



FEDERATION OF PETROLEUM SUPPLIERS LTD

Tel: 01565-631313 6 Royal Court, Tatton St, Knutsford, Cheshire WA16 6EN
Fax: 01565-631314 email: sh@fpsonline.co.uk

UPDATE ON THE CURRENT SITUATION REGARDING SUPPLY OF HEATING OIL

16 December 2010

Industry background

The Federation of Petroleum Suppliers Ltd (FPS) is the trade association for the oil distribution industry in the UK. It represents the majority of distributors in the UK from the small family business, which forms the greater part, to companies with UK-wide coverage. Deliveries go to domestic customers, retail forecourts, agricultural, marine, industrial and commercial sites for power, heating and transport fuel.

Order levels

Order levels are between two and three times the seasonal norm. Under normal winter weather conditions, deliveries are usually made up to five days after ordering. Because of the early onset of winter weather and some issues at that time with supply from terminals due partly to the unexpectedly high demand, current backlogs are up to 20 working days in some parts of Scotland. In England and Wales, the backlogs are still up to 10 days in some areas.

These backlogs are estimated on the basis of normal winter weather road conditions. The recent conditions reduced productivity to 30-40% of normal in some of the worst affected areas, with large numbers of aborted deliveries. For example, one vehicle in South Yorkshire took five hours to make a single delivery. Another in Scotland achieved only three out of 14 scheduled deliveries that day (normally, a tanker makes around 16 domestic deliveries in a day). If the weather causes any more adverse road conditions, these backlogs may unfortunately increase.

Customers without fuel

It is difficult to assess the number of domestic customers who will have run out of fuel but not receive supply before the Christmas break, but it appears likely to be not much above the numbers usually occurring because of a last minute pre-Christmas rush. Inefficient routing of tankers to deliver to people who have run out of oil has been another factor in decreasing productivity and, unfortunately, there have been the odd cases of customers saying they have run out when in fact they haven't, which has delayed refuelling of genuine runouts.

The difficulties in estimating the number of runouts is compounded by the probability of multiple ordering – customers ordering fuel from more than one supplier to hedge their bets in getting the earliest possible delivery.

Prioritising orders

Customers are being prioritised on the basis of need. However, it is not possible to tell if a customer is vulnerable unless they tell the distributor, he knows from previous dealings with the customer or is alerted by the local authorities. The most vulnerable often do not inform the distributor of their true position and the distributor only finds out when the driver reports back after making the delivery. Customers are asked if they have any other form of heating or if they have relatives who can help if they have run out. Most customers are honest but those that aren't increase the number of genuine runouts.

Some distributors have this week prioritised areas worst affected when it snows in advance of the forecast for more.

Return to normality

If there is no more bad weather and sufficient supplies are available, distributors estimate that they will be back to normal delivery patterns from early to late January, depending upon the area of the country and their mix of commercial/domestic customers. The FPS has already achieved a relaxation of the regulations governing the number of hours the fuel delivery drivers can work to help clear backlogs more quickly.