked for the price data and business records to be supplied to you assumes a level of record keeping that many of these operators may not possess. If information is not forthcoming we suggest more support and time is given to the operators to provide evidence to you given the importance of this issue for our rural communities. It is our understanding that eligible areas may be chosen on the basis of postcode areas. There are at least 29 postcode areas with only one filling station and so if these stations do not make a return we are concerned they may miss out on the rebate.

The remote and rural areas of the Highland mainland are unique within the UK. The average population densities in the remoter areas of Lochalsh, Lochaber, Wester Ross and North West Sutherland are very low, with only 1.8 people per square kilometre on the west coast of the Highlands. They are recognised in European policy terms, as sparsely populated areas that qualify for specific measures and derogations. The inclusion of these mainland Highland areas would not significantly raise the costs of the proposed pilot scheme. The total volume of fuel sold in these areas is around 10m litres per annum, so the cost of including these areas would be circa £500k per annum.

Yours sincerely,

J Stuart Black
Director