

Terms of reference and conduct of inquiry

Terms of reference

1. On 4 April 2012, the OFT sent the following reference to the CC:
 1. In exercise of its duty under section 22(1) of the Enterprise Act 2002 ('the Act') to make a reference to the Competition Commission ('the CC') in relation to a completed merger the Office of Fair Trading ('the OFT') believes that it is or may be the case that—
 - a. a relevant merger situation has been created in that:
 - i. enterprises carried on by or under the control of DCC Energy UK Ltd have ceased to be distinct from enterprises carried on by or under the control of Rontec Investments LLP, and previously carried on by or under the control of Total Downstream UK plc; and
 - ii. the condition specified in section 23(1)(b) of the Act is satisfied; and
 - b. the creation of that situation has resulted or may be expected to result in a substantial lessening of competition within any market or markets in the UK for goods or services, including the supply of oil products to multi-site non-bulk customers.
 2. Therefore, in exercise of its duty under section 22(1) of the Act, the OFT hereby refers to the CC, for investigation and report within a period ending on 18 September 2012, on the following questions in accordance with section 35(1) of the Act –
 - a. whether a relevant merger situation has been created; and
 - b. if so, whether the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within any market or markets in the UK for goods and services.

AMELIA FLETCHER
Senior Director, OFT
4 April 2012

Conduct of the inquiry

2. On 5 April 2012, we posted on our website an [invitation to express views](#) about the merger and received 12 responses which were posted on our website in May and June 2012.
3. On 8 May 2012, we posted an [administrative timetable](#) for our inquiry.
4. We invited selected competitors of DCC EUK and Butler Fuels to comment and fill out a questionnaire on the merger. We gathered oral evidence through hearings with selected third parties. Summaries of these hearings are on our [website](#).
5. On 11 May 2012, we posted an [issues statement](#) on our website.

6. All members of the Inquiry Group, accompanied by staff, visited a number of the parties' facilities in May 2012.
7. We received a written submission from DCC EUK and posted a non-confidential version on our [website](#) on 24 May 2012.
8. During the course of our inquiry, we sent DCC EUK some working papers for comment and considered a number of submissions from DCC EUK and other parties.
9. A customer survey was performed on behalf of the CC. The agency's report and presentation, alongside a report from the independent survey monitor, were posted on our [website](#) on 24 July 2012.
10. A non-confidential version of the provisional findings was placed on the CC website on 26 July 2012.
11. On 22 August 2012 we posted on our [website](#) a non-confidential version of the response to the provisional findings which we received from DCC EUK.
12. We should like to thank all those who have assisted with our inquiry.

Interim measures

13. On 4 April 2012 we adopted the initial undertakings accepted by the OFT from DCC EUK on 4 November 2011. These undertakings are published on our [website](#).
14. On 30 April 2012 we directed DCC to appoint a monitoring trustee, the directions are published on our [website](#).

Background information on the oil industry, GB Oils and Butler Fuels

1. This appendix sets out background information on the oil industry, GB Oils and Butler Fuels.

Consumption of oil products in the UK

2. The consumption of oil products in the UK has decreased from 73 million tonnes in 2005 to 65 million tonnes in 2010, representing an annualized rate of –2.3 per cent over the five-year period (see Table 1).

TABLE 1 Final consumption of oil products (2005–2010)

Product category	'000 tonnes						CAGR (2005–2010) %
	2005	2006	2007	2008	2009	2010	
Motor spirit	18,732	18,144	17,594	16,678	15,762	14,988	–4.4
derv	19,436	20,146	21,065	20,613	20,613	20,873	1.4
Gas oil	6,182	5,981	5,635	5,436	4,835	4,669	–5.5
Heating oil	<u>3,950</u>	<u>4,016</u>	<u>3,628</u>	<u>3,693</u>	<u>3,732</u>	<u>4,012</u>	0.3
Subtotal	48,299	48,287	47,922	46,421	44,943	44,542	–1.6
Fuel oil	897	1,046	1,325	1,327	1,005	1,056	3.3
Other petroleum products	<u>24,072</u>	<u>23,641</u>	<u>21,708</u>	<u>21,171</u>	<u>19,381</u>	<u>19,782</u>	–3.8
Final consumption	73,269	72,975	70,954	68,919	65,329	65,380	–2.3
Annual change (%)	0.8	–0.4	–2.8	–2.9	–5.2	0.1	

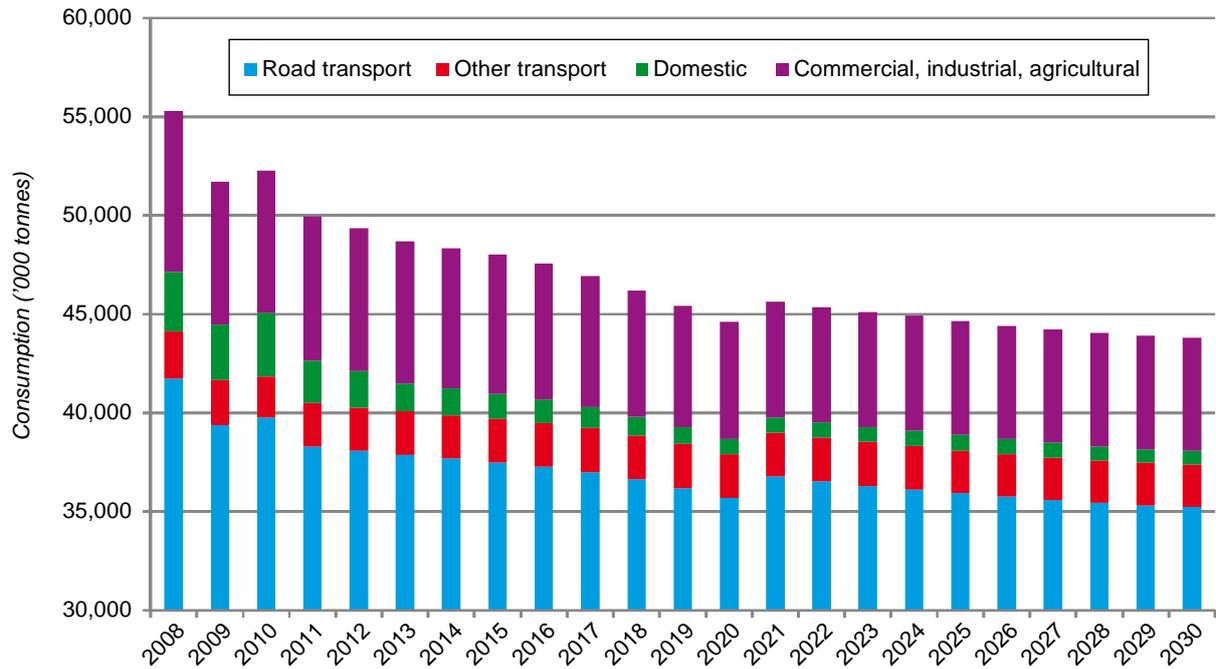
Source: The Department for Energy and Climate Change (DECC).

Note: Other petroleum products includes: ethane, propane, butane, other gases, naptha, aviation spirit, lubricants, bitumen, petroleum coke and miscellaneous products.

3. DECC maintains forecasts for UK oil products consumption. The central case from the most recently available forecast is summarized in Figure 1, indicating that the outlook for consumption is a decline of around 10 million tonnes to 2030, from 55 million tonnes in 2011 to 45 million tonnes in 2030. The central case represents an annualized rate of change in consumption of –0.7 per cent.

FIGURE 1

Forecast consumption by end market (central case)



Source: DECC.

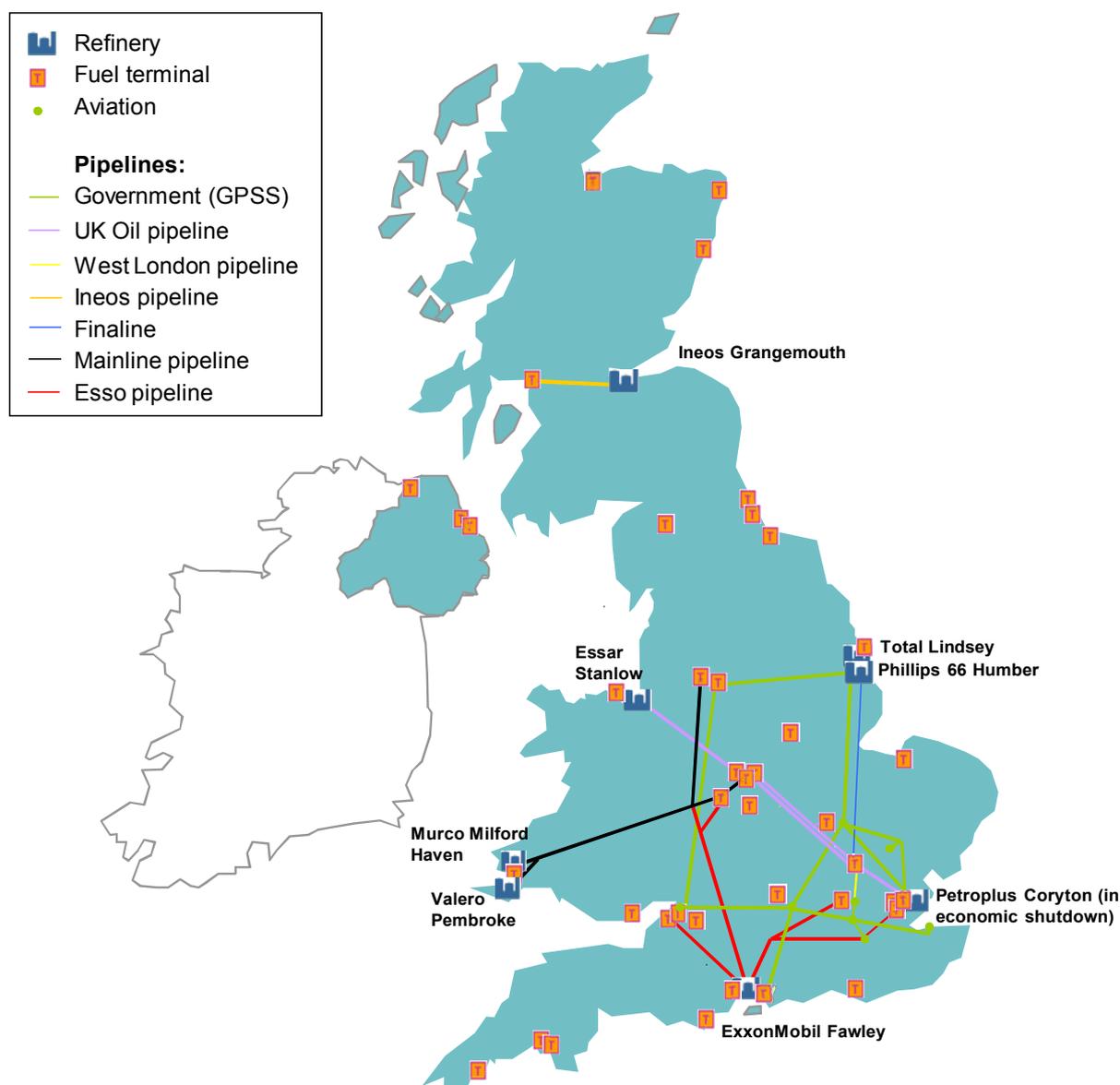
Note: 'Other transport' excludes international aviation.

Oil refineries and product distribution terminals

4. A map of UK refineries and pipelines and key product distribution terminals is show in Figure 2.

FIGURE 2

UK refineries and pipelines and key product distribution terminals



Source: UKPIA.

Notes:

1. The Coryton refinery has been shut down from June 2012, the Joint Administrators having failed to find a buyer for it and instead have sold it as a storage/import terminal to Shell/Greenergy/Vopak.
2. Indicative summary only: does not show all locations.

Background information on the parties

Profit and loss accounts

5. The tables below show the profit and loss account for GB Oils Ltd and Butler Fuels respectively as well as the financial performance of the Dealer business. Margins are shown in pence per litre (ppl).

TABLE 2 Summary profit and loss account for GB Oils Limited

	Year ending				
	Mar 2008	Mar 2009	Mar 2010	Mar 2011	Mar 2012
Revenues (£'000)	[X]	[X]	[X]	[X]	[X]
Gross profit (£'000)	[X]	[X]	[X]	[X]	[X]
Gross margin (%)	[X]	[X]	[X]	[X]	[X]
Overheads (£'000)	[X]	[X]	[X]	[X]	[X]
Operating profit (£'000)	[X]	[X]	[X]	[X]	[X]
Operating margin (%)	[X]	[X]	[X]	[X]	[X]
Gross margin (ppl)	[X]	[X]	[X]	[X]	[X]
Volumes (litres)	[X]	[X]	[X]	[X]	[X]
Gross Margin (£)	[X]	[X]	[X]	[X]	[X]

Source: GB Oils' Statutory Accounts for FY08–FY11, DCC EUK.

TABLE 3 Summary profit and loss account for Butler Fuels

	12 months ending		
	Dec 2009	Dec 2010	Dec 2011
Revenues (£'000)	[X]	[X]	[X]
Gross profit (£'000)	[X]	[X]	[X]
Gross margin (%)	[X]	[X]	[X]
Overheads (£'000)	[X]	[X]	[X]
Operating profit (£'000)	[X]	[X]	[X]
Operating margin (%)	[X]	[X]	[X]
Gross margin (ppl)	[X]	[X]	[X]
Volumes (litres)	[X]	[X]	[X]
Margin (£)	[X]	[X]	[X]

Source: Butler Fuels.

TABLE 4 Financial performance of the Dealer business

Ownership	Total		DCC	
	12 months	6 months	4 months	12 months
	Dec 2009	June 2010	Mar 2012	Mar 2013
Period	Actual	Actual	Actual	Budget
Sites (number)	[X]	[X]		
Volume (m litres)	[X]	[X]		[X]
Sales (£m)	[X]	[X]	[X]	[X]
Gross profit (£m)	[X]	[X]	[X]	[X]
Gross profit (ppl)	[X]	[X]		[X]
Haulage costs (£m)	[X]	[X]	[X]	[X]
Other overheads (£m)	[X]	[X]	[X]	[X]
Total overheads (£m)	[X]	[X]	[X]	[X]
Total overheads (ppl)	[X]	[X]	[X]	[X]
PBIT (£m)	[X]	[X]	[X]	[X]
PBIT (ppl)	[X]	[X]	[X]	[X]

Source: DCC EUK, Total.

Notes:

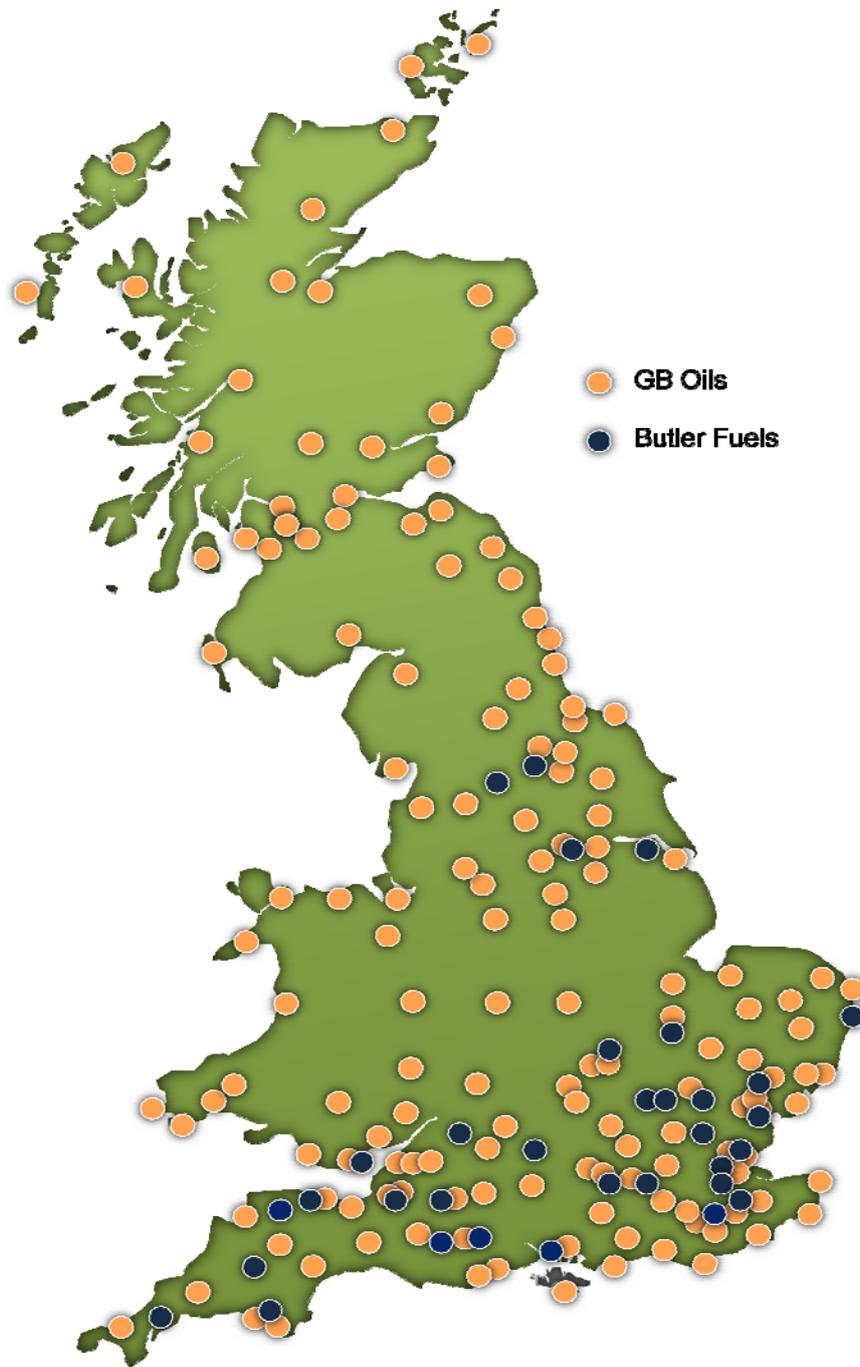
1. Results cannot be reliably compared across time periods due to different bases of preparation.
2. N/A = not applicable.

Depot locations for GB Oils and Butler Fuels

6. The locations of GB Oils' and Butler Fuels' depots are shown below in Figure 3.

FIGURE 3

Great Britain depot locations for GB Oils and Butler Fuels



Source: DCC EUK.

GB Oils' customer classification

7. GB Oils classifies its customers into the groups shown in Table 5. The largest customer groups are commercial customers and national account customers,¹ which

¹ GB Oils separately classifies national account customers.

together account for [X] of GB Oils' total volume but are only [X] per cent of customers.

TABLE 5 Breakdown of number of customers, volumes and value of sales by customer type (2011)

Market	Customers	Volume (million litres)	Total sales €m
Domestic	[X]	[X]	[X]
Commercial	[X]	[X]	[X]
Agricultural	[X]	[X]	[X]
National accounts*	[X]	[X]	[X]
Retail	[X]	[X]	[X]
Marine	[X]	[X]	[X]
Aviation	[X]	[X]	[X]
Other	[X]	[X]	[X]
Total	[X]	[X]	[X]

Source: DCC EUK.

*'National accounts' are customers that have formal contracts with GB Oils for their supplies of fuels. These customers are generally large purchasers, many (but not all) of which will require delivery to several sites.

8. Figure 4 shows GB Oils' product sales by four key customer types.² The GB Oils sales breakdown shows that domestic customers mainly purchase kerosene for heating, but there is a greater mix of products purchased by GB Oils' other customer groups, reflecting the diverse composition of these groups.

FIGURE 4

[X]

Source: CC analysis.

² Note that the customer types reflect the way GB Oils categorizes its customers and do not reflect the segments described in Section 6 of the report.

Local effects analysis

Introduction

1. This appendix summarizes the local filtering analysis that we have performed in relation to the distribution of fuels to analyse the extent to which the merger is likely to lead to a loss of competition (unilateral effects) at the local level.
2. The appendix is structured as follows. First we provide a description of the analysis undertaken to delineate local areas (ie catchment areas). Having established the relevant catchment areas, we then identify in which of these areas the merger parties' presence overlaps. We then use filters to identify the overlap areas in which there may be a competition problem. Finally, we analyse the extent of existing competition and the potential for entry in the possible problem areas in order to assess those areas in which there might be a (significant) loss of competition arising from the merger.

Catchment area

3. The catchment area analysis identifies the geographic area within which the suppliers derive a large percentage of their business. This allows us to identify the size of the local market as well as identifying the extent to which the merger parties overlap and compete with each other at the local level.
4. We used the merger parties' 2010 transaction data to identify an appropriate measure to delineate the catchment area.¹ For each party we used all delivered transactions to local customers and established the distances (in a straight line) within which 80 per cent of volume was delivered from each shipping point. We define local customers as those customers that take loads of less than 25,000 litres and that have only one site. We excluded bulk customers as they usually receive deliveries in full loads and are typically served by national suppliers, majors and traders (and are therefore not likely a concern—Appendix D). For each party we considered transactions from all its shipping points, ie depots, terminal or parking spaces.
5. Deliveries made from terminals and depots are likely to differ mainly because of the differences in customer mix and the density of the depot network. Deliveries made from depots with a lower density network will likely travel longer distances than deliveries made from depots with a larger density network. Deliveries made from terminals tend to travel further than deliveries made from depots as they are more often delivered on artic loads which can be used economically over a longer distance. We used site-specific catchment areas in order to account for variations between shipping points. In relation to the average delivery distance from a supply point, DCC EUK noted that in 2010 there was a particularly cold winter, which led to increased demand coupled with difficult driving conditions which hampered deliveries across the industry. It pointed out that deliveries would generally be made over shorter distances during high demand, while tankers would usually travel further when demand was low (but it did not comment on the extent to which the delivery distances differed). Given the significance attached in our conclusion to ease of entry

¹ The merger parties made available 2011 transaction data as well. We decided to use the 2010 transaction data instead in order to avoid including transactions post-merger which could have impacted on the size of the catchment area.

we thought it unnecessary to rerun the analysis on data for other years since it appeared highly unlikely that we would conclude differently on the basis of these additional analyses.

- Table 1 provides a summary of the catchment areas for each party. Catchment area results for deliveries made from Butler Fuels' depots to local customers show that 80 per cent of deliveries are delivered within [redacted] miles on average. Deliveries from terminals made by Butler Fuels travel on average [redacted] miles. For deliveries made by GB Oils from depots, these travel on average [redacted] miles while deliveries made from terminals travel on average [redacted] miles.

TABLE 1 Radii of catchments areas for fuels based on 80 per cent of sales, 2010

	Butler Fuels		GB Oils	
	Depot	Terminal	Depot	Terminal
Catchment area (miles)*	[redacted]	[redacted]	[redacted]	[redacted]
Confidence interval† (95%)	[redacted]	[redacted]	[redacted]	[redacted]

Source: 2010 transaction data provided by the merger parties.

*This is a weighted average measure of the catchment area for each party by type of shipping point where the total volume delivered from each shipping point is the weight used to compute the average. For our analysis, however, we use the shipping-point-specific catchment areas rather than an average.

†95% confidence interval: 95% of all radii of the 80% catchment areas fall within this interval.

Local effect analysis

Overlapping areas

- Having defined local areas centred on all active shipping sites used by the merger parties (ie depots and terminals) as described above, we identified local areas where there were overlaps between the sites used by the merger parties. Areas with no overlaps were left out of our analysis as these would not constitute a potential problem arising from the merger.
- We considered a total of 235 local areas centred on each Butler Fuels ([redacted]) and GB Oils ([redacted])² shipping point/site. 181 areas were centred on depots while 54 were centred on terminals. 116 areas out of 235 contained an overlap, in that sites belonging to both the merger parties were present within the specific radii as computed by the catchment area. 84 overlapping local areas were centred on depots while 32 overlapping areas were centred on terminal locations.
- We combined other suppliers' location data with the location data of merger parties' shipping points/sites (ie depots and terminal). Other suppliers' location data was supplied by the merger parties. We checked for consistency between the two lists provided by the merger parties and across the DECC lists of terminals and depots as well as across the other suppliers' data collected by the OFT. We thus constructed a comprehensive list of competing suppliers.³
- We excluded from our competitive assessment the major oil suppliers and traders, as these usually compete for bulk customers and do not usually supply non-bulk local customers. In each overlapping local area, we assessed the extent to which

² Note that this reflects the total number of shipping points showing up in the 2010 transaction data. Some of these include depots while others reflect deliveries made from terminals.

³ In response to the first iteration of our analysis, DCC EUK provided a list of additional competitors that it said we should include in our analysis. We found that only one of the competitors was situated in any of the areas that we found to be potentially problematic and we have accounted for it in our analysis.

competitive constraints are present such that the area could be identified as potentially problematic in terms of giving rise to an SLC.

Filters

11. Once we had identified the areas where the merger parties overlap, we considered filters which would identify potential problematic areas. To avoid 'filtering out' possible problematic areas without further assessment, we used conservative (ie broad) filters to select areas for a more detailed analysis. For each overlapping area identified (ie 116 out of the total 235 areas considered) we selected as potentially problematic areas those where:
 - (a) there are fewer than six other suppliers present and where there are no competing national distributors present, ie Watson and NWF Fuels are absent;⁴ or
 - (b) the merger parties have more than a 30 per cent share of the sites present and there is one or no competing national supplier present.
12. We adopted a conservative approach and defined only Watson and NWF Fuels as competing national suppliers, in order to avoid dismissing areas which may be problematic at this stage of the analysis. We also accounted for the presence of Crown Oil as another possible national supplier but distinguished it from the other two because Crown Oil is, to our knowledge, the only company which relies to a major extent on subcontracting.⁵ This approach did not have any material impact on our initial filtering as Crown Oil has only two depots and these are not located within the radii of our potentially problematic areas.
13. In all potentially problematic areas identified we distinguished between mid-sized suppliers and smaller-sized suppliers. Mid-sized suppliers are competing suppliers which appear to be reasonably large distributors. We believe that these mid-sized suppliers could potentially impose a valid competitive constraint in the context of this analysis, as they appear able to supply all fuels to all types of local customers in the area. The list of mid-sized competing suppliers includes, but is not restricted to: Advance Fuel, Chandlers, Fuel Oils, Goff Petroleum, Rix, Tincknell Fuels, Wallace Oils and Wessex Petroleum.
14. Smaller-sized suppliers, compared with mid-sized suppliers, are local suppliers that might either only supply to certain customer segments (ie local domestic or agricultural customers or small local businesses) or supply only one type of fuel. Because of this, certain local suppliers might not exert a particularly strong competitive constraint in the area as a result of their relatively limited capabilities of supplying even local customers.

⁴ In our filter, we distinguish competitors with a national or near national depot network since they may have a competitive advantage, for example greater security of supply because they are a more important customer to their suppliers (in terms of volume bought). We chose a threshold of six other suppliers to be certain not to filter out any potentially critical areas in the first step of our analysis. We used a conservative threshold because some local distributors may not impose a strong constraint on the parties (see paragraphs 13 & 14 for details). We discuss differences between distributors in the respective subsection in the main report and in Appendix D, in particular in Appendix D, paragraphs 2–13. .

⁵ Subcontracting distributors may impose a lower competitive constraint because some customers appear to prefer direct deliveries.

Possible problem areas

15. First, we identified areas based on the fascia filter and then, subsequently, areas identified as potentially problematic by the second filter. Based on the filters mentioned above we identified a total of 26 potentially problematic areas. Ten of these were identified as problematic based on the fascia filter and the absence of national suppliers in the local area. The remaining 16 were initially identified as potentially problematic because the share based on the number of sites belonging to the merger parties in the local area was in excess of 30 per cent and there was no or only one national supplier present. Based on a closer assessment of the competitive situation in each of these 16 potentially problematic areas we excluded 14 as uncritical since the national supplier had a reasonably high share of sites in the area and a number of other suppliers were also present. Therefore we identified a total of 12 local areas where we were concerned by the loss of local competition and thus possible harm to local customers. We provide maps of the 12 potential problem areas by region in [Annex 1](#). [Annex 2](#) contains a brief description of the suppliers present in each of the 12 areas.⁶
16. Table 2 provides a summary of the ten potentially problematic areas as identified by the fascia filter and absence of national suppliers.

TABLE 2 Summary of potential problematic areas as identified by the fascia filter and absence of national suppliers

Name of site	Party	Region	Post-merger fascia	Other suppliers		Identity of suppliers (% share)	Share of merger parties %
				Fascia	Number of sites		
Bridgend	DCC EUK	Wales	2	1	1	Oil4Wales (25)	75.0
Maldon	Butler Fuels	Eastern	5	4	4	Billericay Farm Services Ltd (16.7), Goldcrest Oil (16.6), AD Fuel Oils (16.7), Blackwater Fuels (16.7)	33.3
Brompton-on-Swale	DCC EUK	North-East	3	2	3	Simpson Fuels (25), Kettlewell Fuels (12.5)	62.5
Leeming Bar	DCC EUK	North-East	2	1	1	Kettlewell Fuels (16.7)	83.3
Skutterskelfe	DCC EUK	North-East	5	3	3	Oilnrg (7.7), UK Fuels (7.7), Johnston Oils Ltd (7.7), Wallace Oils (7.7)	69.2
Ripon	DCC EUK	Yorkshire & Humberside	3	2	2	Kettlewell Fuels (25), Northern Energy Supplies (25)	50.0
Leeds	DCC EUK	Yorkshire & Humberside	4	3	4	Solo Petroleum (20), Transglobal Fuels (20), Chappell Fuels (20)	40.0
Watlington	DCC EUK	South-East	2	1	1	Pinnock Bros Ltd (25)	75.0
Horsham	Butler Fuels	South-East	2	1	1	A R Vick Steyning (16.7)	83.3
Horsham	DCC EUK	South-East	2	1	1	A R Vick Steyning (20)	80.0

Source: 2010 transaction data and competitor data Location data provided by the merger parties.

Note: For this analysis we use shipping-point-specific catchment areas rather than an average. The column 'Party' indicates on which of the merger party's depots the catchment area is centred.

17. In all areas but one, there are no mid-sized suppliers present. Wallace Oils, a mid-sized supplier, is present in the local area centred on the DCC EUK depot at Skutterskelfe, having one site and a share based on the site count of 7.7 per cent.

⁶ For completeness we have also included details of three suppliers present in the Ashill area (see paragraph 22).

18. The small-sized suppliers present in each single local area are in general independent suppliers, with most of them supplying all customer segments and all products (ie gas oil, kerosene and diesel). However, some of these suppliers focus on certain fuels or customer segments (see [Annex 2](#)). Chappell Fuels, a supplier based in Ossett in West Yorkshire, delivers to all customer segments but focuses on the supply of gas oil and heating oil. The area centred on the DCC EUK depot at Leeds could thus potentially be characterized as having a post-merger fascia of three competing suppliers, as Chappell Fuels does not supply all local customers in this area. Similarly, Simpson Fuels, a supplier with depots in multiple regions,⁷ does not supply to all customer segments as it mainly supplies to the domestic market, and to farmers. Thus, Simpson Fuels will likely not impose the same level of competitive constraint on the merger parties as a supplier that supplied all customer segments in the area centred on the DCC EUK depot at Brompton-on-Swale. Similarly, UK Fuels appears to be active in the supply of fuel cards only, and Pinnock Bros apparently only supplies kerosene and gas oil to domestic customers. The area of Skutterskelfe may therefore have only three competing distributors and Watlington only one, which delivers to a very specific customer segment. This suggests that small businesses in that particular area could be left without any alternative to the merger parties after the merger.
19. Based on the absence of national competing suppliers and the small number of available suppliers, we concluded that all ten areas are problematic such that the merger could potentially give rise to unilateral effects.
20. Implementing the second filter proposed, ie the share based on the total number of sites belonging to the merger parties in the local area in excess of 30 per cent, we have identified a total of 16 areas. Of these however, only two are considered as potentially problematic and giving rise to a potential competition concern. Table 3 below provides details on all 16 areas considered, including the suppliers' shares of sites in the given area.

⁷ Simpson Fuels has sites located in Weardale, Teesdale, Darlington, Richmond and surrounding areas.

TABLE 3 Summary of potential problematic areas as identified by the share of sites filter

Name of site	Party	Region	Share of parties %	National supplier %	Mid-sized supplier %	Other small suppliers %
York	DCC EUK	Yorkshire & Humberside	35.7		WCF (7.1)	Stones Fuel Oils (7.1), White Rose Fuels (7.1), Solo Petroleum (7.1), Kettlewell Fuels (7.1), Double Green Ltd (7.1), Hall Bros Ltd (7.1), Northern Energy Supplies (7.1), BATA Ltd (7.1)
Thirsk	Butler Fuels	Yorkshire & Humberside	47.6		Wallace Oils (4.8), Johnston Oils Ltd (4.8)	Stones Fuel Oils (4.8), Northern Energy Supplies (4.8), Hall Bros Ltd (4.8), UK Fuels (4.8), Tate Fuel Oils (9.5), BATA Ltd, Oil NRG (4.8), Kettlewell Fuels (4.8)
Braintree	DCC EUK	Eastern	62.5	Watson (12.5)		AD Fuel Oils (12.5), Blackwater Fuels (12.5)
Bishops Stortford	Butler Fuels	Eastern	42.9	Watson (14.3)		AD Fuel Oils (14.3), Spur Petroleum (14.3)
Ashill	Butler Fuels	South-West	50.0	Watson (10)		Monument Fuels (10), Darch Oil (10), Southern Fuels (10), Western Fuels (10)
Bridgwater	Butler Fuels	South-West	42.9	Watson (14.3)		Monument Fuels (14.3), Darch Oil (14.3), Western Fuels (14.3)
Yelland	DCC EUK	South-West	40.0	Watson (20)		Winson Petroleum (20), Mitchell & Webber (20)
Devizes	Butler Fuels	South-West	40.0	Watson (20)		Kinch Fuel Oils (20), Kellond Oil Supplies (20)
Honiton	DCC EUK	South-West	33.3	Watson (16.7)		Southern Fuels (16.7), Monument Fuels (16.7), Linton Fuel Oils (16.7)
Barnstaple	Butler Fuels	South-West	33.3	Watson (16.7)		Mitchell & Webber (16.7), Ford Fuels (16.7), Winson Petroleum (16.7)
Fernhurst	DCC EUK	South-East	80.0	Watson (20)		
Warninglid	DCC EUK	South-East	66.6	Watson (11.1)		United Petroleum Co (11.1), A R Vick Steyning (11.1)
Tunbridge Wells	DCC EUK	South-East	58.3	Watson (8.3)		Burnbright Fuels (8.3), Sprint Fuels (8.3), Geoff Boorman (8.3), Somerleyton Oils (8.3)
Shoreham	DCC EUK	South-East	62.5	Watson (12.5)		A R Vick Steyning (12.5), United Petroleum Co (12.5)
Westcott	Butler Fuels	South-East	50.0	Watson (16.7)		Ackerman and Niece (16.7), Nolan Fuel Oils (16.7)
Telford	Butler Fuels	West Midlands	57.1	NWF (14.3)		CR Birch (14.3), AID Fuels (14.3)

Source: 2010 transaction data and competitor data provided by the merger parties.

Note: Following the completion of the local effects analysis, DCC EUK provided a list of additional distributors. Of those, only one supplier—Somerleyton Oils—is located in one of the potentially problematic areas. The column 'Party' indicates on which party's depot the catchment area is centred.

21. Of the total 16 areas in Table 3, two have no national suppliers present (ie an area centred on the DCC EUK depot at York and an area centred on the Butler Fuels depot at Thirsk). There is, however, competition from mid-sized suppliers and a large number of smaller competing suppliers. Therefore we do not consider that these two local areas give rise to competition concerns.
22. In the remaining 14 local areas, there is at least one national distributor present which competes with the merger parties, notably typically with a site share of 10 per cent or more. We analysed the competitive situation present in each area and concluded that only two of these areas are potentially problematic, Fernhurst and Tunbridge Wells. Both areas are in the South-East region; see Annex 1, Figure 5. In

Ashill the national competitor has a site share of 10 per cent. However, three of the other suppliers in the area appear to supply all fuels to all types of customers so we did not consider Ashill to be problematic.⁸

23. In the area centred on the DCC EUK depot at Fernhurst, Watson, a national distributor, is the only supplier present. The merger parties have a total of four sites in this local area and thus a site share of 80 per cent. There is only one site belonging to Watson in the area. The merger in this area could potentially harm local customers, as the merger parties do not seem to face a significant competition from other suppliers, with the exception of Watson.
24. The area centred on the DCC EUK depot at Tunbridge Wells is identified as problematic as the merger parties have a site share of 64 per cent while the only national distributor present in this area, Watson, has a share of less than 10 per cent. There are four other local distributors present in the area, each with a site share of less than 10 per cent. These distributors will likely not impose a competitive constraint on the merger parties for all customer segments (domestic and commercial) and fuels as they either supply only one product (ie Burnbright and Geoff Boorman Fuels only supply kerosene) and in addition may supply to domestic customers only (ie Geoff Boorman Fuels). Sprint Fuels appears to supply kerosene, gas oil and diesel to all customer segments.

Potential entry

25. For the 12 problem areas identified we analysed in closer detail the extent to which the merger was likely to raise competitive concerns. In particular, we assessed the extent to which entry could potentially improve the competitive constraints. In the presence of increased prices, provided there are low barriers to entry, additional suppliers could enter the market and compete in the local area.
26. In general, there seem to be relatively low barriers to (small-scale) entry in the fuel distribution market (see Appendix F). The OFT off-grid energy market study notes that it is challenging to obtain consents for new depots (ie obtaining consent and planning permission for setting up a new depot) and the capital outlay is high.⁹ In areas close to terminals it may not be necessary for a supplier to have its own depot because it would be possible to deliver directly from the terminal. As shown in the maps provided in [Annex 1](#) most of the problem areas that we have identified are located in fairly close proximity to terminals or refineries. This suggests that the likelihood of potential entry would impose a significant constraint on the merger parties, as potential entrants will have access to supply and could compete effectively by delivering directly from the nearby terminals.
27. For the problem area centred on the GB Oils shipping point at Bridgend in Wales, the nearby terminal at Cardiff is located within the radii of the local area, suggesting that a potential entrant could easily have access from which to supply customers and therefore constrain the merger parties in this area. Similarly, the problem area in the Eastern region, centred on the Maldon depot, appears to have good access to fuel supply. There are three terminals and one refinery within 17 miles of the centre of the local area (the Coryton refinery and terminal has become an import and distribution terminal following the bankruptcy of Petroplus in January 2012).¹⁰

⁸ The other supplier in the Ashill area is Monument Fuels which is discussed in Appendix F. See also the [Monument Fuels hearing summary](#).

⁹ OFT [Off-Grid Energy market study](#), paragraph 4.35.

¹⁰ See eg Royal Vopak's [website](#).

28. For the problem areas located within the North-East region and the Yorkshire and Humberside region, the local areas in the North-East (ie areas centred on Brompton-on-Swale, Leeming Bar, and Skutterskelfe) are located within short distances to terminals at Seal Sands and a Teeside terminal.¹¹ In the Yorkshire and Humberside region, the area centred on the GB Oils depot at Ripon is located 37 miles away from the terminal network containing Teeside and Seal Sands terminal and refinery.¹² The area centred on Leeds is located 40 miles away from the terminal network at Manchester Trafford Park. Based on the accessibility to different terminals and refineries within relatively close distances, we therefore conclude that potential entry would be likely to impose a constraint on the merger parties, given the access to terminals within a short distance.
29. In the South-East region, local problem areas identified by the first initial filter (ie the fascia post-merger) can similarly be ruled out as problematic, as there appears to be scope for entry or expansion by a new entrant, as terminals are located within a short distance. The Theale terminal is located within the radii around the GB Oils depot at Wallington. Horsham depots are located within 14 miles of the Brighton terminal.
30. In the South-East region, local areas identified by the second filter (ie share of sites belonging to the merger parties in excess of 30 per cent) have networks of terminals and refineries within a short distance. The local area centred on the Fernhurst depot is within 32 miles distance of the Theale terminal, Brighton terminal and Fawley refinery.¹³ The area around Tunbridge Wells is located 31 miles away from the Brighton terminal. Entry in these areas could impose a competitive constraint on the merger parties.

¹¹ The shipping point at Skutterskelfe is located within 12 miles from the terminal network at Seal Sands and Teeside. The shipping points at Leeming Bar and Brompton-on-Swale are located 26 miles away from the terminal network.

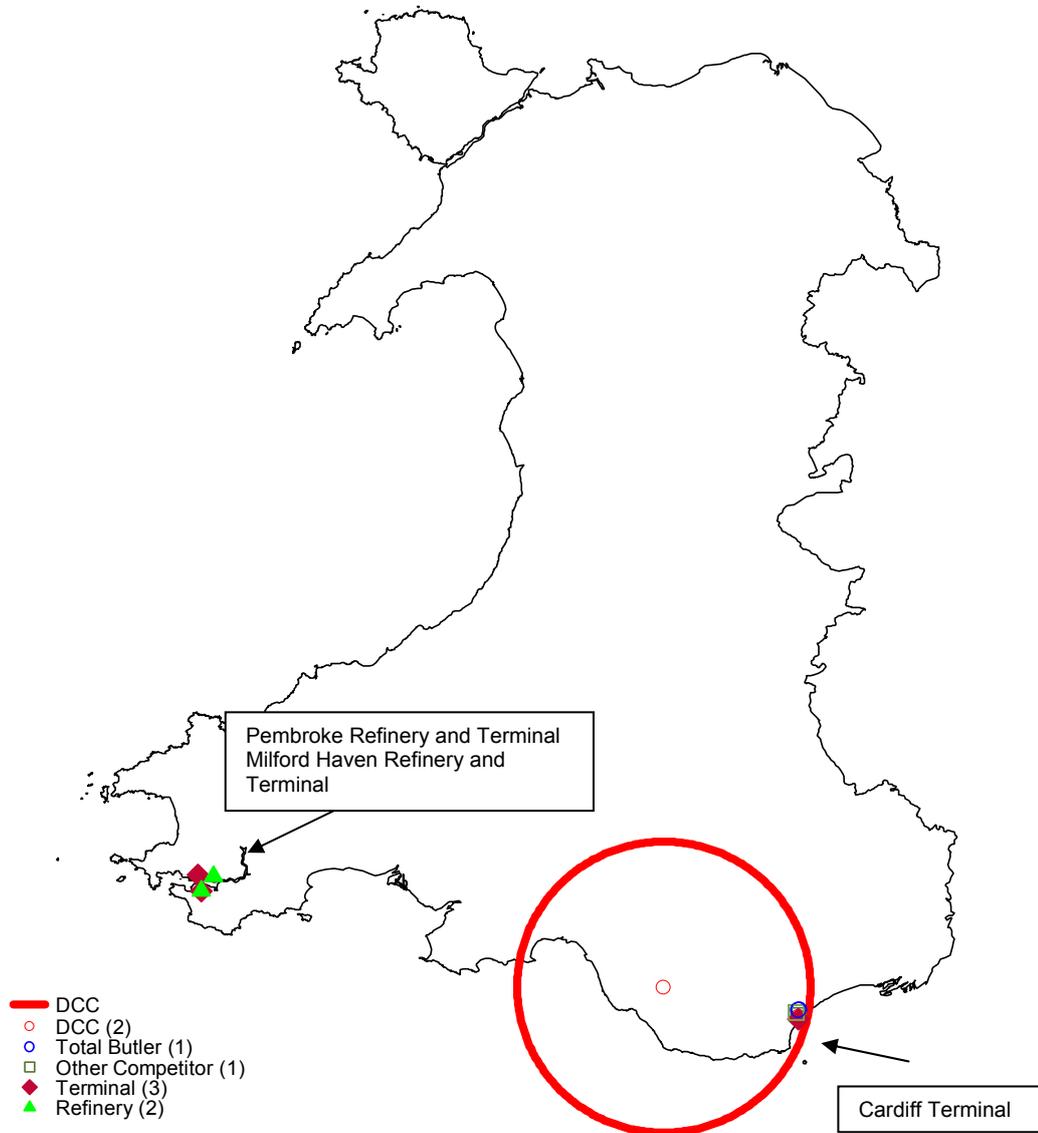
¹² This is also located 60 miles away from the Manchester Trafford park terminal.

¹³ The closest distance is 26 miles to the Brighton terminal and the furthest is 32 miles to the Fawley Refinery.

Maps of problematic areas by region

FIGURE 1

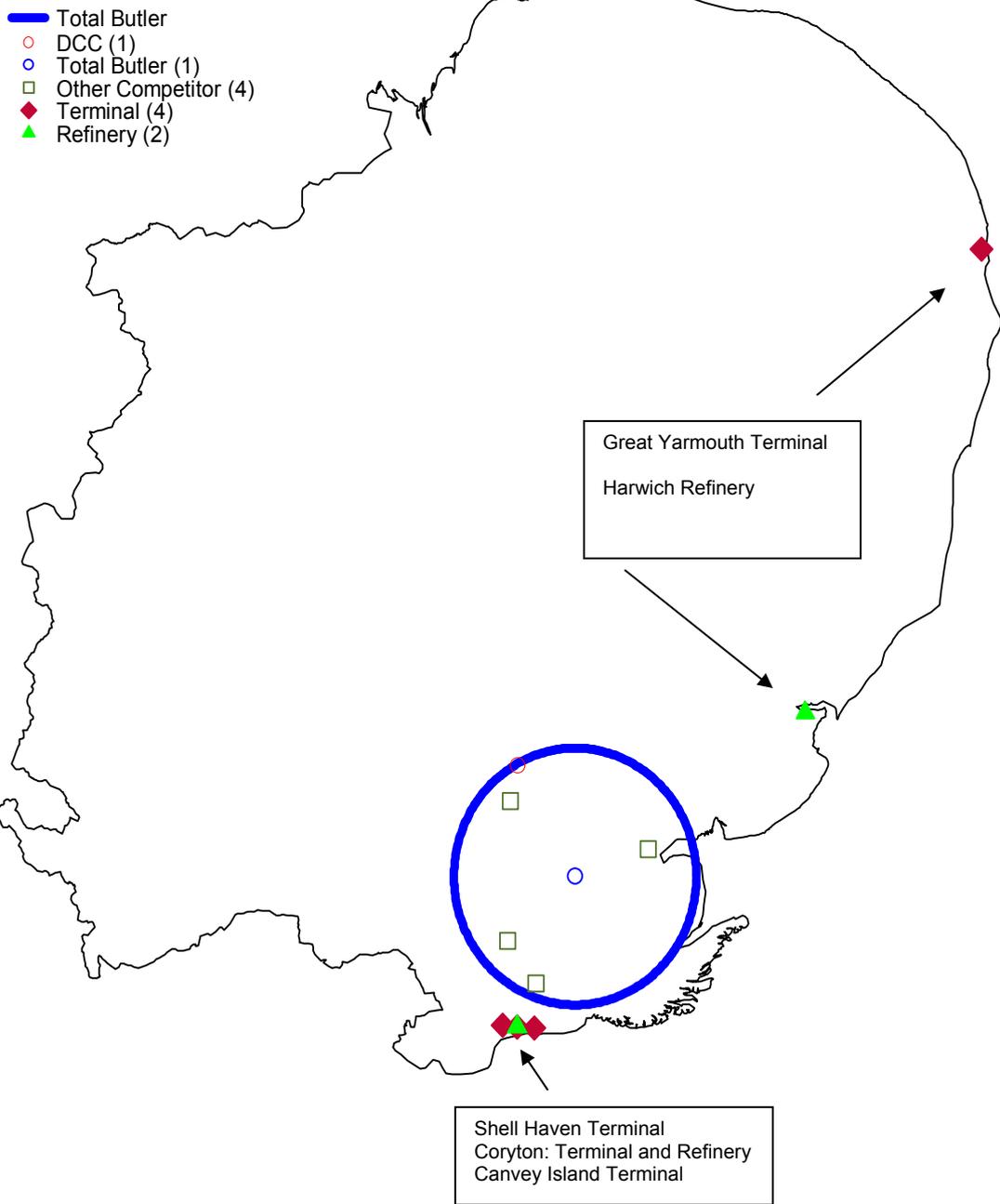
Wales



Source: CC analysis.

FIGURE 2

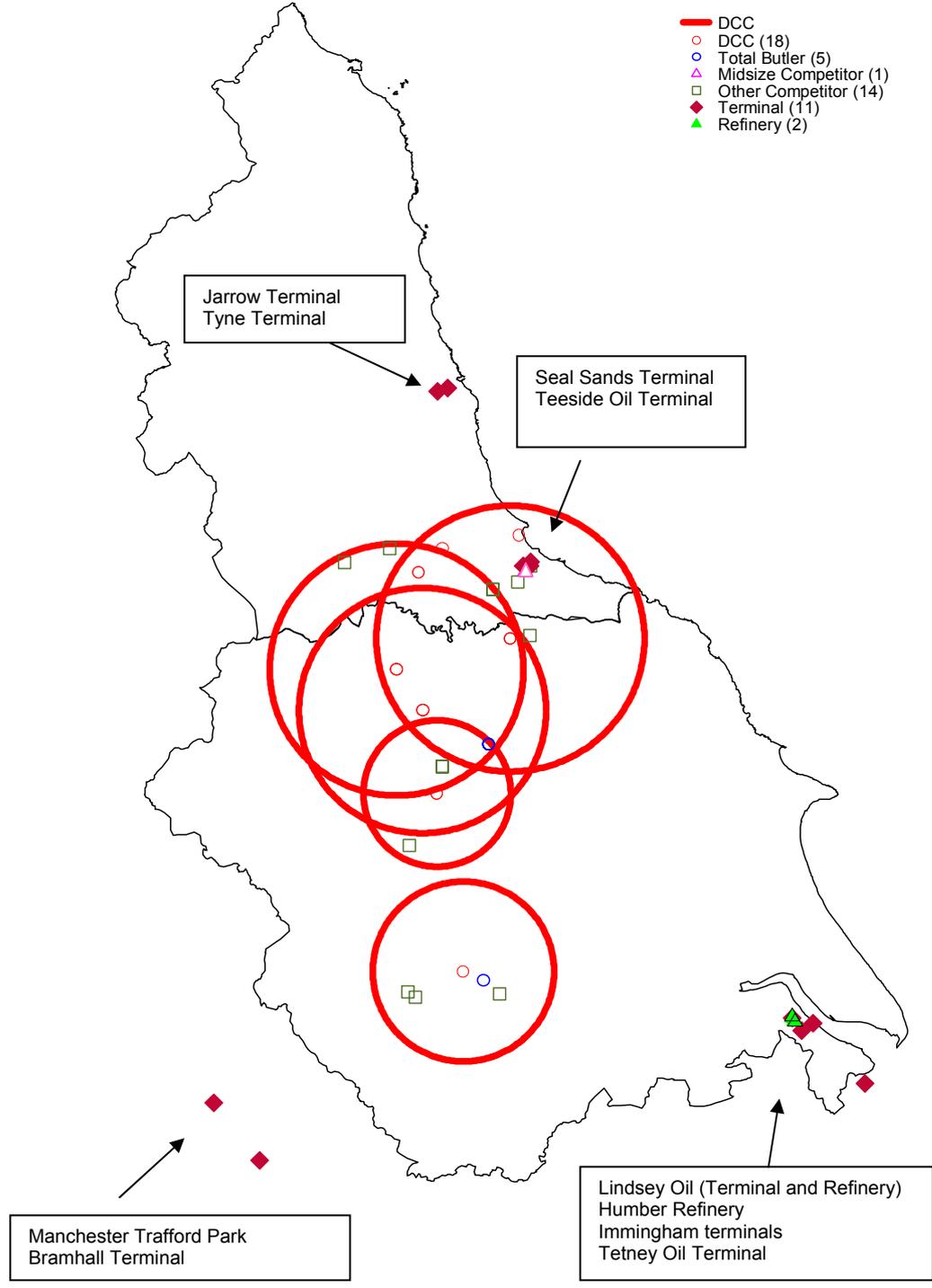
Eastern Region



Source: CC analysis.

FIGURE 3

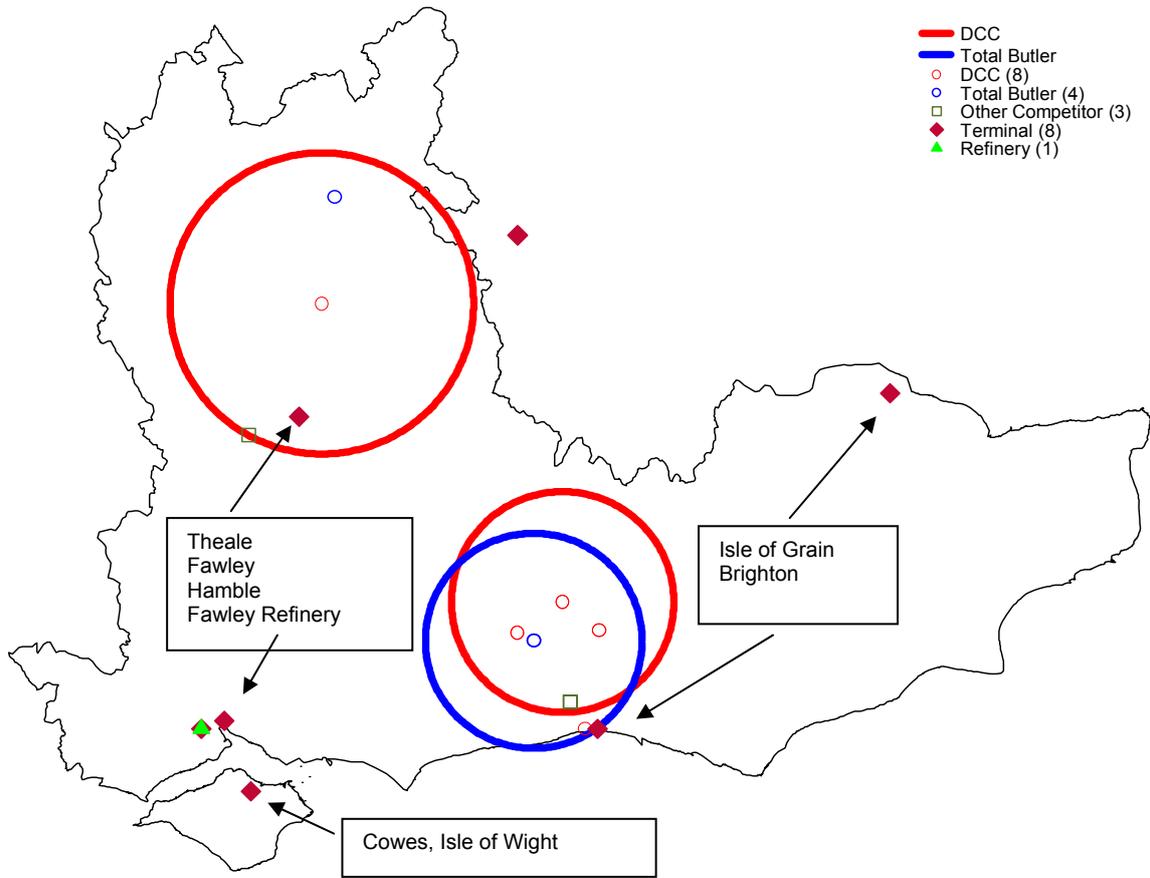
North-East and Yorkshire & Humberside regions



Source: CC analysis.

FIGURE 4

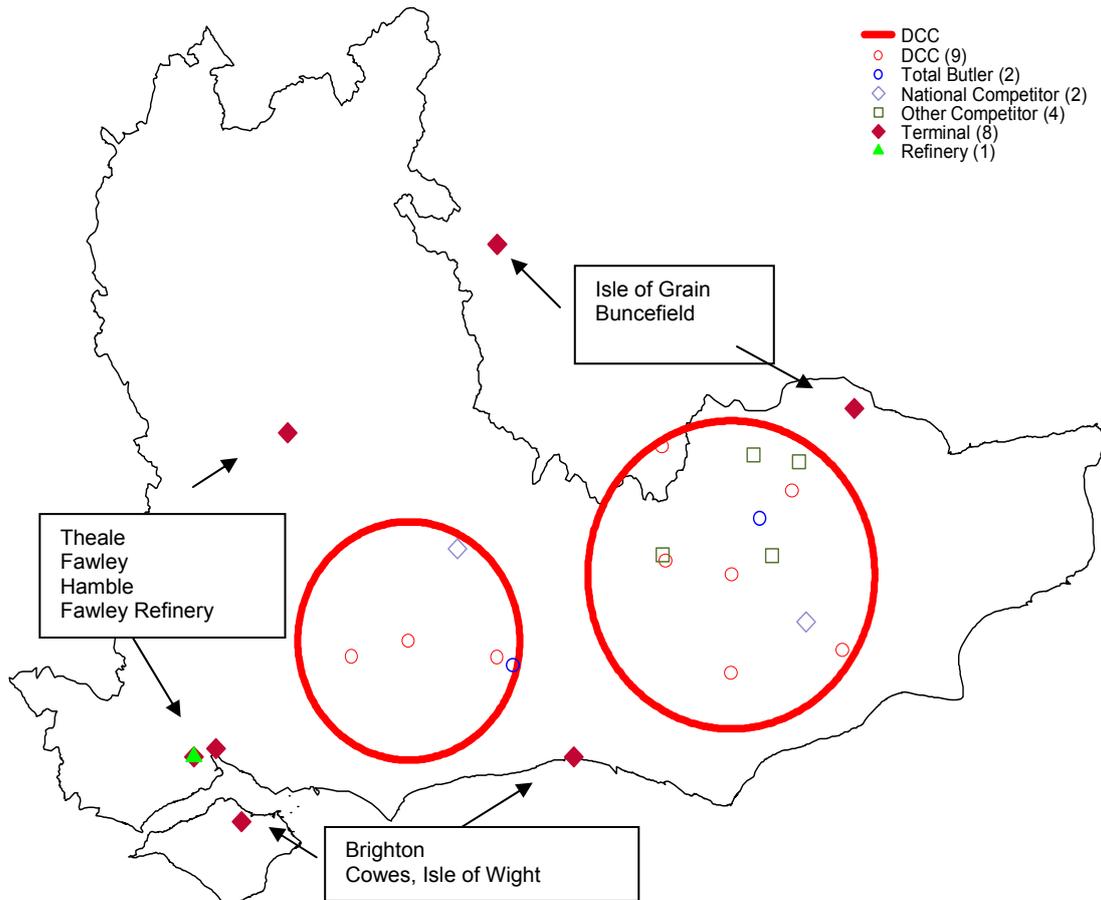
South-East region (identified by the fascia filter)



Source: CC analysis.

FIGURE 5

South-East region (identified by the share of sites filter)



Source: CC analysis.

Description of selected competing distributors (based on information from the distributors' websites)

A R Vick Steyning (no website—source: yell.com)

Heating oil supplies, oil diesel, AGA Agricultural Fuel, commercial and domestic, gas oil, kerosene, paraffin).

Based in Steyning.

AD Fuel Oils

Supplies kerosene and gas oil to commercial and agricultural customers in Hertfordshire and Essex and petroleum and diesel fuels to commercial customers and forecourts throughout Essex, Hertfordshire and London.

Billericay Farm Services

Supplies kerosene and gas oil.

Blackwater Fuels

Supplies kerosene, gas oil and diesel to domestic customers and businesses throughout Essex and beyond.

Burnbright Fuels

Kerosene only.

Chappell Fuels

Focused on heating oil and gas oil. Also supplies diesel.

Domestic, industrial, agricultural and commercial customers.

Based in Ossett, West Yorkshire. Covers the entire county.

Darch Oil

Kerosene, gas oil and diesel (including ULSD).

Domestic, agricultural, industrial, automotive, marine.

Depots are at Portland, Yeovil and Glastonbury.

Supplying Dorset, Somerset, East Devon, Bristol, South Wiltshire and Hampshire.

Geoff Boorman Fuels

Kerosene to domestic customers in Kent, Sussex and Surrey.

Goldcrest Oil

Mainly lubricants, but also kerosene and gas oil.

South-East through to the Midlands and the North-East

Johnston Oils

Kerosene, gas oil and diesel.

Domestic, agricultural, industrial and haulage customers.

Throughout Scotland. Its southern-most depot is at St Boswells.

Kettlewell Fuels

Kerosene, gas oil and diesel (domestic and commercial).

Ripon, North Yorkshire—delivers fuel oils to towns and rural properties within a 30-mile radius including Thirsk, Harrogate and Northallerton.

Northern Energy Supplies

'Oil' to domestic, agricultural and commercial customers.

Northumberland to Lincolnshire.

Oil4Wales

Gas oil, kerosene, diesel and petrol.

Domestic, commercial, industrial, agricultural and retail customers.

Throughout South Wales (Cardiff, Carmarthen, Swansea, Milford Haven & Llanelli).

Oilnrg

Kerosene, gas oil and diesel.

North Yorkshire, Cleveland and County Durham.

Pinnock Bros

Local supplier of domestic oil and gas oil servicing Berkshire and Hampshire.

Simpson Fuels

Supplies kerosene and gas oil—mainly to the domestic market, also to farmers.

Weardale, Teesdale, Darlington, Richmond and surrounding areas.

Solo Petroleum

Focuses on domestic heating oil; also supplies kerosene and gas oil to the agricultural and industrial sectors.

Based in Pontefract, West Yorkshire.

Somerleyton Oils

Domestic, agricultural and industrial fuels

Based in Swanscombe and Somerleyton.

Southern Fuels Ltd

Local supplier of kerosene, gas oil and diesel.

Serves domestic, agricultural, and industrial customers.

Based near Honiton.

One local depot in Devon.

Sprint Fuels

Heating oil, agricultural oil and commercial fuel.

Runs a price comparison website for kerosene.

Across Kent and the South-East.

Transglobal Fuels

Petrol, diesel, gas oil and kerosene.

Focuses on 'independent retailers and road hauliers across the UK'.

UK Fuels

Fuel cards supplier, based in Crewe.

Wallace Oils

Kerosene, gas oil and diesel.

Domestic, farmers, small local businesses through to major industrial sites.

Depots at Carlisle and Langwathby.

Western Fuel

Local independent supplier of kerosene, gas oil and derv.

Domestic, agricultural, industrial.

Based in Bridgwater, Somerset.

Summary of information from responses to market questionnaires and from hearings with third parties

1. This appendix summarizes the information from questionnaire responses and hearings with third parties on customer segmentation and closeness of competition between different types of fuel suppliers, especially between the merger parties and between the merger parties and other suppliers.¹ Since the extent to which different types of suppliers and individual suppliers compete may be different for different types of customers we also discuss differences regarding competition and the number and type of competing suppliers by customer segment.

Types of suppliers active in the market

Differences in the type of supplier available to each customer segment

2. We gathered information on customer segmentation and differences between different types of customers in our market questionnaire and in hearings with third parties. Below we summarize the main points emerging from this information.

Small local suppliers

3. Small local suppliers that we contacted—often one-man operations with some support from family members or acquaintances—told us that they would generally deliver only to smaller domestic or business customers within a given radius around their storage facility. One of them, [§], also told us that it would not wish to deliver to larger customers because of the credit risk and because competition for that segment was considerable. Another smaller supplier, Stiff Fuels, said that it would not get involved in supplying industrial customers as those would require credit facilities which were better than those Stiff itself had with its suppliers and the financial risk would make such business unattractive.² Monument Fuels told us that it would focus on supplying domestic customers and small commercial and agricultural customers that would typically take deliveries below approximately 3,000 litres (mainly kerosene and gas oil). It explained that its operation would be too small to supply to local councils or buying groups, which would expect county-wide coverage. Its geographic scope in contrast was only half of Somerset and a part of Devon. Watson also said that smaller competitors would focus on kerosene and gas oil. However, with respect to the customers that Watson actively competes for, it appears that the smaller suppliers are competitive because they have a smaller cost base and because customers appreciate local knowledge and a local image.^{3,4}

¹ Further information on the latter issue is available from survey responses, see Appendix E.

² Rix added that diesel business, in particular, would be less attractive to smaller suppliers since this would require greater financial funds due to the higher duty and because smaller suppliers would not reach the volume to take out credit insurance to compensate.

³ Information from calls with smaller suppliers and from DCC EUK (the latter is based on information DCC EUK obtained by acquiring smaller competitors). This is also illustrated by the fact that GB Oils partly differentiates its marketing by region or depot. Similarly, Watson told us that it would aim to keep a local touch and would manage depots locally. Chandlers also mentioned that smaller suppliers would have a smaller cost base.

⁴ Chandlers, for example, told us that smaller competitors would compete effectively for domestic customers and smaller business customers, but would focus to a greater extent on kerosene than on gas oil and diesel (diesel would be particularly unattractive due to the higher tax rate).

4. Generally, the typical drop size for such suppliers appeared to be around 500 to 1,000 litres for households and slightly larger for local businesses.⁵ It is also worth noting that these smaller suppliers do not own or lease artics and cannot therefore deliver to customers that require deliveries of more than approximately 22,000 litres (the load size of the next smaller vehicle used in fuel distribution).⁶
5. Other factors frequently mentioned by smaller suppliers as obstacles to expansion (and thus obstacles to competing for customers with larger volume requirements or a larger geographic scope) included lack of access to finance, lack of appetite to get involved in hiring staff and often a degree of risk aversion.
6. Overall, it was clear that this type of supplier was confined to delivering to domestic customers, farming customers and smaller local business.

Mid-sized distributors

7. Even some of the smaller mid-sized distributors, such as Goff, typically do not actively seek business with large companies or farming groups (or retail forecourts).⁷ Again the main reason appears to be that commercial customers expect a certain credit line that is often longer than that offered by large fuel suppliers to independent distributors.⁸ We were told that some of the mid-sized independent distributors might find it uneconomic to insure themselves against credit risk or were not willing to incur the additional cost given the low margins achieved.⁹ Generally these distributors did not use artic trucks for deliveries (which is in line with their business focus). Goff's fleet, for example, consisted of four- and six-wheel trucks. [X], in contrast, delivered to commercial customers with artics as well as smaller trucks (it had 14 artics and 18 smaller trucks).

Large distributors

8. Some of the distributors that advertise themselves as national suppliers use sub-contractors in areas where they have no depot networks (ie they subcontract to other distributors that have supply points close to the customer). Crown Oil is the supplier which is generally said to rely the most on subcontracting. It told us that [X] of its business would involve delivery through subcontractors.¹⁰ It said that it would look to supply most customers—with the exception of domestic buying groups and forecourts (which it would not supply because of poor margins (buying groups) and poor credit risk (forecourts)). It also told us that deliveries of near-artic loads would not be a very attractive part of its business since the margins achieved would be particularly low. However, it did deliver such volumes (and used artic trucks).

⁵ For example, Crown Oil mentioned that typical tenders would involve delivery volumes in the smaller range of 500 litres up to 3,000 litres and Monument Fuels said that its average drop size would be about 1,000 litres.

⁶ DCC EUK commented that these smaller suppliers could contract a haulier, such as Sucklings or Turners, to deliver artic loads on its behalf. It added that it would subcontract around [X] per cent of its haulage and had not experienced any disadvantages or problem with this.

⁷ Chandlers said that large businesses would be unattractive for smaller suppliers given the level of finance required and the risk involved. An exception was Oil4Wales, a recent new entrant, which according to the trade press delivered to 11,500 customers in Wales, including forecourts.

⁸ DCC EUK said that customer credit lines might in fact in some cases be longer than the credit lines offered by its own suppliers. It added that it would aim to balance credit terms out in the aggregate. DCC EUK thought that the latter would be generally true in the industry.

⁹ [X] said it did not want to incur the additional cost of arranging credit insurance as the margins were too tight. Chandlers told us that debt insurance was becoming more and more expensive.

¹⁰ Crown Oil also told us that it was considering opening a new depot, but had not fully decided yet. It also indicated that it would consider building a new depot when the amount of business it subcontracted in a particular area justified building a depot.

9. Watson included Crown Oil as a competitor for customers with multiple locations which required volumes of less than 18,000 litres. NWF included Rix as competitor on a national level.
10. With the exception of Crown Oil, smaller and large distributors agreed that sub-contracting a large share of customers' fuel requirements yielded a less competitive offer and that suppliers would compete most effectively in areas where they delivered directly.
11. Mid-sized distributors said that they used a mix of trailers and artic trucks to supply fuel. For comparison, [redacted] of GB Oils' [redacted] vehicles were artic trucks ([10 to 15] per cent). The corresponding information for Butler Fuels showed that it currently used [redacted] trucks, [redacted] were artics and the rest were rigid tankers.¹¹
12. DCC EUK told us that it would consider all distributors to be equally close competitors because customer purchasing decisions were made primarily on the basis of price. In its view, a fundamental characteristic of oil distribution was that smaller suppliers would exert an important competitive constraint and would not suffer a cost disadvantage relative to larger distributors. Post-acquisition customers would thus continue to have a wide choice of potential suppliers, regardless of whether they were domestic or commercial, which fuel(s) they sourced and how many sites they had.
13. We noted that DCC EUK's internal documents state the market shares of GB Oils, Watson, NWF, Rix and Goff (as the 'traditional market') and Mabanaft, Greenergy, Harvest, World Fuel and Prax (as 'traders'), which suggests that it sees those as its most important competitors. Moreover, the documents note 'more traders developing distribution resource' as an external threat.¹² Two other internal documents note the consolidation in the market, a large, fragmented competitor base, the difference in the number of suppliers in local areas and pose the question how many 'core suppliers' would be active three years later (in 2010). Butler Fuels also stated that all suppliers regardless of the geographic scope of their operations would be able to compete effectively on price. It identified the large suppliers and regional suppliers as its main competitors.

Regional and multi-regional customers

14. G4S told us that only large distributors would be interested in delivering to it (due to drop sizes which were typically much smaller than an artic load). Brake Bros Ltd (Brakes) told us that it would only consider large distributors. It thought that regional suppliers were not competitive compared with Butler Fuels or GB Oils. [redacted], another large multi-site, multi-region customer, had only considered suppliers with nationwide (or near-nationwide) coverage—[redacted]. [redacted] had approached [redacted] in its last tender. Moto Hospitality, a company running forecourts and amenities (convenience stores, cafes etc) on motorways, also told us that it would have a preference for dealing with a single supplier since this would allow for cost savings.¹³ Moto Hospitality expressly stated that it would not switch to a number of regional suppliers in response to price increases or service issues due to the added complexity of having multiple contracts and differing commercial arrangements. It said that it was currently supplied by Scottish Fuels, which used GB Oils distributors. In previous tenders it considered Scottish Fuels, Butler Fuels and Crown Oil as well as Esso and BP which would no

¹¹ Butler Fuels told us that of those [redacted] trucks, [redacted] four-wheel rigid trucks were budgeted to be used in the winter months.

¹² DCC EUK subsequently told us that it had referred to its biggest competitors as it was unable to list all competitors.

¹³ An exception to this appears to be bulk customers. BWOC and Essar said that a larger number of their customers would use several suppliers, including on a regional basis, to ensure they obtained the best price (see below for details).

longer be an option. Alternative suppliers that Moto Hospitality would consider would be Butler Fuels, Crown Oil and independents. Regarding recent changes in the number of available competitors, it thought that the exit of the oil majors (Esso and BP) had reduced its choice of national suppliers, especially for heating oil. It was also expecting the merger to reduce its options.

15. The large multi-region, multi-site customers we spoke to told us that such customers would generally have a preference for a national supplier and would find it very difficult from an administrative perspective to deal with more than a very small number of regional suppliers. This is in line with the view put forward by a supplier that relies heavily on subcontracting, Crown Oil, which told us that its business model was attractive to customers that would prefer to deal with a single supplier rather than to contact different suppliers themselves, to keep the administrative effort low.

Oil majors and traders

16. Most oil majors and traders we heard from told us that they would not deliver to customers that predominantly or exclusively required volumes below an artic load (although some deliveries of smaller volumes, eg half-loads, could be commercially viable). Bulk customers that in addition required smaller loads apparently usually used oil majors or traders to supply large volumes directly and distributors for the smaller drop sizes, but there were also some bulk customers that would source their large and small loads from a single supplier.¹⁴ Valero told us that it would subcontract smaller suppliers to deliver such smaller drop sizes.
17. Oil majors and traders, however, typically only delivered artic loads (whether they owned the artics, leased them or used hauliers to deliver) and generally preferred to deliver full artic loads.^{15,16,17,18,19} Harvest used 42 artic trucks and seven 26-tonne trucks across its locations.
18. However, oil majors also explained that they would allow third parties to lift smaller loads from their sites (for example, ConocoPhillips and Esso). [REDACTED] said that its large end-customers would currently not collect fuel, but nothing would prevent them from doing so.
19. According to Essar, apart from oil majors and traders, larger fuel distributors, such as GB Oils, Watson, Wessex and Rix would be competitors in this segment. Other terminals and refineries, depending on their geographical proximity, would compete for the collected volumes. BWOC quoted large distributors, namely GB Oils, Butler Fuels, Watson Fuels, NWF, Samuel Cooke, Crown Oil and Rix as main competitors and added that the majority of independent distributors would also look to supply volumes up to 20,000 litres, although they would aim to deliver these within the area where they supplied directly.
20. Moreover, BWOC told us that the importers Prax, Harvest, Greenergy, Inver Energy and World Fuel Supplies would all supply full-load business on an almost nationwide basis. Finally, some major oil companies like Essar, Murco, Phillips 66, Total and Valero offer deliveries to large end-consumers (bulk customers). However, Esso told us that it was not aware of any competitive initiative by one of the merger parties.

¹⁴ For example, Essar.

¹⁵ [REDACTED] told us that it only delivered full artic loads.

¹⁶ Shell, for example, said that it used [REDACTED].

¹⁷ BWOC: [REDACTED].

¹⁸ BP: [REDACTED].

¹⁹ ConocoPhillips and Murphy used only artic trucks.

The same is true for Murco which did not see the merger parties as direct competitors (but as customers).

21. Esso is active in fuel distribution to large industrial and commercial customers. The fuels are delivered by a contracted haulier in large trucks (mainly artic loads and typically loads larger than 18,000 litres). Similarly, BWOOC is active in supplying bulk customers. It told us that it was able to supply on an almost national basis, but would predominantly supply in the areas surrounding the terminals from which it collected fuel. Similarly, Esso stated that it would supply from third party terminals to serve national customers.²⁰ Recently, one of the traders, Harvest, moved into some semi-bulk and small drop-size deliveries (including some rigid tanker deliveries), usually to customers in close proximity to the ten terminals it operated from [X]. Harvest also told us that it would mainly supply under one- or two-year contracts and would supply spot business only if it had the capacity having delivered all contracted volumes. Due to lack of competitive supply and the need for substantial investment, Valero had no plans to deliver into Scotland, North-East England and islands.
22. BP in contrast exited the distribution business (deliveries to domestic customers, agricultural and commercial business) from 2001 onwards since it deemed that returns on capital employed were not sufficient. ConocoPhillips exited around the same time, Valero exited in 2008 and Shell exited in 2011 (by selling Stanlow to Essar). All four do, however, deliver to petrol forecourts (see below). Valero sold the branded distributors it owned to DCC EUK in 2008. [X] Esso said that it did not distinguish between customer segments, regions or fuels.
23. [X] and a number of other suppliers (including [X]) regarded the distribution of fuels, or specifically the distribution of kerosene, as a declining market (as more and more persons were connected to gas).

Regarding differences between fuels supplied

24. None of the parties we have spoken to or which responded to our questionnaire suggested that the number or type of alternative suppliers would differ significantly by fuel, regardless of the type of customer which sourced the fuel, such as domestic, agricultural, commercial or industrial or local, regional, multi-regional or bulk customers, other than some small local suppliers not actively competing to deliver diesel. With respect to bulk supplies, Crown Oil told us that it was less interested in business involving large volumes of diesel, for which oil majors and traders were strong competitors, because of the very low margins involved.^{21,22} However, it confirmed that it would deliver the full spectrum of fuels, kerosene, diesel (in sub-artic loads), gas oil and lubricants, but only a very small amount of petrol. (Petrol is discussed in the section on DODO forecourts below.)

Suppliers' side switching between different fuels

25. Suppliers told us that they could switch between fuels fairly easily, supporting the view that there is one segmented market rather than markets for different fuels. Third parties did not tell us otherwise.²³ However, customers said that they were unable to switch between fuels. This was the view of almost all the third parties we talked to.)

²⁰ DCC EUK told us that it would also act as a subcontractor for majors and traders and would deliver smaller drop sizes on behalf of Shell, now Essar, and Texaco, now Valero.

²¹ Chandlers commented similarly on the unattractiveness of delivering large diesel loads.

²² In line with this, GB Oils noted 'Very aggressive pricing on diesel and around key refineries' in an internal presentation.

²³ Crown Oil, for example, confirmed this.

Moto Hospitality was the only exception. It said that it would consider switching to alternative fuels such as LPG or biomass if its current supplier increased prices or reduced service.²⁴

Closeness of competition between competitors

Between different types of competitors depending on their regional coverage

26. As is evident from the section on customer segmentation, smaller local suppliers were not credible competitors for deliveries to customers with multiple sites if the sites were not situated in the supply area around their depots. They could therefore not realistically compete for business with most regional multi-site customers or multi-region, multi-site customers. However, small local suppliers and smaller distributors could compete with larger distributors for local customers because such customers value a local service and the lower cost base of local suppliers.
27. Regional suppliers, such as Chandlers, Rix and Crown Oil (which uses a sub-contracting model) told us that there would be some scope for local suppliers to cooperate to supply or to subcontract. Third parties generally agreed that competitors would be strongest in areas where they supplied directly and differed in their views regarding the attractiveness of offers involving subcontractors.
28. A larger regional supplier, [redacted], for example told us that any distributor within the delivery area around its depots would be a main competitor, although competitors' focus would differ between different market segments. For commercial customers its main competitors would be Fuel Oil Holdings, UK Fuels, Halls Associates (Watson), Lintons, Team Flitwick (GB Oils), CPL (also a GB Oils brand), Goff and Blackwater, ie mid-sized regional and 'national' suppliers. In the supply of domestic customers its main competitors tended to be Butler Fuels, Goff and GB Oils trading as Pace or Team Flitwick.
29. Other independent distributors had a similar view regarding alternative suppliers. Watson told us that it would compete with (a) GB Oils and the oil majors for contracted 'national accounts', with Prax and Mabanaf for gas oil and diesel, and Greenergy and Harvest for diesel only for contracted national accounts which required deliveries of more than 18,000 litres; and (b) with the merger parties and Crown Oil as well as with oil majors and traders using local delivery partners as required for contracted national accounts if these required deliveries of less than 18,000 litres to multiple delivery locations. It would also compete with numerous local and regional distributors in all areas of the country for local business. NWF told us that it would consider GB Oils, Rix and Watson to be its main competitors for national business and would compete with several smaller independent distributors that competed on a regional basis.
30. Oil majors and traders appear to be the main competitors to other oil majors and traders.

²⁴ Moto Hospitality said it would switch if the annual saving was 2.5 per cent or more and the payback period would be shorter than a year.

Between individual competitors and the merger parties and between the merger parties

31. Most third parties we have spoken to appeared to see GB Oils and Butler Fuels as close competitors. A very small number of suppliers, in contrast, told us that Butler Fuels had had service problems for some years now and had priced aggressively.^{25,26} In response to these comments, DCC EUK said that it did not consider that Butler Fuels and GB Oils competed any more closely with each other than either party competed with other distributors, oil majors or traders.
32. With respect to competition with the merger parties in particular, [X] said that it would regularly compete with heavily discounted offers from Butler Fuels on kerosene. Although it would respond with a price match, it would usually be unable to compete profitably and therefore would forego the volume short term hoping that the margin would rise again later. Crown Oil also said that both the merger parties were relevant competitors.
33. The above shows that smaller local suppliers are competitors only in the supply of heating and transport fuel to smaller domestic customers and smaller local businesses. The small local suppliers we spoke to mentioned the merger parties as relevant suppliers for distribution to domestic customers and small businesses.
34. Regional suppliers, such as Chandlers, and Crown Oil—which uses a subcontracting model—and large suppliers (Watson and NWF) also mentioned the merger parties as suppliers they would regularly compete with (in particular for ‘national’ business). In addition, Watson mentioned Crown Oil, NWF and Rix as competitors for national accounts with multiple delivery locations that take less than 18,000 litre loads.²⁷
35. Watson was the only competing supplier able to provide more than anecdotal information on won and lost volumes including supply arrangements, contracted volumes and tenders (where tenders possibly also lead to a contract). However, Watson could not tell us what share of the volume and which time period was covered by the data. Based on those tenders GB Oils (GB) appears to have a much higher retention rate ([X] per cent) than Butler Fuels (BF) with [X] per cent. Moreover, a large share of volumes, [X] per cent, is supplied by two or more distributors after the new arrangement has been made. Switching from the merger parties to Watson or vice versa accounted for [X] per cent of the won and lost fuel volumes provided by Watson; see Table 1 below.

²⁵ BAM Nuttall said that service problems with Butler Fuels had led it to source a larger share of its fuel from Watson.

²⁶ Rix told us that in the last 1.5 to 2 years Butler had pursued a very aggressive price strategy—at time pricing 1p per litre below Rix’s buying price—to gain customers, but had likely made losses as a result. Monument Fuels also mentioned Butler Fuels’ aggressive pricing and thought that it was either intended to increase sales or to be an introductory offer with a view to increasing the margin charged later.

²⁷ Moreover, Watson mentioned GB Oils, majors and suppliers it would regularly be competing with for contracted national account customers receiving deliveries greater than 18,000 litres.

TABLE 1 Summary of information on won and lost volumes of fuel provided by Watson

From/to	Number of events	Volume	Share in total %
GB to GB	[REDACTED]	[REDACTED]	[REDACTED]
BF to BF	[REDACTED]	[REDACTED]	[REDACTED]
BF to GB	[REDACTED]	[REDACTED]	[REDACTED]
GB Oils to Watson	[REDACTED]	[REDACTED]	[REDACTED]
Various/BF/GB to Watson	[REDACTED]	[REDACTED]	[REDACTED]
BF to Watson/BF	[REDACTED]	[REDACTED]	[REDACTED]
Watson to GB Oils	[REDACTED]	[REDACTED]	[REDACTED]
GB/BF/Other to Watson/Other	[REDACTED]	[REDACTED]	[REDACTED]
Other to Watson	[REDACTED]	[REDACTED]	[REDACTED]
Various to Watson	[REDACTED]	[REDACTED]	[REDACTED]
Other to GB Oils	[REDACTED]	[REDACTED]	[REDACTED]
Various to GB	[REDACTED]	[REDACTED]	[REDACTED]
BF/GB/Other to Watson/BF	[REDACTED]	[REDACTED]	[REDACTED]
Various/BF/GB to Various/BF/GB/Watson	[REDACTED]	[REDACTED]	[REDACTED]
Various/BF/GB to Various	[REDACTED]	[REDACTED]	[REDACTED]
Various/BF/GB to Various/BF/GB	[REDACTED]	[REDACTED]	[REDACTED]
Various to Watson/GB	[REDACTED]	[REDACTED]	[REDACTED]
Unknown	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]

Source: CC analysis of Watson's data.

N/A = not applicable.

36. Oil majors and traders generally included the merger parties in the suppliers they competed with, but their main competitors appear to be other oil majors and traders. In particular, they stated that they would not be aware of any competitive initiative by the merger parties or would not have responded to them. Valero was the only oil major/trader which could provide win and loss data for the non-retail forecourt business. It said that it was only aware of two tender contracts which it had lost to GB Oils (two tenders by purchasing organizations sourcing for local authorities).

Tendered volumes

37. Information from third parties generally suggested that fewer suppliers would be able to compete effectively due to the need for the suppliers to be certified under various ISO norms and to comply with more stringent rules regarding insurance (G4S, [REDACTED] and Watson). DCC EUK said that not having ISO accreditation had never prevented it from doing business. One of the suppliers active in this business, Watson, suggested that two remaining suppliers would be sufficient in tenders to keep prices at competitive levels.
38. [REDACTED] in particular faced the problem of attracting bidders from only a few suppliers, namely the merger parties. In its last tender it had approached Crown Oil, Nationwide, Butler Fuels, GB Oils, BWOC, Hall Fuels (ie Watson) and Owen Fuels. Crown Oil and Nationwide did not quote. This may have been due to [REDACTED].²⁸ [REDACTED] thought that it was unattractive for Crown Oil to accept to fix the prices or fixed delivery charges because it might have had to subcontract out a part of the deliveries.
39. Of the traders, BWOC pointed out that it would not be interested in tendered business and that its customers would choose their supplier whenever they needed a

²⁸ In its email [REDACTED].

new delivery (at intervals of one to two weeks on average). Valero in contrast told us that it would bid for tenders and its non-retail business would as a rule be tendered.

40. In line with the above, the information provided by Butler Fuels on a number of tenders by 'national account' customers was consistent with the merger parties and Watson (another distributor with national coverage) being important competitors for tenders for 'national' business and that neither larger regional suppliers nor traders frequently competed for this type of business.²⁹ However, Butler Fuels subsequently told us that the list of bidders in those tenders was likely to be incomplete. In its experience and opinion, a much broader range of suppliers would be able to compete for such business, whether for a customer's entire business, or for a part of a customer's business (for example, split by regions), or acting as subcontractors for other suppliers.

Multi-sourcing

41. The merger parties submitted that customers would be able to split their demand between several suppliers, whether to distributors delivering directly or to those which supplied a part of the customer's requirement by subcontracting.
42. The third parties we heard from generally agreed that splitting fuel requirements other than by region would generally not be sensible from a business perspective.
43. The large multi-region, multi-site customers we spoke to told us that such customers would generally have a preference for a national supplier and would find it difficult from an administrative perspective to deal with more than a small number of regional suppliers.³⁰ G4S and Brakes, both large customers for diesel, told us that in their experience, quotes under such an arrangement would be less competitive.³¹ [REDACTED] thought that regional suppliers would probably not bid for their requirements since it might involve subcontracting some deliveries.
44. This contrasts with the view of Rix, a mid-sized distributor, which thought that customers with nationwide requirements of fuel would have the ability to buy from three or four regional suppliers. [REDACTED] Essar stated that most large end-user customers would be very aware that they could achieve more competitive pricing by splitting their tender into regions as no single supplier would be the most competitive in every region. Bulk customers in contrast apparently tended to have several different suppliers and placed the business with the lowest price supplier.³² Crown Oil told us that customers would also split fuel requirements between suppliers because their credit line with one supplier might not be sufficient and using several suppliers would extend their credit.³³
45. DCC EUK said that most customers could source their requirements using two or three suppliers and submitted five examples of customers that split their sourcing between suppliers (three split between DCC EUK and Butler Fuels and two split

²⁹ Butler Fuels submitted information on tenders by 27 of its [REDACTED] national account customers. For those 17 where the competing bidders were known, there are two where Watson was the only other (known) bidder, three where GB Oils was the only other (known) competing bidder and eight where both GB Oils and Watson were the other (known) bidders. Only two additionally include larger 'regional' suppliers (one Mitchell & Webber and Tinknells and the other Linton Fuels). One, a tender for [REDACTED], includes as competing bidders GB Oils as well as the traders Greenergy and Prax which suggests that it involved deliveries of artic loads or near-artic loads, of those Butler Fuels won [REDACTED]. In most cases the winner is unknown.

³⁰ An exception to this appears to be bulk customers. BWOC said that a larger number of its customers would use several suppliers, including on a regional basis, to ensure obtaining the best price.

³¹ Brakes added that regional suppliers might also be less competitive on payment terms.

³² [REDACTED] pointed out that bulk customers could also conclude supply agreements with several majors and traders and have the fuel delivered by third party hauliers.

³³ DCC EUK said that this was consistent with its experience.

between DCC EUK and Pace before their merger). In addition DCC EUK provided seven further examples of customers splitting tender requirements between suppliers.³⁴

Volume discounts

46. Suppliers generally told us that they would not use volume discounts. Chandlers was an exception to this since it suggested that customers with a larger overall volume requirement would get a better price. Watson mentioned that certain agreements would specify a rebate of [redacted] if agreed volumes were achieved. NWF said there would be only a handful of contracts where a discount had been agreed. [redacted], for example, explained that it would set prices on the basis of delivery volume and drop size, where the total supplied volume would be considered, ie a customer taking 8,000 litres of diesel and 2,000 litres of gas oil would be priced on the basis of a 10,000-litre delivery. Equally a premium would be added to the price for a customer, for example, ordering 15,000 litres to be delivered into 15 different tanks as the time spent on the sites would be considerably longer, or for making deliveries to remote locations. Credit risk and payment terms would also affect pricing.³⁵
47. [redacted] However, for tendered volumes it might use small-load premia which would take the form of additional margin components which would decrease as the drop volume increased. DCC EUK applied a similar, but simpler approach for other volumes. For example, it advised sales staff to [redacted]. Among the customers that commented on this issue was [redacted], which told us that the margin over Platts would be considerably larger for smaller drops.
48. A number of suppliers explicitly use small-delivery surcharges, while most charge a higher margin on smaller drop sizes ([redacted], a mid-sized distributor, charges a higher margin on drop sizes below 900 litres. Valero charges a higher margin at times for deliveries of less than artic loads).
49. This type of 'discount' for larger deliveries would not make splitting volume between different suppliers unattractive since discounts given for larger drop sizes would be for individual deliveries and therefore would be regardless of how many suppliers were used to deliver a customer's overall requirements.
50. Some customers said that if they sourced a large volume from a single supplier they would be a higher priority customer for the supplier and this might be important when addressing service issues or in times of supply shortage. Customers said that this might be a benefit of sourcing a large volume from a single supplier rather than volume discounts.^{36,37} This might be a benefit which they could forego if they decided to split volumes between different suppliers.

³⁴ DCC EUK said that to its knowledge it would be sole supplier to only a handful of its contracted national account customers (adding that [redacted] of its [redacted] national account customers were contracted).

³⁵ [redacted] stated that customers requiring a larger volume (and those paying on shorter terms) would get a lower price. Its average discount was [redacted].

³⁶ For example, Brakes and BAM Nuttall.

³⁷ DCC EUK said that supply disruptions would happen from time to time and gave examples of national account customers which it had supplied in times of disruptions expending additional efforts given the importance of those customers' business for it.

Subcontracting

51. Customer comments about the administrative effort involved in using several suppliers were broadly consistent with the view put forward by Crown Oil, which relied heavily on subcontracting. Crown Oil told us that its business model was attractive to customers that valued its service and preferred to deal with a single supplier to keep the administrative effort low rather than to contact different suppliers themselves. Its business was [REDACTED] between direct deliveries within the depot coverage and subcontracted deliveries to customers which were not situated in the area where it delivered direct (regional customers and possibly customers of wider scope). It said that Tate Oil used a similar business model and subcontracted around 25 per cent of its business and that subcontracting had become more popular in recent years. Watson said that Crown Oil was the only established supplier which relied heavily on subcontracting. However, the use of subcontractors had generally increased over the last couple of years.
52. The merger parties told us that subcontracting distributors faced very limited additional cost and that across Great Britain there would be a large number of existing distributors—or third party hauliers—that would be willing to fulfil the orders as subcontractors.
53. Some third parties (customers and suppliers) told us that customers would generally see a reliance by a supplier on subcontractors as a drawback and that suppliers would be more effective competitors in areas where they delivered direct. However, DCC EUK said that subcontracting distributors would incur very limited additional cost and that customers would mainly be concerned to receive a correct invoice from their proper supplier (rather than whether it subcontracted). DCC EUK provided three examples of customers supplied by Butler Fuels, where Butler Fuels outsourced between [REDACTED] and [REDACTED] per cent of the delivered volumes for those customers and explained that Butler Fuels would deliver volumes as a subcontractor for a number of distributors, naming six. It added that before the merger with DCC EUK, Pace had used a range of subcontractors, including [REDACTED].
54. [REDACTED] told us that it delivered circa 10 per cent of its gas oil, 3 per cent of its kerosene and 3 per cent of its diesel sales as a subcontractor, for Crown Oil, Compass Oil, GB Oils and Nationwide.

Scope for switching

Evidence on previous switching of suppliers

55. Suppliers we contacted told us that they would not systematically record win and loss data. Monument Fuels told us that it would generally be able to retain around 75 per cent of its domestic customers (from year to year). Others mentioned a similar figure for domestic customers, while for business customers a somewhat smaller share would tend to be retained.³⁸ BWOC quoted a lower figure of circa [REDACTED] per cent of

³⁸ Watson mentioned that circa 50 to 70 per cent of its business customers would be loyal.

long-standing customers, most likely reflecting the higher importance end-customers with large volume requirements (and particularly haulage companies) place on price (and possibly a longer time frame underlying the definition of long-standing). DCC EUK found the opposite to be true with a share of [REDACTED] per cent of domestic and [REDACTED] per cent of non-domestic spot customers retained on average over the last five years.³⁹ Around [REDACTED] per cent of GB Oils' national account customers were retained on average in each year over the last five years.⁴⁰

56. Generally, we were told that customers (domestic and businesses) fall into different categories regarding their inclination to switch suppliers. Some had a tendency to stay with their existing supplier, some called two or three suppliers to get a price they perceived as adequate and some would call a large number of suppliers to be certain to get the best offer.⁴¹ Domestic customers would typically be least likely to switch and least sensitive to price, while business customers would be much more inclined to switch and more sensitive to price, with agricultural customers falling in between. From the responses it was not entirely clear whether that was due to customers' preference to deal with a known supplier (this appeared to be to some extent the case for domestic customers), or because a significant percentage change in supplier margin implied a much smaller percentage change in price (because margins were small) and therefore would result in a small change in the overall cost of a fuel delivery, or because competition was fierce and led to very similar prices.

Switching costs and ability to switch supplier

57. The merger parties expressed the view that customers would not face switching costs or barriers to switching since most would buy on a spot basis and contracts would typically only be for short durations.
58. The views of third parties regarding the ease of switching suppliers differed considerably. Some large customers told us that switching suppliers would require a considerable administrative effort and rearrangement (although this was not consistent with the opinion expressed by many respondents to our [survey](#)—see Appendix E, paragraph 19).⁴² This was confirmed by Watson which also mentioned the internal process involved in preparing a tender and communicating new arrangements to staff.
59. [REDACTED] It said that it would not consider splitting its requirements to source regionally since it felt that a lower price would be achieved by sourcing from one supplier. [REDACTED] It also suggested that the price would have to be around [REDACTED] to persuade it not to have one supplier instead of several regional suppliers. However, it also said that it would consider using a local supplier if the service provided by its present suppliers deteriorated significantly. [REDACTED]
60. Moto Hospitality stated that its recent switch of supplier had involved management time (but did not comment whether it perceived the cost as substantial). [REDACTED]
61. Another large customer, BAM Nuttall, a construction company with circa 30 sites which tendered its requirements, thought that neither running a tender process nor

³⁹ The shares have tended to fall over time, the corresponding values for 2010/11 are [REDACTED] per cent and [REDACTED] per cent.

⁴⁰ GB Oils considered that a domestic customer had been retained if it bought again from GB Oils within 12 months and a commercial customer had been retained if it bought again within six months.

⁴¹ In a survey for GB Oils, Clear Consulting identified three customer categories: 'Loyalists', 'Considered Reviewers' and 'Promiscuous'.

⁴² G4S and Brakes. Brakes also said that it was still hedging its price with the distributor directly rather than through its finance department. G4S had 49 sites and Brakes around 40 sites.

communicating new organizational arrangements within its company would involve large effort or costs.

62. DCC EUK said that large customers would generally have purchasing departments that allowed them to deal effectively with numerous suppliers concurrently.
63. Other suppliers, such as local suppliers [REDACTED], told us that customers could essentially switch suppliers by picking up the phone to all their suppliers and whoever offered the best price would get that business.
64. The same was true for small suppliers which suggested that both 'bulk' customers and small local customers faced very low switching costs. Norbord, a local customer with a total requirement of circa 360,000 litres of gas oil per year, told us that it would buy from the cheapest supplier on the day it required a delivery and would be willing to switch to get a lower price.
65. Some smaller suppliers such as Monument Fuels said that a supplier would generally not be willing to give credit to new customers. DCC EUK, in contrast, said that credit would often be given to new commercial customers dependent on their creditworthiness in order to win business from a competitor. It also said that in its experience customers moving suppliers would not have to pay any balance in full before leaving their existing supplier.

Likelihood and willingness to switch in case of deteriorating contract terms

66. We received only relatively unspecific information on whether customer switching would result from a 5 to 10 per cent price increase or a comparable deterioration of service. G4S and Brakes said that they had not considered the question in sufficient detail. [REDACTED], which tenders its requirements, said that it would likely switch even to local suppliers. BWOC told us that smaller business customers and large business customers buying artic volumes would be most likely to switch and would likely switch for small price differences. Customers that tendered appeared less likely to switch due to the administrative effort involved. DCC EUK told us that in its view a 5 to 10 per cent price increase would lead to the customer switching to another supplier (in the same way for large customers and other customers).

Customers switching to alternative fuels

67. In principle, customers could avoid paying higher prices by switching to alternative suppliers or alternative fuels should the merger parties increase prices.
68. Third parties (customers and suppliers) said that customers could not as a rule switch between fuels or other alternatives, such as LPG, since it would require considerable investment. This applies for domestic or business customers of any size.⁴³

Backloading

69. Third parties told us that 'backloading' from distributors' depots was not frequently done in the industry.^{44,45,46} Crown Oil stated that it would not backload. In 2011 GB

⁴³ See [third party hearing summaries](#).

⁴⁴ [REDACTED] said that backloading from terminals was not that unusual, while backloading from distributors' depots was unusual. [REDACTED] told us that it had had a temporary informal arrangement with [REDACTED] in 2010/11 which ended after it had acquired a depot in the area.

Oils had a reciprocal arrangement with [redacted] and [redacted] arrangements with other suppliers totalling [redacted] litres ([redacted] per cent of the [redacted] million litres of fuels it sold in 2011).⁴⁷ Butler Fuels has subcontracting agreements with [redacted] other suppliers, among them Pace/GB Oils. Overall backloading did not appear to be a significant feature of the industry.

Extent of buyer power

70. The organization of individual buyers in buying groups might lead to more sophisticated sourcing and would spread any transaction costs involved in finding a supplier across a larger number of customers. This would increase negotiating power and could yield a more competitive price (and might additionally allow for volume discounts).
71. The suppliers we contacted told us that they would not expressly give volume discounts (other than for larger loads). They would calculate the margin based on the distance and the volume delivered. However, some large customers (G4S, Brakes and also BAM Nuttall) suggested that their large requirements were a reason why their suppliers would be willing to prioritize their deliveries in times of a fuel shortage. This suggests that at least some larger customers have negotiating power due to the amount of fuel they buy.
72. However, some of the smaller suppliers told us that they would not compete for large customers (for example, because they see themselves unable to deliver the resulting larger volumes). The smaller number of suppliers able to compete for such business may weaken customers' position in negotiations with their suppliers.
73. In addition, we noted that some larger buyers with requirements below artic loads (or near-artic loads) said that they might face considerable switching costs which might make it difficult credibly to threaten to switch supplier.
74. The merger parties in contrast argued that multi-site customers' ability to exercise buyer power (and strong competition for such customers) in particular would be evidenced by the fact that margins on supplies to these customers tended to be lower than for single-site customers.

Comments about the DODO business

Available suppliers

75. Rix said that DODO forecourts generally had good choice of suppliers—one or two oil majors and independent brands such as Gulf or Rix—as long as they took artic loads. Smaller DODO forecourts in contrast might sometimes have a choice of only one or two suppliers. Watson told us that although it would sell to all types of customers it sold very little to the fuel retail sector. BWOC said that it would supply any customer that could be viably supplied on artic. BP's expectation was also that a forecourt would receive a full artic load. DCC EUK did not agree that smaller DODO businesses might have a more limited choice of only one or two suppliers and said that it actively competed with oil majors and traders for the supply of transport fuels to smaller DODO businesses.

⁴⁵ However, DCC EUK said that such arrangements could be used to extend the delivery distance from a given site and would thus allow it to compete within a wider area.

⁴⁶ DCC EUK said that backloading was maybe not prevalent.

⁴⁷ 2011 total sales excluding aviation.

76. Some suppliers said the total volume of the customer was important. BWOC, for example, said that [redacted] per cent of the dealer sites it delivered to had a volume of less than 2 million litres per year and [redacted] per cent had a volume below 1.5 million litres. Harvest delivered only to sites with an annual volume of more than 2 million litres (and would not look currently to market to forecourts selling less). Murco would only deliver to forecourts with a minimum volume of 0.5 million litres (and minimum delivery size of 15,000 litres). DCC EUK said that industry data showed that other brands with average annual site throughput of less than two million litres included Rix (657,000 litres), Gleaner (913,000 litres) and Murco (1.9 million litres).
77. In terms of regional coverage, Valero told us that it would deliver to forecourts throughout the UK with the exception of Scotland, North-East England and on islands. [redacted] Murco only delivered to Murco-branded sites and would not deliver to forecourts on the Channel Islands, Isle of Man, Isle of Wight, Cornwall, West Devon, Scottish Highland and Islands or in Northern Ireland.
78. Shell distinguished three types of areas regarding the attractiveness of DODO forecourts. It explained that primary areas would be the most attractive and important to ensure an optimum network. [redacted] Secondary areas would still be attractive but would have a lower priority for Shell. [redacted] Tertiary areas would be least attractive [redacted]. Moreover, it would not supply to the Channel Islands, Scottish Highlands or Northern Ireland. A map showing where those areas are situated is included in Figure 1.⁴⁸

FIGURE 1

Shell's grading of areas regarding business development with DODO forecourts

[redacted]

Source: [redacted].

79. ConocoPhillips appeared to have comparatively small regional scope since it focused on forecourts (all Jet-branded) in central Scotland, the North-East, Yorkshire and Humberside, the Midlands, East Anglia and the South-East. It said that it did not currently deliver to certain regions of the UK, namely Wales and the mid South and had recently exited the DODO business in the South-West. Esso used a haulier to make deliveries, which were made to both industrial/commercial customers and Esso-branded retail service stations.

Volume discounts

80. Suppliers to forecourts generally appeared to set prices in the same way as suppliers to domestic customers and to other businesses. BP was an exception to this since it said that it did not give discounts, but would sometimes give dealers retrospective rebates on a margin share basis. Similarly, Murco gave retrospective rebates if sales volumes were higher than targeted by reappportioning the fixed cost involved. [redacted] explained that it would give discounts dependent upon the volume, supply location and settlement terms.

⁴⁸ [redacted]

Extent of competition/closeness of competition with parties

81. A number of third parties involved in supplying the DODO business (eg BWOOC and Rix) mentioned that this market was in decline due to fierce competition from super-market forecourts. This was reflected in the long-term decline in the number of retail forecourts from 22,000 to 9,000 over the last 15 years.⁴⁹
82. According to BP, competition for supplying DODO forecourts was fierce. The attractiveness of a forecourt or forecourt network for suppliers would depend on a number of factors, such as concentration of sites, volume and proximity to refineries. We were told that, due to the number and diversity of suppliers in the UK, all of these factors would interplay in different ways to ensure that dealers ultimately had a choice in deciding who they elected to supply their sites. Harvest in contrast said that in many parts of Great Britain where Murco was not active, the supply options available to smaller DODO forecourts would be limited to DCC EUK controlled companies. Inver pointed out that this would apply in particular in South Wales.⁵⁰
83. The merger parties said that the OFT decision had noted that that there appeared to be no particular overlap in the dealer sites supplied by DCC EUK and Butler Fuels in Wales and that third parties had confirmed to the OFT that there were alternative suppliers in Wales.
84. BP told us that its competitors in the DODO forecourt business would be suppliers with own brands including oil majors (Esso, Shell and Murco) and importers (Harvest).

Importance of DCC EUK/GB Oils and Butler Fuels as competitors

85. Shell did not view the merger parties as close competitors in the supply of products to forecourts [REDACTED]. (Shell only supplied branded diesel and petrol to Shell-appointed dealers under five-year contracts, which it said was typical for the industry.)⁵¹ BP told us that while it would not track won and lost business it believed losses of forecourt business to DCC EUK or Butler Fuels to be minimal. Moreover, BP had not responded to a competitive initiative by GB Oils or Butler Fuels and Esso said that it was not aware of such initiatives from the merger parties. BWOOC was only aware of two forecourts it had lost to GB Oils in the last five years; ConocoPhillips said that [REDACTED] DODO forecourts with an estimated combined annual volume of [REDACTED] litres that were previously supplied by GB Oils, Pace Petroleum and/or Rontec had been won by Harvest and a small number of GB Oils forecourts a year by Murco. Valero said that it had monitored wins and losses of forecourts only since earlier in 2012 and had lost only one of a total of 14 lost forecourts to GB Oils (Gulf). It added that it saw DCC EUK/the Gulf brand as a less important competitor as compared with oil majors with strong retail brands or other importers developing a market presence and brand. BWOOC quoted the large distributors such as GB Oils, Butler Fuels, Watson Petroleum, NWF, Samuel Cooke and Rix as its principal competitors in the forecourt business. Then the traders Prax, Harvest and Greenergy, and finally the major oil companies of Total, Esso, Valero, Shell, BP, Murco and ConocoPhillips. DCC EUK

⁴⁹ Rix and BWOOC commented on the decline of the number of forecourts. The annual Retail Marketing Survey, conducted by the Energy Institute, shows that the number has declined further in 2011 to just under 8,500, from an all-time high of just under 40,000 in 1967 (source: Energy Institute Retail Marketing Survey).

⁵⁰ However, we note that NWF, Valero and Murco are active in Wales (although Murco requires a minimum 0.5 million litres' annual requirement), BWOOC would be willing to supply to any customer able to take artic loads, and Oil4Wales is developing a network of branded retail sites in Wales.

⁵¹ The merger parties also mentioned this as a typical contract period.

mentioned in addition Ribble, Crown Oil, West Cumberland Farmers, Gleaners and Highland Fuels.

86. The above suggests that the merger parties are not particularly important suppliers to forecourts. We note that a small number of the comments made to us (see paragraph 82) mean that we cannot be certain that there are no niches of the DODO business where the merger parties overlap in the area and are more significant competitors, such as forecourts with very low annual sales located in certain areas of Great Britain.^{52,53}

⁵² We note that the OFT found that, post-transaction, the merger parties would have a share of [X] per cent in the wholesale volumes sold to DODO forecourts. Excluding the Total-branded forecourts, which had an average remaining contract duration of [X] years on 31 October 2011, the volume share is [X] per cent.

⁵³ We also note that, post-transaction, the merger parties would have a share of 26 per cent in the DODO sites or 20 per cent if Total-branded forecourts were excluded (see The Forecourt Trader, Fuel Market Review 2011, June 2011).

Summary of survey results

1. To complement the information from hearings and questionnaire responses we asked a market research company, Accent, to carry out a survey of customers of the merger parties. Below we briefly describe the survey and highlight the main results.
2. The respondents were chosen from a list of customers in 2011. The list was created by merging the customer lists of the merger parties, omitting duplicate entries.¹ The information on the region(s) where customers' site(s) are situated was based on the postcode of the site locations matched with the parties' transaction data. A very small number of customer sites had postcodes which could not be matched to an area and therefore no region was assigned to these sites and they were not considered further. We did not include other distributors' customers since we were mainly interested in the decisions of the customers of the merger parties—which are in particular affected by the present merger. However, we note that circa 30 per cent of the respondents who identified a main supplier identified a supplier other than the merger parties as their main supplier.
3. Using information included in the parties' customer base and geographic information from the transaction data, we created seven customer groups, listed in Table 1 below. The number of 'bulk customers', that is respondents always or sometimes taking loads of 25,000 litres or more, is relatively low. The parties supply to a relatively small number of these customers (and the response rate of business in this survey was low, as is typically the case in surveys). The response rate for DODO forecourts was also low, which led to a small number of responses for this customer category. Based on information supplied by third parties in hearings and in response to questionnaires, concerns arising from the merger for 'bulk' customers and DODO forecourts appeared to be low. We were therefore not overly concerned about the lower number of respondents in these categories.
4. Since the likely area of concern was the segment of regional and multi-regional/national customers with multiple sites, our analysis of the survey focused mainly on these customers. We thought that there might be important differences between single-site customers in areas where only a few suppliers were active, and areas where a larger number of suppliers were active. Thus, we distinguished two categories of single-site customers: those in postcode districts with three or fewer suppliers and those in postcode districts with four or more suppliers. The number of active suppliers for each postcode district was taken from the data underlying the OFT off-grid study.² Table 1 shows the customer categories used and the number of respondents contacted in each of these categories.³

¹ DCC EUK raised the concern that since the respondents were chosen from the parties' customer lists, the 'customer quota classifications may not reflect the characteristics of the customer's total oil purchases' (see p4 of its report). Since the respondents were asked for information regarding their main fuel, their answers will be representative of their purchasing decisions regarding their main fuel (whether it is supplied by the parties or not). Similarly, some questions asked for decisions regarding their main supplier which will again be reflective regarding their main supplier, regardless of whether that is a party or not. Notably, the cross tabulations provided by Accent showed that around 30 per cent of all respondents stated that their main supplier was not one of the merger parties.

² This study is available on the [OFT website](#).

³ Accent administered the questionnaire online and by telephone. DCC EUK said that this might have introduced sampling bias to the extent that Internet use was more widespread across certain demographics of customers, while the collection of data by different methods might yield different responses. As different methods were used across quotas, rather than within, we do not see any issue in using different methods of collection. We note that Internet usage is different across demographics but for the people responding this way we are confident this was not an issue—the Internet was mainly used by domestic customers and we had a wide spread of these customers. Moreover, in telephone interviews respondents were prompted repeatedly for further suppliers that could meet their requirements for main fuel at Q29.

TABLE 1 Number of respondents by customer segment

<i>Customer category</i>	<i>Number of respondents</i>
A1: Customers taking only loads of 25,000 litres or more	34
A2: Customers sometimes taking loads of 25,000 litres or more and also smaller loads	61
B3: Customers with more than 3 sites situated in 3 or more NUTS regions	98
B4: Customers with more than 3 sites situated in one NUTS region only	207
B5: Single-site customers situated in a postcode district supplied by less than 4 suppliers	105
B6: Single-site customers situated in a postcode district supplied by more than 3 suppliers	1,853
C7: DODO forecourts	108

Source: Survey data provided by Accent.

Note: Accent sampled customers from the categories above to make sure that we had suitable coverage of the categories we wanted to focus on in our assessment of the merger. Therefore the proportions sampled were not the same as the proportion of the merger parties' customers in each of the seven categories above. In particular, the proportion of customers in B3 and B4 that were contacted was larger than the proportion of those customers in the merger parties' customer lists. In our assessment below we did not consider the responses of all customer categories in total and we considered that our analysis for each individual customer category was representative of the given category.

5. The responses showed that some of the customers in the multi-site categories B3 and B4 stated that they would buy their main fuel for one site only and so appeared to be single-site customers. To investigate this apparent discrepancy Accent re-contacted those customers in this group who had given us their consent for it to do so. We found a number of reasons for the apparent discrepancy, including: the customer wrongly stated the actual number of sites; the customer occasionally bought for other people; the recent closure of all but one of the customer's sites; and the customer had fuels other than its main fuel delivered to other sites (this final reason was the one most frequently mentioned). Where appropriate respondents were reclassified as multi-site customers. Two customers told us that they had been misclassified as they had always only had one site but we considered that this was a small proportion of the multi-site customers and the classification for the large majority of the responses was valid. Some respondents in the multi-region category B3 said that they had their main fuel delivered to two sites (which was seemingly inconsistent with our definition of a multi-region customer). The reason may again be that these customers buy other fuels (not their main fuel) for further sites. This was plausible and consistent with the information obtained from re-contacting customers which bought their main fuel for one site only (see above). In view of the above we considered that the classification for the large majority of the respondents in these two categories was valid.

6. By design the survey sampling did not include customers with two sites and customers with sites in two regions in categories B3 and B4. However, the creation of these categories included single-region customers with three or more sites as well as multi-region customers that were present in three or more regions. There is no evidence that would suggest that the excluded two-site, single-region customers were significantly different from single-region customers that had a somewhat larger number of sites. There is also no evidence that the excluded two-region customers would have been significantly different from, for example, three-region or four-region customers. Therefore we saw no reason to believe that the exclusion of single-region customers with two sites and of customers in two regions from the customer categories we used would bias the sample in any way.

7. We used three sites as the threshold for single-region customers because we considered it likely that there would be a number of cases where a customer had two sites in very close proximity, for example farmers with a house and another building on the same piece of land. Supply to such customers would be very similar to supply to single-site customers. We did not consider that two-site single-region customers (with sites further away than in the previous example) would be very different from

three- or four-site single-region customers. Therefore, we excluded all two-site single-region customers. Similarly, we used three rather than two regions as the lower bound for multi-regional customers. This was to exclude customers situated on the border between two regions where the sites were in close proximity but were on each side of the regional boundary. The likelihood that a customer with sites in close proximity to each other would be situated on the border of three regions was much lower. We did not use a higher threshold for the number of regions because this would have reduced the sample size considerably, which could have led to a sample size which was too small.

8. The creation of the customer categories was based on the number of sites and number of regions of the given customers that GB Oils and Butler Fuels delivered to. Since customers may multi-source and use other suppliers in addition to the parties, this is a lower bound of a customer's numbers of sites and regions. Despite the very large share of domestic customers in both parties' customer lists (which would usually take deliveries to one site only), we observed a number of multi-site customers in the single-site categories B5 and B6.⁴ However, the numbers were low in relation to the totals in these categories (circa 5 per cent of all B5 and B6 respondents). Since our key area of concern was multi-site customers (categories B3 and B4) this was not a cause of concern.⁵

Main competitive variables

9. For all customer groups considered, price was by far the most frequently mentioned reason for the choice of main supplier (as detailed in Table 2).
10. Price, reliability of supplier and quality of service provided by the supplier were the most frequently mentioned reasons given by customers for their choice of main supplier.

TABLE 2 Reasons for the choice of main supplier

	<i>per cent</i>						
	A1	A2	B3	B4	B5	B6	C7
Price	82	79	76	76	34	48	30
Reliability	24	34	26	35	47	42	13
Habit		4	4	7	38	30	12
Good service	24	27	12	19	40	35	11
Quality of fuel	12	5	7	9	11	10	2
They are local	3	11	11	19	29	32	10
Willingness to supply at short notice	21	14	2	9	28	23	5
Have a contract	18	14	6	5	12	16	32
Number of respondents	33	56	82	181	90	1,650	102

Source: [Survey data provided by Accent](#), Q37.

Note: Base: all respondents who were able to identify a main supplier for main fuel. Not all respondents interviewed were able to name their main supplier for fuel and thus the discrepancy between the base number for Q37 and the total number of customers we interviewed as shown in Table 1. Respondents could give multiple answers.

11. The top three *main* reasons for the choice of main supplier were price, reliability and having a contract.

⁴ This is consistent with the prevalence of multi-sourcing apparent from the responses. Since we did not have the necessary information on these respondents' drop sizes, we could not reclassify those.

⁵ See Accent's presentation of the survey results available on our [website](#) for further details on the sample.

TABLE 3 Main reason for the choice of main supplier

	<i>per cent</i>						
	A1	A2	B3	B4	B5	B6	C7
Price	79	70	68	65	28	40	29
Reliability	3	6	13	13	14	9	3
Have a contract	6	11	5	2	7	10	33
Number of respondents	33	54	79	179	85	1,582	89

Source: Survey data provided by Accent, Q38.

Note: Base: all respondents who were able to identify a main supplier for main fuel. Not all respondents interviewed were able to name their main supplier for fuel which explains the discrepancy between the base number for Q38 and the total number of respondents shown in Table 1 above. Respondents who gave multiple reasons in question Q37 were asked for their main reason. Where respondents had given only one reason for the choice of their previous supplier this was considered the main reason.

12. Third party suppliers were regarded as viable alternative suppliers by a large proportion of customers. Note that the respondents were able to mention several suppliers. The classification into third party, national supplier, mid-sized supplier etc was added after the survey had been carried out. 'National suppliers' are Watson and NWF. 'Mid-sized' suppliers are defined as in the local effects analysis (described in Appendix C) and include suppliers which appear to be reasonably large distributors. The list of mid-sized competing suppliers includes and is not restricted to: Advance Fuel, Chandlers, Fuel Oils, Goff Petroleum, Rix, Tinctnell Fuels, Wallace Oils and Wessex Petroleum.

TABLE 4 Choice of alternative suppliers

	<i>per cent</i>						
	A1	A2	B3	B4	B5	B6	C7
Both main parties*	41	46	14	12	4	25	26
Third party	91	87	55	60	62	68	72
National	59	56	20	16	1	21	24
Mid-sized	74	72	41	41	49	45	42
Other	32	34	8	15	28	32	21
Trader and major	41	30	12	13	1	11	22
Number of respondents	34	61	98	207	105	1,853	108

Source: Survey data provided by Accent, Q29 and Q29a.

*Includes all these respondents who mentioned both parties (ie GB Oils and Butler Fuels) as feasible suppliers. Shares of the respondents choosing only one of the main parties are not included in this table. Shares are computed including the customers who responded 'Don't know' and 'Not applicable'. Excluding these customers the shares of customers identifying both parties as feasible main supplier are as follows: A1 42 per cent; A2 50 per cent; B3 18 per cent; B4 14 per cent; B5 5 per cent; B6 27 per cent; C7 27 per cent.

Note: Base: all respondents.

13. The table below provides a further breakdown of the same responses, including the shares of respondents for each category which identified both the parties as feasible suppliers (last line in Table 5 below). The lines 'one', 'two' etc identify the share of respondents which identified the given number of viable alternative suppliers (ie one, two...). The columns 'BF+GBO' show these shares for those respondents which mentioned both Butler Fuels and GB Oils as possible suppliers. Therefore, the shares in the line 'two' and columns 'BF+GBO' are the shares of respondents which mentioned both Butler Fuels and GB Oils, but not any other distributor as possible suppliers.

TABLE 5 Feasible alternative suppliers: number of other suppliers that could meet the respondent's requirement for main fuel*

	A1		A2		B3		B4		B5		B6		C7	
	Total	BF+GBO	Total	BF+GBO	Total	BF+GBO	Total	BF+GBO	Total	BF+GBO	Total	BF+GBO	Total	BF+GBO
One (%)	6		4		29		27		28		20		18	
Two (%)			2	4	13	7	13	17	6		8	13	11	21
Three (%)	12		11		21		24		21		19		17	
Four (%)	18	14	25	11	18	36	15	13	26	25	22	25	21	25
Five (%)	12		16	18	12	29	13	33	10	25	16	26	20	25
Six or more (%)	52	86	43	68	8	29	9	38	10	50	16	37	15	29
Number of respondents	33	14	56	28	78	14	175	24	90	4	1,645	465	102	28
Share who mentioned BF+GBO (%)		42		50		18		14		4		28		27

Source: Survey data provided by Accent, Q29 and Q29a.

*In relation to this question 29 DCC EUK said that the wording of this question may have led 'respondents to interpret the question as being limited to only those suppliers that could physically supply all of their needs, across a wide geographic area – and hence to understate the range of suppliers available to them'. Since the question asked 'How many of the following suppliers could meet your requirements for [main fuel] as far as you are aware?' we do not see a reason to believe that respondents understood that as in any way limiting responses to certain types of suppliers.

Note: Base: all respondents. Not all respondents stated an alternative supplier. Number of respondents excludes those saying 'Don't know'/'Not applicable'. Shares given are those over the number of valid responses to this question, not the total base (for those totals and shares see the line 'Both main parties' in Table 4).

Multi-sourcing

14. Table 6 summarizes the information on respondents' attitudes to splitting volumes between several distributors.^{6,7}

TABLE 6 Use of multi-sourcing and stated preferences of consumers towards multi-sourcing

	A1	A2	B3	B4	B5	B6	C7
Use different suppliers in different regions (Q 27) (%)	89	96	63		100	91	100
It is important or very important that supplier is able to supply sites throughout the regions (Q26) (%)	89	80	91		100	74	100
Number of respondents	9	25	67	8	1	23	1
Use different suppliers to deliver within the region (Q 28) (%)	89	61		53	56	53	29
It is important or very important that supplier is able to supply sites throughout the region (Q25) (%)	100	96		88	100	74	86
Number of respondents	9	23	2	124	1	78	7

Source: Survey data provided by Accent, Q25, Q26, Q27, Q28.

Note: Base: for Q26 and Q27 the base consists of all customers with sites across multiple regions, ie across all customer categories, except B4; for Q25 and Q28 the base consists of all customers with all sites in one region, ie across all customer categories, except B3.

15. As shown in Table 7 below, the majority of respondents at least occasionally use several suppliers—consistent with a large share of respondents using different suppliers (see Table 4 above).

TABLE 7 Use of supplier by customers who buy from more than one supplier

	A1	A2	B3	B4	B5	B6	C7
I always use the same supplier	6	14	20	23	62	46	66
I have one main supplier but occasionally use others	27	24	31	37	28	33	18
I have several suppliers which I use on a regular basis	67	63	48	41	10	21	16
Number of respondents	33	59	64	142	86	1,499	87

Source: Survey data provided by Accent, Q42.

Note: Base: number of customers aware of more than one supplier. Considering the two categories of bulk customers, A1 and A2, jointly 89 per cent of respondents said that they would at least occasionally or regularly use several suppliers.

Subcontracting

16. The survey also showed that the vast majority of respondents in each customer category do not mind whether their main supplier or a subcontractor delivers to them, see Table 8 for details.

⁶ There is an apparent contradiction for multi-region respondents (B3). Most say that they prefer to use a supplier that is able to deliver throughout the regions where they require fuel, but also say that they use different suppliers in different regions. The reason may be that respondents use different suppliers, but that each supplier delivers throughout the regions where fuel is required.

⁷ DCC EUK highlighted an apparent contradiction in the statements of five multi-region respondents and eight multi-site, single-region respondents. The apparent contradiction is that these respondents said that they would be aware of only one supplier which could meet their requirements for their main fuel, but also said that they would use multiple suppliers. The reason for this is most likely that these respondents source their main fuel from a single supplier and use other suppliers for their other fuels. It is also worth noting that the share of these responses in the total number of responses in the given customer category is small (4 per cent for B3 and 3 per cent for B4).

TABLE 8 **Subcontracting by main supplier and stated preferences of consumers towards subcontracting**

	<i>per cent</i>						
	A1	A2	B3	B4	B5	B6	C7
Supplier uses subcontractor	24	25	27	12	10	11	33
Supplier does not use subcontractor	36	50	52	68	46	39	57
Customer does not know whether supplier uses subcontractor	36	25	21	20	44	49	10
Customer prefers to have supplier deliver directly	24	32	10	18	23	31	19
Number of respondents	33	56	82	181	90	1,650	102

Source: [Survey data provided by Accent](#), Q40 and Q41.

Note: Base: number of customers who identified a main supplier for their purchase of main fuel. Only a small proportion of customers stated that they do not know their preference with respect to the use of subcontractor by their main supplier. For each group the percentage of customers stating 'do not know' is as follows: A1 3 per cent; A2 2 per cent; B3 5 per cent; B4 3 per cent; B5 7 per cent; B6 6 per cent; C7 2 per cent. The customers which do not mind if their supplier uses a subcontractor are those which did not either state that they would prefer to receive direct deliveries or responded 'don't know'; e.g. 85 per cent for B3 and 79 per cent for B4.

Volume discounts

17. The survey also aimed to assess the extent to which customers receive discounts and the main reasons for receiving a discount. Tables 9 and 10 summarize the results. For each customer category, Table 9 shows the share of respondents receiving the given discount in all respondents that receive a discount. Of all customers interviewed the proportion of customers receiving a discount from their main supplier is small.

TABLE 9 **Proportion of customers receiving a discount**

	A1	A2	B3	B4	B5	B6	C7
Receive discount from supplier (%)	21	21	35	30	13	18	16
Number of respondents*	33	56	82	181	90	1,650	102
Reason for discount							
Bulk buying/volume of sales (%)	57	75	59	50	8	18	6
Long-term/valued customer (%)		17	24	26		7	13
Prompt/early payment (%)		17		9	50	23	6
Number of respondents†	7	12	29	54	12	298	16

Source: [Survey data provided by Accent](#), Q33, Q33a.

*Base: number of customers who identified a main supplier for their purchase of main fuel.

†Base: number of customers who are getting a discount. It is not possible to distinguish whether the discount given is for large loads or a large total volume (eg annual volume). The majority of customers receiving discounts do not know the value of the discount they receive.

18. Table 10 shows the corresponding shares in all respondents.

TABLE 10 **Customers getting discounts out of all customers we interviewed**

	<i>per cent</i>						
	A1	A2	B3	B4	B5	B6	C7
Reason for discount							
Bulk buying/volume of sales	12	16	21	15	1	3	1
Long-term/valued customer		4	9	8	0	1	2
Prompt/early payment		4		3	7	2	1
Number of respondents	33	56	82	181	90	1,650	102

Source: [Survey data provided by Accent](#), Q33a.

Note: Base: number of customers who identified a main supplier for their purchase of main fuel.

Switching supplier

19. The survey suggested that customers are more likely to stay with their main supplier for various different reasons, such as getting a good price, having a reliable supplier, the coverage of supplier or the customer service provided by supplier, rather than for the simple fact that it is difficult to switch supplier; see Table 11 below.

TABLE 11 Reasons why customers use the same supplier

	<i>per cent</i>						
	A1	A2	B3	B4	B5	B6	C7
Good price	33	20	26	36	19	22	3
Reliable	33	10	26	34	50	48	6
Cover all areas		30	26	26	7	12	6
Contract	33	80	4	7	19	28	60
Good personal relationship	33	10	6	19	17	14	6
Too much work to change supplier				6	14	14	3
Lack of competition—supplier has monopoly			2		4	1	1
Limited choice of supplier/only supplier to area			4	2	10	3	10
Number of respondents	3	10	47	97	72	1,052	78

Source: Survey data provided by Accent, Q48.

Note: Base: number of customers who use the same supplier.

20. The survey also aimed to assess the level of loyalty expressed by customers for their main supplier. Customers who use more than one supplier were asked for the extent to which they used a supplier other than their main supplier over the last six months.

TABLE 12 Use of a different supplier within the last six months

	A1	A2	B3	B4	B5	B6	C7
Customer used a different supplier other than the main supplier within the last six months (%)	80	89	77	82	39	45	86
Number of respondents	31	51	51	110	33	807	30

Source: Survey data provided by Accent, Q47.

Note: Base: number of all respondents except those who use the same supplier. The remaining respondents last used a different supplier more than six months ago or stated that they did not remember when they did so last.

21. A large number of the customers interviewed in each segment used more than one supplier. Thus, we asked respondents to identify the main reasons for this decision. These are shown in Table 13. A cheaper quote was mentioned most frequently as the reason for using another supplier.

TABLE 13 Reasons for using different suppliers

	<i>per cent</i>						
	A1	A2	B3	B4	B5	B6	C7
Don't cover all areas I need them to	3	14	16	11		2	
Not competitive for all fuels	10	10	6	11	15	4	7
Want to shop around	26	20	24	30	33	34	20
Don't want to rely on just one supplier	26	33	12	14	21	23	10
Best way to get information on offers available		2	4	5		9	
If they give a cheaper quote	84	73	63	51	82	72	80
Other reason	3	4		4		2	7
Faster delivery times (than main supplier)		6		1		1	
Availability of supply		2				1	3
Depends on location/convenience			4	4		1	3
Group/syndicate decision					3	1	
Problems with main supplier service/delivery		2		1		2	
Number of respondents	31	51	51	110	33	802	30

Source: Survey data provided by Accent, Q45.

Note: Base: number of all respondents except those who use the same supplier.

22. We also looked at the price sensitivity of customers in each quota; results are shown in Table 14.

TABLE 14 Consumers' price sensitivity

	<i>per cent</i>						
	A1	A2	B3	B4	B5	B6	C7
1-2%	56	44	34	28	21	20	28
3-5%	18	18	18	21	18	26	16
6-10%	15	3	6	6	22	20	12
A price increase wouldn't make me look for another supplier	3	13	7	13	8	7	13
Will buy at any price, no choice of suppliers		5	6	5	16	5	10
Number of respondents	34	61	98	207	105	1,853	108

Source: Survey data provided by Accent, Q50.

Note: Base: number of all respondents.

23. Customers were also asked for their reaction if their main supplier were to raise price by 5 or 10 per cent. Table 15 summarizes the responses.

TABLE 15 Consumers' response to a price increase (ie 5 per cent and 10 per cent)

	A1	A2	B3	B4	B5	B6	C7
<i>Price rise of 5%</i>							
Very likely to move business (%)	65	44	21	20	23	25	35
Likely to move business (%)	21	15	20	18	21	27	16
Number of respondents*	34	61	98	207	105	1,853	108
<i>Price rise of 10%</i>							
Very likely to move business (%)	33	26	8	5	21	21	17
Likely to move business (%)	33	12	19	23	16	30	9
Number of respondents†	12	34	77	165	81	1,392	70

Source: Survey data provided by Accent, Q56 and Q57.

*Base: number of all respondents.

†Base: number of all respondents excluding those who are very likely to move part or all of their business when faced with a 5 per cent price increase.

24. The majority of customers identified several suppliers as feasible suppliers to move their business to in response to a price increase. Multi-sourcing appears to be a

feasible option as the majority of customers in all segments considered moving to several suppliers in the case of a price increase.

TABLE 16 Consumers' choice of supplier in response to a price increase

	<i>per cent</i>						
	A1	A2	B3	B4	B5	B6	C7
Several suppliers considered	81	78	63	47	23	37	46
A single supplier considered		11	19	28	44	40	37
Number of respondents	26	37	27	53	48	810	52

Source: Survey data provided by Accent, Q58.

Note: Base: all respondents who are very likely to move some or all of their business when faced with a 5 or 10 per cent price increase. There is a small proportion of respondents who do not know where they would move their business to.

25. We asked respondents to identify which supplier they would consider moving part or their entire business to in response to a 5 or 10 per cent increase in price. Tables 17 to 20 below summarize the responses.⁸
26. The question referred to the respondent's current supplier and allowed the respondents to mention several suppliers as those to which they would move. Thus shares may be larger than 100 per cent. Many GB Oils customers said that they would switch to another GB Oils brand.⁹ The share of respondents who told us that they would switch to third parties (or Butler Fuels) is therefore likely to understate the constraint third parties (or Butler Fuels) impose on GB Oils compared with if customers had assumed all GB Oils brands had increased price, not only the brand they are currently using. The same observation applies to the unavailability question discussed below.

TABLE 17 Bulk customers' switching choice in response to a price increase

<i>Switching to</i>	<i>Main supplier</i>						<i>per cent</i>
	A1	A1	A1	A2	A2	A2	
	GB Oils	Butler Fuels	Third party	GB Oils	Butler Fuels	Third party	
GB Oils	50	86	44	40	57	71	
Butler Fuels	50		56	30		21	
Third party	100	100	78	90	86	93	
Number of respondents	4	7	9	10	7	14	

Source: Survey data provided by Accent, Q58a.

Note: Base: all respondents who are very likely to move some or all of their business when faced with a 5 or 10 per cent price increase.

⁸ The questions ask respondents who could not recollect the price they last paid 'If [main fuel] cost [default price] per litre last time you bought it and if the cost went up to [default price + 5 per cent] and all other things being equal, ...' and respondents who stated the price they paid last time 'If the cost of [main fuel] from your current supplier went up to [stated price + 5 per cent] per litre, and all other things being equal, ...'. DCC EUK said that where the wording referred to a default price it might 'not have been interpreted by respondents as meaning that the price increase affected their current supplier only' and that as a result, responses to this question might understate the degree of switching. We note that only the respondents that could not recollect the price they last paid were asked the default price question. It appears unlikely to us that these respondents will have misinterpreted the question in the way that DCC EUK suggested.

⁹ In relation to this we noted that there were no customers that used Butler Fuels that said they would switch to Butler Fuels in the event of closure, which is plausible since Butler Fuels does not use multiple brands.

TABLE 18 Multi-site customers' switching choice in response to a price increase

Switching to	Main supplier						per cent
	B3		B4		B4		Third party
	GB Oils	Butler Fuels	GB Oils	Butler Fuels	GB Oils	Butler Fuels	
GB Oils	67	33	29	60	60	20	
Butler Fuels	33		14	7		7	
Third party	78	33	57	73	60	53	
Number of respondents	9	3	7	15	5	15	

Source: Survey data provided by Accent, Q58a.

Note: Base: all respondents who are very likely to move some or all of their business when faced with a 5 or 10 per cent price increase. If the respondents using either of the parties, GB Oils or Butler Fuels, are considered jointly, the shares of those who would switch to a third party in the total number of respondents using either of the merger parties is 67 per cent for B3 and 70 per cent for B4.

TABLE 19 Single-site customers' switching choice in response to a price increase

Switching to	Main supplier						per cent
	B5		B6		B6		Third party
	GB Oils	Butler Fuels	GB Oils	Butler Fuels	GB Oils	Butler Fuels	
GB Oils	69		62	67	41	49	
Butler Fuels	6			18	1	20	
Third party	88		62	67	70	73	
Number of respondents	16		13	306	74	201	

Source: Survey data provided by Accent, Q58a.

Note: Base: all respondents who are very likely to move some or all of their business when faced with a 5 or 10 per cent price increase.

TABLE 20 DODO forecourts; switching choice in response to a price increase

Switching to	Main supplier			per cent
	C7		C7	Third party
	GB Oils	Butler Fuels	GB Oils	
GB Oils	36	100	64	
Butler Fuels	7		18	
Third party	75	50	91	
Number of respondents	28	2	11	

Source: Survey data provided by Accent, Q51.

Note: Base: all respondents who are very likely to move some or all of their business when faced with a 5 or 10 per cent price increase. If the respondents using either of the parties are considered jointly, the shares of those who would switch to a third party is 73 per cent.

27. We also asked customers who they would switch to if their main fuel provider were no longer available. Since multiple answers were possible (and consistent with the observed degree of multi-sourcing) and since the shares for 'don't know/not stated' are omitted, shares do not add up to 100 per cent. Responses are detailed in Tables 21 to 24 below. For the reasons explained in paragraph 26 above the shares of those who said that they would switch to Butler Fuels or third parties will again be a lower bound of switching from GB Oils to these alternatives.

TABLE 21 Bulk customers' switching choice in response to closing of main supplier

Switching to	Main supplier						per cent
	A1	A1	A1	A2	A2	A2	
	GB Oils	Butler Fuels	Third party	GB Oils	Butler Fuels	Third party	
GB Oils	56	58	33	35	58	60	
Butler Fuels	33		58	22		35	
Third party	78	67	83	87	75	80	
Number of respondents	9	12	12	23	12	20	

Source: Survey data provided by Accent, Q51.

Note: Base: all respondents.

TABLE 22 Multi-site customers' switching choice in response to closing of main supplier

Switching to	Main supplier						per cent
	B3	B3	B3	B4	B4	B4	
	GB Oils	Butler Fuels	Third party	GB Oils	Butler Fuels	Third party	
GB Oils	6	33	32	72	18	30	
Butler Fuels	16		14	9		10	
Third party	37		57	46	35	63	
Number of respondents	38	6	28	82	17	63	

Source: Survey data provided by Accent, Q51.

Note: Base: all respondents. If the respondents using either of the parties are considered jointly, the shares of those who would switch to a third party is 32 per cent for B3 and 44 per cent for B4.

TABLE 23 Single-site customers' switching choice in response to closing of main supplier

Switching to	Main supplier						per cent
	B5	B5	B5	B6	B6	B6	
	GB Oils	Butler Fuels	Third party	GB Oils	Butler Fuels	Third party	
GB Oils	61		67	65	29	44	
Butler Fuels	3		8	20	2	24	
Third party	56		67	63	67	78	
Number of respondents	64		24	989	183	462	

Source: Survey data provided by Accent, Q51.

Note: Base: all respondents.

TABLE 24 DODO forecourts; switching choice in response to closing of main supplier

Switching to	Main supplier			per cent
	C7	C7	C7	
	GB Oils	Butler Fuels	Third party	
GB Oils	41	50	50	
Butler Fuels	4		4	
Third party	63	50	69	
Number of respondents	70	6	26	

Source: Survey data provided by Accent, Q51.

Note: Base: all respondents. If the respondents using either of the parties are considered jointly, the shares of those who would switch to a third party is 62 per cent.

28. In our analysis of these responses to these switching questions (Q51 and Q58a) we focused on respondents which gave either of the parties as their main supplier (since these are likely to be affected to a greater extent by the present merger). Given the large extent of ‘switching’ within GB Oils, ie between GB Oils brands, we placed a somewhat lower value on the results of the switching questions in our assessment.

Switching between fuels

29. The respondents were also asked whether they could switch between fuels. The vast majority of customers that we surveyed said it would be difficult to switch among fuels, see Table 25 below.

TABLE 25 Consumers’ stated attitude with respect to switching among fuels

	<i>per cent</i>						
	A1	A2	B3	B4	B5	B6	C7
Switching to a different fuel would be difficult	18	10	18	20	30	27	9
Switching to a different fuel would be impossible	71	75	62	63	64	64	78
Number of respondents	34	61	98	207	105	1,852	108

Source: [Survey data provided by Accent](#), Q52.

Note: Base: all respondents.

Entry and expansion

1. This appendix sets out further details of the evidence we considered in relation to entry and expansion. We held hearings with distributors and analysed their responses to questionnaires.

Recent new entry

2. Given the existence of several hundred fuel distributors, it is evident that there are no insurmountable barriers to operating an oil distribution business. We did not identify any practical issues that would make it more difficult to enter the market in future.
3. Monument Fuels, a new business located in Wellington, Somerset was founded in 2011 by former managers from within the oil distribution business who took a decision to strike out on an independent basis. It chose to construct a wet depot with a total of 128,000 litres of fuel storage as a key part of its operations because there were advantages in having guaranteed access to a stock of product for onward distribution that would enable the business to continue to operate in the event of any disruption to the supply chain (eg supply restrictions at terminals). It operates two tankers from the depot. Monument Fuels was focusing on small customers, and told us that it was not equipped to provide fuel on a contract or tender basis. It said that if it could build up the site to a scale of around 12 million litres per year, with three to four tankers over the next seven to eight years, then it might be possible to contemplate a second depot approximately 40 miles away from the first site, in order to extend the territory.
4. Berry Oils was a new entrant founded in July 2011 by a former manager in the oil distribution business with 33 years of experience. Berry Oils had three small storage tanks, one of 5,000 litres and two of 2,500 litres each. Berry Oils regularly collected fuel from a depot in Great Yarmouth owned by a third party delivered 20 to 25 miles from the depot.
5. We also spoke to BWOC, which is owned by Mabanaft. BWOC was not involved in local distribution and did not intend to enter this market due to the low margins but told us that it had previously provided financial support for new distributors if the entrant could provide adequate security,¹ for example to Oil4Wales, Sweet Fuels and Standard Fuel Oils. BWOC had provided such support as part of its business model for several years, but it was not a large proportion of BWOC's activities. BWOC supplied fuel in full and half loads to commercial customers and was a wholesaler to distributors. BWOC said that the biggest barrier to entry was that it was challenging to achieve profitability, and that a new entrant would need to overcome low utilization and start-up losses until it could establish a customer base.
6. DCC EUK considered that new entrants had not yet grown organically to a size equivalent to that of DCC EUK, but they had nevertheless exercised a material competitive constraint upon the merger parties. It noted that one recent entrant, Oil4Wales, had grown to a turnover of £40 million in its first year of trading, had three locations and more than 11,000 customers. DCC EUK also considered that some companies had expanded through acquisition—for example, NWF had grown

¹ For example, BWOC might take a fixed charge on an asset, such as a debtor list.

between 2008 and 2011 and had acquired Evesons Fuels in January 2011 and Swan Petroleum in October 2011.

7. DCC EUK supplied details of a total of 45 third party depots, sites and other operational bases that it understood had been opened by third parties over the past five years in various regions. It noted that in recent years, there had been material expansion and acquisition by distributors, such as Watson and NWF. Based on our review of the individual events we concluded that 17 were genuine new entry and 28 were expansion by existing distributors. Table 1 summarizes the number of examples of new entry that DCC EUK identified in each of its regions of operation.

TABLE 1 Number of entry events by existing distributors by region (2007–2012)*

	Region						Total
	North-East and Midlands regions	North-West England region	South-West England region	Wales region	South-East region	Scotland region	
New entrant	6	3	1	5	0	2	17

Source: DCC EUK.

*DCC EUK said that the regions it used were NUTS1 regions.

8. We found that while there had been some examples of entry, none of the recent entrants had grown to a significant size relative to DCC EUK. We considered that a possible challenge for entry and expansion might arise in relation to financing of expansion via investment in a new depot (should one be required). This is considered further in paragraphs 44 to 47 and 54 to 71).

Recent depot expansion

9. Of the depot expansions, Rix had started nine separate operations in five different regions; Watson three operations in two different regions; BWOC had supported distributor start-up in two regions and Newt Oils had itself started operations in two separate regions; and the remaining 29 related to operations in a single region. The number of expansion events identified by DCC EUK in each region is summarized in Table 2.

TABLE 2 Number of expansion events by existing distributors by region (2007–2012)

	Region						Total
	North-East and Midlands regions	North-West England region	South-West England region	Wales region	South-East region	Scotland region	
Expansion	8	3	3	3	5	6	28

Source: DCC EUK.

10. We noted that the examples indicated a range of different scales of operations. We considered this information to be anecdotal evidence that expansion has taken place in recent years.

Expansion by DCC EUK and subsequently acquired businesses

11. DCC EUK identified 14 separate depot openings by group companies over the past five years (including by businesses subsequently acquired), of which two had subsequently ceased operations. Over the five years to 31 March 2012, new depots

had contributed [x] per cent to GB Oils' overall sales volume and value. The contribution in 2012 was higher than the five-year average, at [x] per cent, due to the significant scale of the Thames Riverside facility, which individually represented [x] per cent of GB Oils' total volume in the year ended 31 March 2012. Table 3 identifies the depot openings.

12. DCC EUK told us that its strategy had been to grow through acquisition and maximize the efficient utilization of its existing distribution assets, including its tankers, rather than by depot openings. Consequently, DCC EUK had little need to invest in building new depots.

TABLE 3 Contribution of depot openings to DCC EUK sales

Year ending March	2008	2009	2010	2011	2012	2013	5-year total to 2012
Volume (million litres)	[x]	[x]	[x]	[x]	[x]	[x]	[x]
Value (£m)	[x]	[x]	[x]	[x]	[x]	[x]	[x]
<i>Contribution to GB Oils sales</i>							
Volume (%)	[x]	[x]	[x]	[x]	[x]	[x]	[x]
Value (%)	[x]	[x]	[x]	[x]	[x]	[x]	[x]
Locations	Watlington (Pace)	Alnwick (Bayfords)	Birtley (Pearts)	Grangemouth (GB Oils)	Hadleigh	East Kilbride (GB Oils)	
	DREM (Brogans)		Ellesmere Port (Brogans)	Melksham (Pace)	Thames Riverside (GB Oils)		
	Penrith (Brogans)		Muir of Ord (Brogans)				
			Skipton (Bayfords)				
			Sandwich (Pace)				

Source: DCC EUK.

Note:

- The contribution to sales volume and value is based on a pro forma total for all acquired companies (including pre-acquisition levels, as if GB Oils had owned the target company during the entire period).
- N/A = not applicable.

13. The total capital expenditure (capex) on sites and vehicles by GB Oils and acquired companies in the five years 2007 to 2012, including the Ipswich site, which has yet to open, was £[x] million, as set out in Table 4, and excluding Ipswich was £[x] million. The scale of investment varied considerably, depending on the scale of operations.
14. DCC EUK considered that it was misleading to include vehicle capex in the costs of opening a new depot because typically trucks could be moved from other supply locations. We disagreed because an investor might not have access to surplus vehicles in another location. DCC EUK noted that the Thames Riverside costs included the cost for an additional bunker facility which made cross-depot comparisons difficult.

TABLE 4 GB Oils depot capex and overheads

Location	Brand	Region	Date opened	Currently in operation	Site capex £'000	Vehicle capex £'000	Total capex £'000	Annual overhead £'000
Alnwick	Bayfords	Northern	Sep 08	[X]	[X]	[X]	[X]	[X]
Birtley	Pearts	Northern	Dec 09	[X]	[X]	[X]	[X]	[X]
Drem	Brogans	Scotland	Jan 08	[X]	[X]	[X]	[X]	[X]
East Kilbride	GB Oils	Scotland	Mar 12	[X]	[X]	[X]	[X]	[X]
Ellesmere Port	Brogans	Northern	Aug 09	[X]	[X]	[X]	[X]	[X]
Grangemouth	GB Oils	Scotland	2010	[X]	[X]	[X]	[X]	[X]
Hadleigh	N/A		Feb 12	[X]	[X]	[X]	[X]	[X]
Ipswich	GB Oils	Southern	[X]	[X]	[X]	[X]	[X]	[X]
Melksham	Pace	Southern	Apr 09	[X]	[X]	[X]	[X]	[X]
Muir of Ord	Brogans	Scotland	Jul 09	[X]	[X]	[X]	[X]	[X]
Penrith	Brogans	Scotland	Feb 08	[X]	[X]	[X]	[X]	[X]
Sandwich	Pace	Southern	Mar 10	[X]	[X]	[X]	[X]	[X]
Skipton	Bayfords	Northern	Jul 09	[X]	[X]	[X]	[X]	[X]
Thames Riverside	GB Oils		Sep 11	[X]	[X]	[X]	[X]	[X]
Watlington	Pace		Mar 08	[X]	[X]	[X]	[X]	[X]
Total inc Ipswich					[X]	[X]	[X]	[X]
Total exc Ipswich					[X]	[X]	[X]	[X]
Max					[X]	[X]	[X]	
Median					[X]	[X]	[X]	
Mean					[X]	[X]	[X]	
Min (of non-zero values)					[X]	[X]	[X]	

Source: GB Oils.

N/A = not applicable.

15. Alongside new depots, GB Oils had been actively acquiring distributors for several years, having spent roughly [X] times the investment in new depots, and had also exited a number of sites (see paragraph 28 below). This provided evidence of active management of the depot portfolio.

Expansion by Butler Fuels

16. Butler Fuels told us that it had opened only one depot, Westcott, in the last five years. The driving factor in Butler Fuels opening Westcott was the Buncefield explosion. Capex on this facility was £[X] million. Butler considered that these costs were 'unusually high' because the site had been built in the immediate aftermath of the Buncefield explosion, and [X], from entirely new equipment. The site also had greater storage capacity than was normally required for a depot, and it was a regional office. The contribution of Westcott towards the total value and volume of sales in the last five years was [X]. In addition, Butler Fuels had reopened a site [X] in April 2011 which required no incremental capex because the site had previously been mothballed.

Expansion by Rix Petroleum

17. Rix told [X].
18. Rix also told us [X].

TABLE 7 Sales at depots opened by Watson in the last five years

Location	Year opened	Sales volume '000 litres	Sales value £'000	Proportion of Watson volume %	Proportion of Watson sales value %	Capex £
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Watson.

Summary of market expansion

22. In relation to the overall scale of recent entry, we found that the contribution of new depots to the total volumes of distributors ranged from around [REDACTED] per cent at GB Oils and Butler Fuels respectively, around [REDACTED] per cent for Watson (including depots opened as far back as 2000) and [REDACTED] per cent for Rix. Taken together the sum of all depot volumes added through expansion represented less than 1 per cent of the industry volume (see Table 8.) We considered the effect of entry and expansion at a local level was therefore very small in relation to the overall size of the market.

TABLE 8 Estimated scale of new depots relative to overall consumption

	Total volume in 2011 Litres ('000)	Estimated contribution of depots opened % contribution	Litres ('000)
GB Oils	[REDACTED]	[REDACTED]	[REDACTED]
Butler Fuels	[REDACTED]	[REDACTED]	[REDACTED]
Watson	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal	[6,000,000–7,000,000]		
	Consumption in 2010		
Consumption ('000 tonnes)	45,598		
Conversion factor	1.30		
Consumption litres ('000)	59,277,400		Sub total of 4 distributors / industry total
Four distributors above / total	[5–15]%		[0.5–1]%

Source: CC analysis.

23. DCC EUK did not agree that the effect of entry and expansion at a local level was small. It said that the OFT's off-grid energy market study report found that less than 3 per cent of UK off-grid households lived in a location with four or fewer known suppliers, and 60 per cent of Great Britain households not connected to the gas grid lived in a postcode served by eight or more suppliers. It said that the number and range of competitors was the result at the local level of the entry and expansion within the oil distribution industry. DCC EUK considered that further entry and expansion, without requiring investment in depots, had occurred at the local level by distributors using additional tankers, operating from parking spaces and using terminals as hubs.

Entry by an oil major or trader

24. We also considered the potential entry by an oil major or trader into supply of smaller loads, ie less than one artic load of fuel. We noted that all of the 'branded' oil majors

have now exited the distribution market, the last being Total's decision to sell Butler Fuels (the target company in this merger inquiry). This provided evidence of exit, as opposed to entry.

25. We also noted that a number of traders and wholesalers—such as Greenergy and Harvest—were relatively young businesses that had taken advantage of the withdrawal of the oil majors from the bulk distribution market to grow in this segment of the downstream oil industry.² [X] told us that it had considered providing smaller loads of fuel, but that the minimum quantities it would consider were full compartments within its tankers, and that it was not able to distribute in any smaller volumes because it did not have the capability to meter the fuel. It also told us that it would mainly supply under one- or two-year contracts and would do spot business only if it still had capacity once it had delivered all contracted volumes. [X] told us that it had no plans to deliver into Scotland, North-East England and the islands due to a lack of competitive supply and the need for substantial investment.
26. DCC agreed that that oil majors had sold their direct distribution businesses in Great Britain, but did not agree that the branded oil majors had exited the oil distribution market. DCC EUK said that the oil majors continued to supply oil products in Great Britain by using third party distributors on a subcontract basis. DCC EUK also considered that a number of traders and wholesalers had been progressively expanding the scope and scale of their oil distribution operation in Great Britain.
27. We found only limited evidence that oil majors, traders or hauliers would enter the distribution market using a direct distribution model (eg with their own tankers), and we did not think that this was a likely prospect on any significant scale.

Depot closures

28. GB Oils told us that there was excess depot capacity throughout its own and its competitors' depot networks. It supplied a table of [X] cases where supply had ceased in the last five years, including its own supply and that of third parties. This information included an estimate of the volume of sales in the last year of operation and storage capacity removed as a result of the closure. This is summarized in Table 9. Butler Fuels told us that in 2010 Vopak closed a site in Ipswich that had previously employed [X] Butler Fuels tankers.

TABLE 9 Details of supply cessation

Year ended March	2008	2009	2010	2011	2012	2013	5-year total to 2012
Sale volume (million litres)	[X]						
Storage volume (million litres)	[X]						
Of which, sale volumes exceeding 50 million litres			[X]	[X]	[X]		
					[X]		
					[X]		

Source: DCC EUK.

29. We considered that these examples of exit provided evidence of active management of the portfolio of distribution capacity in response to market forces.

² However, Watson told us that both Greenergy and Harvest would be competitors mainly for diesel and loads of more than 18,000 litres.

Exit of suppliers

30. We did not find widespread evidence of exit by distributors through financial failure. However, we found evidence of substantial consolidation of the sector through acquisitions, eg by GB Oils, Watson and NWF.

Entry requirements

31. We considered the requirements for entry, and the extent to which any of these requirements could represent a barrier to entry or expansion currently, or in future. The assets and requirements to operate an oil distribution business are:
- (a) access to product supply;
 - (b) depot facilities;
 - (c) delivery vehicles and drivers;
 - (d) planning, environmental and safety regulation;
 - (e) establishing customer relationships; and
 - (f) finance (including working capital, vehicle financing and investment capital).

Access to product supply

32. Product can be purchased from a terminal or refinery on a spot or contract basis. Larger distributors, such as GB Oils, have formal supply contracts in place which commit the distributor to purchase agreed quantities of product per month, but they also purchase oil products on a spot basis. In paragraphs 55 to 58 we note that a distributor that was unable to obtain credit from a wholesaler would need to pay for fuel in advance, and would therefore be exposed to the value of the product until all amounts due had been collected.
33. GB Oils said that it did not pre-order oil but purchased product on an almost daily basis in order to avoid taking a stock position. A small number of firms reported to the OFT that during winter 2010, those who had pre-purchased heating oil were at an advantage when supply was constrained. Pre-ordering oil was risky (if the price subsequently moved), so was generally more accessible to larger or more established firms, and could pose a barrier to new entrants. However, the OFT also heard evidence that the difficulties of getting access to wholesale supply had reduced, as branding agreements (where distributors carried the majors' brands) had become less important.

Depot facilities

Wet depots

34. A distributor may own, operate or have access to a 'wet depot'. Wet depots are small facilities with bulk storage for multiple grades of product. The OFT considered that access to depots was possibly the greatest barrier to entry (and especially expansion) in the oil distribution market.³ The OFT considered that it was challenging to

³ OFT Off-Grid Energy market study, paragraph 4.36.

obtain consents for new depots, and that capital outlay was high. The OFT estimated that a new storage facility could cost approximately £250,000 to £500,000.

35. GB Oils stated that a new depot could be built for [redacted] and the pay-back period could generally be [redacted] years, but might be as quick as [redacted]. GB Oils said that Rix had opened a depot in Spalding, for which GB Oils estimated the entry cost to be [redacted] based on converting an existing commercial site. GB Oils told us that a typical depot might have four to five storage tanks, with storage capacity in the region of 250,000 to 400,000 litres of product, which was used and replenished typically every two to three days.
36. Watson told us that the cost of starting a new depot from scratch if it did not have the business in a particular area would be in the region of £750,000 to £1 million plus land costs, and that such a facility might be a base for three or four tankers and would have storage capacity of 400,000 litres. Watson considered that others might choose to save money, and build a lower-cost depot but that Watson's own standards and reputation meant that it would not follow such a strategy.
37. A small number of respondents to the OFT also said that it was more difficult for a new entrant or expanding firm to obtain planning permission for depots currently than it was to acquire the relevant permissions in the past.⁴
38. Details of the evidence we received on the actual costs of depot expansion were set out in paragraphs 13 to 21.
39. Table 10 sets out a range of third party estimated costs to open a new site. The responses indicate that distributors estimate that the cost of a new site with storage and a fleet of tankers would cost in the region of £350,000 to £400,000, but that a site without storage could be substantially cheaper, at around £20,000. A site using all new plant and equipment could cost in excess of £1 million. DCC EUK considered that there was no operational reason why a new depot would have to be constructed using all new plant and equipment, rather than using appropriate second-hand equipment. We considered that the specification of a new depot would be determined by each distributor according to its own criteria and business model.

⁴ OFT Off-Grid Energy market study, paragraph 4.36.

TABLE 10 Estimated cost of opening a new site

Company	Estimated cost of opening a new site without storage	Estimated cost of opening a new site with storage	Description
Chandlers		£350,000	Estimate of £100,000 for site and the balance for equipment.
Crown Oil	£20,000	£400,000	Lower end of range based on two old tankers with no storage. Upper end of range for two new tankers, with new storage and loading facilities.
GB Oils		[REDACTED]	A typical depot may have four to five storage tanks, with storage capacity in the region of 250,000–400,000 litres of product, which was used and replenished typically every 2–3 days.
Monument Fuels	Circa £50,000		For a start up operation with second hand vehicles and no storage.
[REDACTED]		[REDACTED]	[REDACTED]
Watson		£750,000–£1,000,000	A base for three or four tankers and storage capacity of 400,000 litres.

Source: Parties as above.

Dry depots and parking facilities

40. A distributor may also use a dry depot. These are sites which do not contain bulk storage of product. Dry depots are sites used to park vehicles and to manage local distribution, and are located within a convenient distance of an oil terminal or refinery. Distributors may own or lease such sites. Terminals may also offer to rent parking spaces for tankers adjacent to or at their facilities. [REDACTED] estimated that parking at a supply terminal might cost £100 per month per tanker (£1,200 a year).
41. Watson told us that it parked tankers within a close distance to terminals such as Kingsbury, Teeside and Stanlow and loaded directly from these terminals. In total, 31 of Watson’s depots had storage. In five locations Watson operated out of terminals and in nine locations Watson only had parking facilities.
42. The OFT⁵ considered that in areas close to oil terminals it might not be necessary to have storage space at a depot, since it was possible to deliver direct from the terminal, and this would suggest that the costs of entry were likely to be particularly low in areas that were close to terminals. Firms responding to the OFT’s data request noted that depots were particularly important in areas more distant from terminals. The OFT considered that counteracting this concern, in some areas at least, was the possibility for small firms to start by renting space at another firm’s depot.

Alternatives to opening a wet depot

43. We noted that an alternative to opening a wet depot was for a supplier to extend its geographical coverage by arranging access to a third party depot. This was an example of how an existing distributor could expand without investing in a new depot. However, we did not see evidence that this was common in the industry.

⁵ *ibid*, paragraph 4.36.

Delivery vehicles, drivers and licences

44. Distributors operate two principal types of delivery vehicles—artics, which consist of a trailer and cab, and rigid tankers. Distributors use vehicles which match the requirements of their customers (eg using smaller vehicles to supply small customers).
45. Tankers are available as new or second-hand vehicles, and can be purchased outright, financed or leased. According to the OFT,⁶ a new tanker costs around £140,000. Monument Fuels told us that a four-wheeler tanker would cost £90,000 to £100,000 new and could be financed over eight years, and a three-year old vehicle would cost £40,000 to £50,000. According to DCC EUK, a second-hand tanker cost £55,000. Rix estimated that a second-hand tanker could cost from £10,000 to £60,000 depending on age and condition whilst a new tanker could cost from £120,000 with a lead time of 10 to 12 months for an appropriate chassis and tanker configuration to be built. [§] Watson estimated that new tankers would cost between £100,000 and £120,000 each, and that second-hand tankers would be much cheaper.
46. DCC EUK considered that a six-wheeler truck at maximum levels of utilization should achieve a payback on a truck investment in around four to five months, which would potentially provide sufficient capital to expand, eg to purchase a second vehicle outright.
47. Expanding a tanker fleet would also add to the operating costs of a distributor, and the expected utilization of a tanker fleet would be a key determinant of the scale of the investment. There did not appear to be any insurmountable barriers to entry or expansion in relation to tankers. There was no evidence to indicate that this would be any different following the merger. However, there were finite limits to the overall throughput of an individual tanker, and a relatively narrow range of operating activity within which a tanker could generate profits. We noted that there was an active market for used tankers which made entry and exit easier. We considered that these findings were an inherent feature of a wide range of logistics-type businesses, where efficient operation and high utilization were important factors affecting the success of the business.

Planning, environmental, safety and other regulations

Planning issues

48. Depots are likely to be located in industrial sites. Suitable sites may require a Change of Use Application, or full planning permission.

Storage of oil products for onward distribution

49. Oil distributors that operate storage facilities must comply with environmental and safety standards that apply to oil storage in Great Britain.⁷ Some companies told the OFT⁸ that increasing environmental and safety standards (sometimes with arrangements allowing existing facilities time to comply) made it more difficult and costly for new firms to set up facilities that met regulatory standards than was the case for earlier entrants. However, the OFT found examples of more modern equipment (such

⁶ *ibid*, paragraph 4.35.

⁷ Oil Storage Regulations – Control of Pollution (Oil Storage) (England) Regulations 2001.

⁸ OFT Off-Grid Energy market study, paragraph 4.35.

as self-bunded tanks)⁹ that was easier to set up and less costly than earlier technologies.

Establishing customer relationships

50. The time required to gain sufficient customers would affect the ability of a new entrant, or a new depot, to break even and generate a return on investment, and these costs would need to be taken into consideration in the cost of market entry. DCC EUK considered that new entrants were generally led or managed by former employees of oil distributors, which could mean that they retained client contacts for conversion into customers of the start-up venture. DCC EUK also considered that it was possible for a distributor to develop customer relationships (by serving from other depots or terminals) prior to investing in depot facilities.

Domestic and small commercial customers

51. Our discussions with a small distributor indicated that establishing customer relationships could be achieved through a variety of means—including local advertising (eg directory listing, Yellow Pages, Internet and leaflets) and word of mouth.
52. The OFT off-grid energy market study noted that consumption of heating oil had not declined in the last ten years and that it had seen evidence of new entry of small firms entering and surviving in the market, and of expansion at a larger scale.¹⁰ The OFT considered that there were few new customers for domestic heating oil. However, the OFT had identified in consumer research relatively high rates of switching between suppliers that meant new or expanding suppliers could compete for existing customers. The OFT considered that even without growth, small firms could provide important competition, since individual domestic consumers did not need to make use of an extensive network. Some firms told the OFT that small businesses benefited from local knowledge and loyal customers and the OFT considered that this was one of the primary reasons for retaining brand names following an acquisition.

Commercial and industrial customers

53. Discussions with three national customers, G4S, Brakes and [REDACTED], indicated that larger commercial customers typically undertake a supplier approval process before entering into supply agreements. This may include a review of financial statements of the supplier, taking up customer references, and other background checks. These customers said that security of supply, including reliability of delivery and access to product, were important to their own businesses, and this would favour a larger supplier.

Financing and access to capital

54. There are three main forms of financing that a distributor may require:
 - (a) working capital—for fuel supply inventory, and debtor/creditor management;
 - (b) vehicle financing—to expand a tanker fleet; and

⁹ A bund is an area built round a tank to contain fuel spillages resulting from a failure of the tank. Self-bunded tanks have the bund built into the tank itself.

¹⁰ [OFT Off-Grid Energy market study](#), paragraph 4.9.

(c) investment capital—for depot expansion and other improvements.

Working capital

55. We considered that effective working capital management was an important factor affecting the success of distributors of all sizes, due to the tight margins and valuable inventory involved. We understand that most firms need to buy their oil on credit from their supplier(s). Data provided by a wholesaler to the OFT¹¹ showed that the average credit limit of its customers reduced between 2009 and 2011. These payment terms might vary, but the ability to defer payment for stock for longer than the time taken to receive payment from customers represented a valuable source of working capital. Terminals and refineries typically set a cap on the credit that they are prepared to advance.
56. The payment terms offered by distributors to customers varied. Commercial customers may require 30-day payment terms. We heard from some small distributors that their willingness to supply commercial customers was limited by credit risk concerns.
57. DCC EUK considered that this issue was not specific to small distributors; it was also a live issue for GB Oils. DCC EUK considered that in practice almost all of the distributors acting nationally or regionally would credit-insure their commercial customers. DCC EUK considered that most distributors would want to achieve a good commercial customer base, for example by including MSNB customers, in order to achieve better utilization of their supply infrastructure throughout the year. DCC EUK said that this had been the case with most of the oil distributors which it had purchased. DCC EUK also considered that a large proportion of commercial customers did not purchase substantial volumes and therefore were a smaller credit risk. It said that all distributors in the UK served both domestic and commercial customers. However, we note that smaller independent distributors might find it uneconomic to insure themselves against credit risk or might not be willing to incur the additional cost given the low margins achieved.¹²
58. We considered that a distributor that was unable to obtain credit from a wholesaler would need to pay for its fuel in advance, and it would be exposed to the value of the fuel until amounts due had been collected from customers. Such a distributor would therefore seek to obtain payment as soon as possible (or in advance).⁶⁰ Conversely a distributor that could obtain credit from a wholesaler would be in a position to hold greater inventory, for example in the form of a wet depot, and to extend credit to customers, such as commercial customers. We considered that a distributor might be able to take out credit insurance to reduce its credit exposure. Overall we considered that a well-managed distributor could operate with low—or even neutral—working capital requirements, but a new entrant might need to fund a period of investment which could involve start-up losses. This would add to the working capital requirement and make entry less attractive.

Vehicle financing

59. Investment in a tanker is a stepped cost, which adds to the fixed costs of a distributor, and to its operating costs. There are a range of alternative leasing and purchasing options available. A distributor would need to be confident that it could achieve sufficient utilization to generate a commercial return on the investment over

¹¹ *ibid*, paragraph 4.35.

¹² [X] said that it did not want to incur the additional cost of arranging credit insurance as the margins were too tight. [X] noted that debt insurance was becoming more and more expensive.

its useful life of eight to ten years for a new vehicle, or a proportionately shorter period for a second-hand vehicle.

60. At smaller scales of operation the cost of a vehicle could be a major investment, and at larger scales of operation would be more incremental. DCC EUK considered that it would expect a smaller business to maximize the utilization of its existing tankers before investing in procuring an additional tanker, which would in turn help to minimize the potential risk of making that additional investment.
61. The availability of retained earnings to fund replacement vehicles would depend on the overall utilization and costs associated with the business. Whilst it is difficult to generalize, our assessment in paragraphs 44 to 47 indicated that at lower levels of utilization or higher costs, break-even for a new tanker could prove challenging. Given the seasonality of the kerosene market in particular, this could have a substantial impact on the ability to fund new tankers from retained earnings.

Investment capital

62. Investment in a depot is a major investment decision for a distributor, and it is likely to proceed only when alternative strategies have been exhausted (such as parking close to a terminal, accessing or sharing a third party depot, backloading or subcontracting delivery to a third party).
63. We noted that DCC EUK had sought, and the OFT had granted derogations¹³ to the Initial Undertakings such that the DCC EUK Group would provide [REDACTED]. We further noted that the OFT permitted the DCC EUK Group to [REDACTED]. This provided evidence that the ability to demonstrate a stable financing position is important for a distributor. DCC EUK noted that the investment of £[REDACTED] million was only required because of the number of vehicles it operated and because at the [REDACTED].
64. We considered that construction of a new depot would represent the largest proportion of the investment required to function as an oil product distributor, and that the scale of investment was in the region of £300,000 to £500,000 for an economical development that met safety and environmental standards, with limited ground works requirements and where the depot was equipped with used tankers. However, the depot could cost around £1,000,000 for a large high-specification site with new vehicles.
65. DCC EUK considered that investment in a new depot of £1 million would be exceptional and not a representative entry point cost for a new distributor. Its view of the investment requirements was [REDACTED] and there were also alternative ways of storing fuel, without having a depot, such as having mobile fuel stations.
66. Investment in a new depot by a small-scale new entrant might be funded from a variety of sources, but the risks associated with a start-up business plan might make it more likely that seed capital is sourced from personal or family savings. An existing oil distributor might have access to retained earnings and a successful track record could increase the likelihood of securing bank debt.
67. We considered that after retained earnings, the next cheapest source of financing was debt. We considered that a distributor would use debt to finance vehicles (eg via leases or hire purchase arrangements), funding for a new depot would require incremental debt capacity, for which the security would most likely be a personal guaran-

¹³ OFT derogation letter, 7 November 2011.

tee or security on the depot itself (eg a mortgage). We noted that oil distribution was a relatively low margin and seasonal business, with static, or declining, demand at a national level, and that this might limit the appetite of high street banks to lend against new depots. We obtained a number of views from the industry that indicated that the availability of finance for a new distributor was limited, particularly because the investment profile for depots was not attractive due to low margins and risk-averse financing providers, detailed in Table 11. We considered that it would be difficult to obtain traditional forms of financing, such as bank debt or mortgages.

68. DCC EUK said that there were several examples of distributors securing debt finance. For example, on 15 June 2011 NWF announced that it had secured a £51 million debt facility. The CEO of NWF indicated at the time that this debt facility was very important to aid its future development. DCC EUK said it understood that Watson used debt financing.

TABLE 11 Third party views on availability of finance

Party	Description	Comment
[REDACTED]	Customer: [REDACTED]	[REDACTED]
Chandlers	Distributor	I cannot see why would people with serious amounts of cash, whether on a personal level or a PLC level would want to come into fuel distribution when there simply is not the profits that they are used to be making from their other business interests
Watson	Distributor	I think that would be difficult for a number of people to be able to persuade a bank to lend them the money. If you look at the returns that are in our industry it would be hard for a new entrant to get substantial amounts of money to start up from scratch.
Monument Fuels	Distributor	Inheritance money created our capital. If you are a new business, when it comes to finance, unless you want to go and hang yourself with an incredible debt, you are actually on your own to an extent.
BWOC	Wholesaler	If we are to believe what the news says and the feedback that we get from customers, the hoops you have to sort of jump through now in order to get financing seems to be a lot smaller than what they possibly were two or three years' ago because a lot of the recession we are in at the moment has been blamed publicly on the irresponsibility of lenders
Berry Fuels	Distributor	Cost of expansion too high and expansion too risky. Access to financing and the need to employ staff was generally an obstacle to expansion for businesses of comparable size.

Source: Parties as above.

69. Equity is usually a more expensive form of capital than retained earnings or debt. We noted that there were only two distributors with shares listed on a stock exchange—GB Oils (via DCC Group) and NWF Fuels (as part of NWF Group plc). We did not think that the public equity markets would be a likely source of new capital for a new venture or an existing distribution company in private ownership, to finance expansion for the foreseeable future. We did not consider that private equity investors, venture capital or angel investors would find the profile of an oil distributor to be attractive.
70. DCC EUK considered that the oil distribution industry had been of interest to private equity investors in the past and said the fact that DCC EUK and NWF were both equity-funded also indicated that it was possible to generate equity capital.
71. Overall, we considered that the most likely source of financing for depot expansion was retained earnings, and that the low levels of profitability within the industry would limit appetite for significant investment, and that the time needed to generate sufficient retained earnings to pursue an expansion strategy would depend on the size and profitability of the existing operations.

Glossary

Artic	Articulated tanker, a road delivery vehicle carrying oil products and capable of carrying around 36,000 litres.
The assets	Butler Fuels , the Dealer business and the Islands business , as sold by Rontec Investments LLP to DCC EUK .
Backloading	In order to improve the efficiency of the delivery round distributors may make arrangements with third parties to fill their delivery vehicles at a third party depot to increase its operational range.
Bulk customers	Customers which require drops delivered in artics and which are served mainly by oil majors , traders , and large distributors .
Bund	A bund is an area built round a storage tank to contain fuel spillages resulting from a failure of the tank. Self-bunded tanks have the bund built into the tank itself which reduces the area size needed to place storage tanks.
Burning oil	See Kerosene .
Butler Fuels	Previously known as Total Butler when owned by Total UK Limited , distributor of oil products in Great Britain. One of three businesses acquired by DCC EUK , see also Islands business and Dealer business .
DCC	DCC plc . The parent company of DCC EUK .
DCC EUK	DCC Energy UK Limited, the acquiring party, supplies oil products in the UK and is owned by DCC .
Dealer business	The contractual right to supply transport fuels to DODO retail service stations operated under the Total UK Limited brand. One of three businesses acquired by DCC EUK , see also Butler Fuels and the Islands business .
Depot	A location where a Distributor keeps its trucks. The depot can be a wet depot , where a Distributor stores product to load its trucks, or a dry depot , where a Distributor keeps its trucks and the trucks load at a nearby Terminal or wet depot .
derv fuel	Diesel-engineered road-vehicle fuel. Automotive diesel fuel for use in high-speed, compression ignition engines in vehicles subject to Vehicle Excise Duty.
Distributors	Supply a range of transport fuels and heating oil products to customers on a local, regional or national basis. Distributors purchase products from wholesalers (either ex-rack or delivered by the wholesaler), take orders from customers and deliver the product(s).
DODO	Dealer-owned dealer-operated retail service station. It is owned and operated by a third party independent of

	distributors but usually sells a particular distributor brand. See also COCO , CODO , DOCO and Independent .
Drop site	The location at which a customer requires a delivery of oil products, see also drop size .
Drop size	The volume required by a customer at its chosen drop site(s) .
Dry depot	A depot location for use by vehicles that deliver oil products that only has parking facilities, see also wet depot .
Ex-rack	When a distributor loads its tanker directly from a refinery or terminal .
Fuel oil	Heavy petroleum residue blends used in atomizing burners and for heavy-duty marine engines with heavier grades requiring pre-heating before combustion.
Gas oil	Used as burner fuel in heating installations, for industrial gas turbines and as derv fuel . See red diesel for use in non-road vehicles.
GB Oils Limited	Principal operating company of DCC EUK and the largest heating and transport fuel distributor in the UK.
The Guidelines	<i>Merger assessment guidelines, CC2 (revised), September 2010.</i>
Haulier	Delivers products on behalf of wholesalers or distributors .
Hedging	A contractual tool used by some customers that consume large volumes of oil products to reduce their exposure to the volatile price of oil products. There are a number of ways in which a customer can hedge the price, for example with fixed or capped costs at which the oil product will be charged whether or not the actual cost is higher or lower than the hedging price.
Islands business	Formerly Total UK Limited 's oil distribution and retail service station businesses on the Isle of Man and the Channel Islands. One of three businesses acquired by DCC EUK , see also Butler Fuels and Dealer business .
Kerosene	Refined petroleum fuel, intermediate in volatility between motor spirit and gas oil , used primarily for heating.
Load size	See drop size .
Local customers	Customers who are present in a small area, often comprising domestic heating oil customers, agricultural customers, and small commercial/industrial customers requiring deliveries in drop sizes smaller than can be delivered in an artic .
Milk round	The route planned by distributors in delivering to customers from a given vehicle.
Motor spirit	Blended light petroleum components used as fuel for spark-ignition internal-combustion engines other than aircraft

	engines; premium unleaded and lead replacement petrol or super premium unleaded.
MSNB	Multi-site non-bulk customer. A customer that takes deliveries to several sites in smaller loads than those delivered by artics .
Multi-site, single-region customer	A customer with two or more sites in one NUTS1 region .
Multi-site, multi-region customer	A customer with two or more sites in more than one NUTS1 region .
Multi-sourcing	The process by which a customer will take delivery for its requirement of oil product(s) from more than one distributor ; this can be done by product or location.
NUTS1 region	The Nomenclature of Territorial Units for Statistics, a geo-code standard for referencing subdivisions of the 12 first level (ie NUTS1) regions in the UK.
Oil major	Vertically-integrated oil exploration and production (refining) company.
Platts	An international provider of energy, petrochemicals and metals information and a source of benchmark price assessments for these commodity markets.
Red diesel	Red diesel is dyed gas oil for registered agricultural or construction vehicles such as tractors, excavators, cranes and some other non-road applications such as boats that is not subject to Vehicle Excise Duty.
Refinery	A facility, usually owned by an oil major or trader , which refines or converts crude oil into oil products.
Region	The location in which a customer or distributor is active, for the survey NUTS1 regions were used as a proxy for the number of regions in which customers required deliveries.
Rontec Investments LLP	A special purpose joint venture partnership between GMR Capital, Investec plc, Grovepoint Capital LLP and others. Acquired the assets from Total UK Limited .
Spot-buying	Purchasing an oil product(s) without a contract.
Subcontracting	When a distributor has an arrangement for a third party to supply an oil product(s) to the distributor 's customer on its behalf.
Switching	Switching by customers may refer to the process of choosing a product from a new distributor , choosing a different product from an existing distributor or choosing a different product from a new distributor .

Terminal	A facility for the storage of oil products for onward transportation to customers, usually by road vehicle, usually owned by an oil major or trader .
Total	Total UK Limited. A subsidiary of Total Downstream UK, itself a part of Total SA, an international oil and gas corporation. Original owner of the assets prior to their sale to Rontec Investments LLP .
Traders	Companies that buy products from refineries or on the international market which store these products in bulk storage facilities and deliver to customers.
Transport fuels	Petrol, diesel (derv), aviation fuel, gas oil , and occasionally liquefied petroleum gas and fuel oil , burned to provide motive power in road, rail, marine or air vehicles.
Wet depot	A location for vehicles used in the delivery of oil products that includes facilities for parking and for the storage of oil products in tanks from which delivery vehicles can re-stock.
White diesel	See derv fuel .