

Development Department Research Programme

REVIEW OF THE RURAL PETROL STATIONS GRANT SCHEME

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The Rural Petrol Stations Grant Scheme has been in place since 1998 with the objective “to support the retention of a sustainable and accessible network of fuel supply in rural Scotland”. This study evaluated the funding mechanism of the grant and evaluated the benefits that arise from it. Options for future changes to the scheme have been identified and appraised, and from these, recommendations have been made.

Main findings

- The Rural Petrol Stations Grant Scheme (RPSGS) is a successful scheme that has provided substantial benefits to many rural communities in Scotland.
- These benefits are of three predominant types:
 - Social: through avoidance of increased travel costs to local residents and the retention of other services at the petrol station. Older people and people on low incomes gain particular benefit. Closure of the local petrol station would, on average, increase total travel costs of rural residents by 0.5% of net income.
 - Economic: quantified benefits generated by RPSGS are, on average, more than five times greater than the cost to the grant. Petrol station closure would cause, on average, the loss of four FTE jobs. Closure would increase transport costs on other local businesses. Closure of a rural petrol station, while having negligible effects on expenditure at a regional level, would lead, in general, to a transfer of expenditure from the rural to the more urban economy.
 - Environmental: retention of a rural petrol station saves an estimated 280,000 vehicle miles per annum. RPSGS is not generating environmental enhancements above the minimum required by legislation for petrol/diesel sales, but is enabling some petrol stations that would have been forced to close by the legislation to remain trading. RPSGS has been vital for the installation of almost all the LPG supply in rural Scotland.
- There is no evidence that retaining individual petrol stations has significant effects on tourist trips.
- In those areas where petrol stations are highly isolated (especially where there is only one station on a particular island), the effects of fuel station closure could be very great.
- There has been a degree of inefficiency in RPSGS expenditure to date. Fifty-three percent of applications have had some element of deadweight, such that either the works were not essential for the continued operation of the business or that the business could have provided a higher proportion of funds from other sources.
- Following identification and appraisal of options, we recommend that:
 - RPSGS continues.
 - Eligibility criteria are relaxed and replaced with a more detailed consideration of the costs and benefits of each application.
 - Local Enterprise Companies (LECs) retain their role as scheme administrators.
 - More rigour is applied to applications in order to increase the proportion of works' costs gained from other sources and to ensure that works funded are essential for continued petrol station operation.
 - Grants for LPG are assessed in a different manner, in order to create a reasonable network of sites and that the long-term benefits are not outweighed by the costs.
 - Marketing of the scheme is improved to reduce lack of awareness.

Introduction

The Rural Petrol Stations Grant Scheme (RPSGS) was introduced in 1998 as one component of the Rural Transport Fund following research that had identified rural petrol stations as being particularly vulnerable to closure. Its stated objective is to “support the retention of a sustainable and accessible network of fuel supply throughout rural Scotland”.

Subject to eligibility criteria of minimum distance to next nearest petrol station, maximum fuel sales volume and minimum drive time to an urban area, the grant is available to petrol stations for up to 50% of the cost of essential capital expenditure on fuel supply infrastructure.

In 2000, the scheme was extended to assist with the installation of tanks and dispensers for the provision of Liquid Petroleum Gas (LPG) at rural petrol stations.

The scheme is administered on behalf of the Scottish Executive by Highlands & Islands Enterprise (HIE) and Scottish Enterprise (SEn), through the network of Local Enterprise Companies (LECs).

Study Objectives and Method

This study had two main objectives:

- to evaluate the benefits that have and can continue to arise from the on-going operation of those petrol stations supported by the RPSGS; and
- to consider and appraise options and hence make recommendations for the future development of the scheme.

An extensive programme of research work has been completed, including surveys of rural petrol station businesses (including both recipients and marginal non-recipients of the grant) and of their customers. Sixty-eight businesses (38 of which had received grant funding) and 281 customer responses were obtained.

We also held meetings or discussions with many of those responsible for administering the scheme.

Following the completion of the survey work, we considered the scheme's social, economic and environmental benefits and evaluated its funding mechanism. We then identified and appraised options for the future of the scheme.

Examination of Funding Mechanism

There is strong support, and justification, for maintaining the current role of the LECs in handling RPSGS applications.

Their local knowledge and contacts with businesses are valuable in identifying and assessing need.

No consistent nationwide marketing of the scheme has been undertaken, although all petrol stations in the HIE area received a copy of a promotional leaflet when the scheme was introduced. However, the survey revealed that there is significant lack of awareness of the scheme – 57% of non-recipient businesses were unaware of the grant before we contacted them.

RPSGS is highly successful in enabling the introduction of LPG supply. An estimated 95% of those LPG stations in rural Scotland are in place only because of the grant. Sales of LPG remain low (at approximately 3% of total sales at the sites that stock it), but this is within a context of recent installation and limited subsequent turnover of the vehicle fleet.

Businesses find the RPSGS application process easy, although nearly 30% of recipients had had someone else handle the grant application on their behalf. None of the businesses surveyed had been awarded a lower grant than had been applied for, suggesting that there is limited rigour in the assessment of applications.

This is reinforced by the survey findings, in which, on average, businesses reported that 65% of total works cost had been covered by the grant, when the maximum permissible should be 50%. Twenty-nine percent of applicants stated that the award had been for more than 50% of total works cost and a further 39% that they received exactly 50%.

Eleven percent of all grant recipients stated that they could have funded all of the works costs through other means and a further 8% that they could have funded a higher proportion of costs from other sources. For non-LPG applications, these proportions are 14% and 9% respectively.

Twenty-four percent of recipients of grant for non-LPG works said that their petrol station would definitely have continued trading even if they had not received funding. Eleven percent of non-LPG grant recipients said both that the works were not essential for continued operation and that all of the cost could have been funded by other means.

For all projects, including those for LPG, 53% of applications (representing 48% of funds awarded) contain some element of deadweight expenditure, such that either the benefits arising would have occurred if the grant scheme was not in place or could have been obtained for reduced grant expenditure. For non-LPG works, some deadweight is apparent in 24% of applications (representing 35% of funds).

Social Benefits

Many local residents would be affected by the closure of a

rural petrol station. There would be direct impacts on employment and the financial cost of increased travel costs associated with fuel costs would average about 0.5% of net earnings.

Some groups of people would be more affected by closure than others. The biggest impacts would be felt by older people and those on low incomes who are car dependent.

Many petrol stations provide a range of other services to the local community and these are vulnerable to closure if fuel sales cease. These services, including access to vehicle fuel, are seen by many to contribute to a reasonable quality of life.

Economic benefits

Evaluation of those projects funded to date show that, using a 30-year assessment period, vehicle operating cost, time and environmental benefits are, on average, more than five times greater than the net cost to government (including RPSGS payment and loss of tax revenue). This demonstrates a good level of return on investment compared to many transport projects.

Rural petrol stations, on average, maintain four full-time equivalent jobs.

Closure of a rural petrol station would not lead to significant changes in total expenditure at a regional level, but would in general cause a net migration of some expenditure from the rural to the urban economies. Additionally, closure would lead to increased transport costs to other local businesses. There is no evidence, however, that the closure of an individual petrol station would significantly alter tourist behaviour.

Environmental benefits

There is no evidence that the RPSGS has produced local environmental benefits for reduced groundwater pollution or vapour emissions over and above the minimum required by legislation.

It has, however, enabled some petrol stations that would otherwise have been forced to cease trading by these regulations to remain open.

A larger number of petrol stations trading will reduce the total amount of vehicle mileage travelled in rural Scotland. It is estimated that, on average, retention of a rural petrol station will save 280,000 miles per annum in total, this being around 5% of the total mileage of residents and tourists in the vicinity of the petrol station site. In total, this is equivalent to an estimated £20,000 of external benefits per station per annum.

Without the RPSGS, there would be almost no LPG supply points in rural Scotland and the potential environmental benefits not realisable. Although demand for LPG is currently at a very low level, many sites have only been in place for a short time and, provided the number of users of the fuel increases, could expect substantial increases in demand in future.

Note that the above assessment of benefits relates to a typical rural petrol station, in a location where customers could access an alternative site within a reasonable cost/time limit. Some petrol stations in Scotland are highly isolated (especially those that are the only site on a particular island). In these instances, the social and economic costs of closure are much greater than those indicated above. In these instances, the effects of closure of the only fuel station could have an immediate effect on the ability of residents to continue with current activity patterns.

Option Identification

A wide variety of options for change to the scheme have been identified. These fall into five broad categories:

- withdrawal of the scheme;
- maintain the scheme in its current form;
- amendment to eligibility criteria;
- amendment to administration/application process; and
- other associated changes.

These options have been appraised against scheme objectives and those options that can provide benefits are put forward as recommendations for change below.

Recommendations

Firstly, it is recommended that the RPSGS continues. Those petrol stations that have received grants for petrol/diesel supply are providing substantial benefits to their local communities and these benefits are far in excess of the costs to the scheme. RPSGS is also responsible for almost all rural LPG provision in Scotland.

RPSGS should remain for investment in fuel supply infrastructure only and not be expanded to cover revenue support for businesses or business enhancements such as forecourt improvements, canopies or related services, such as shops. Its rural focus should be maintained through retention of the 30-minute minimum drive time to an urban area.

It is recommended that the formal fixed thresholds for minimum distance to the neighbouring petrol station and maximum fuel sales are removed. In their place, a

framework should be developed that enables a wider range of criteria to be assessed according to local circumstances. More strategic sites or those otherwise providing greater benefits can thereby be prioritised for investment.

LECs should retain their role on working with businesses to identify investment need, but greater rigour applied in challenging businesses as to alternative sources of funding in order to reduce deadweight in applications. Close consideration should be given as to need in any case where more than 50% of works cost is applied for as grant.

All grant applications should be audited by another member of staff at the LEC or other third party (this could be from HIE or SEn, or a representative of the Scottish Executive), so that there is a check on suitability of funding from someone other than the officer working with the business to identify funding opportunities.

As demand for LPG is currently at a low level, more specific analysis of the benefits of LPG grants should be made. Bids

should be invited from all petrol stations in an area defined as potentially benefiting from an LPG supply in order to achieve benefits at minimal cost to the scheme. No grants for LPG should be awarded where the likely long-term benefits cannot be justified against the installation and on-going supply costs of the site.

All successful applicants should be viable in the long-term with the ability to return a reasonable operating profit.

It is recognised that additional administration time would be required to meet these recommendations. However, a substantial efficiency benefit can be gained if this leads to a reduction in the deadweight in applications.

In conjunction with these changes, a co-ordinated marketing campaign for the grant should be undertaken to ensure that no communities miss out on the benefits that the scheme can provide.

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ISBN 0-7559-3770-8

