

Fuel prices – up, up and away

Runaway fuel prices are driving up the cost of flying, squeezing owners and pilots and damaging general aviation companies, as Pat Malone reports

In a survey of fuel prices last summer we complained that it was difficult to pin them down because the situation was so volatile that airfields were changing their prices week by week. Little did we know just how bad things were going to get – and there's no sign of relief on the horizon.

In the summer 2004 survey – conducted on June 3rd – Bournemouth was charging 77p a litre plus VAT for avgas. In a survey conducted on August 16th 2005 the price was 97.8p. And they're one of the least expensive. Avgas at Carlisle was 112p plus VAT, and the

majority of suppliers were charging more than £1 a litre.

The picture was similar on avtur, where prices have risen from as little as 34p a litre last summer – plus VAT at five percent – to anything up to 60p a litre today. In general, pilots are paying around 30 percent more for fuel than they were a year ago. These numbers do not include the increases resulting from Hurricane Katrina, which will not feed into the market until later in October – and they're reckoned to be on the order of ten percent.

The results are, of course, a significant

increase in the cost of flying for owners, a further decrease in flying activity and a round of fuel surcharges and price increases for students and self-fly hirers. Many flying schools have been forced to hike their rates. One who has done so is Lancashire Aero Club at Barton, where flying school manager Tracy Shannon says: "We held off as long as possible, but eventually we had to increase prices by £5 an hour, and we will have to look at prices again if there are further increases."

"We actually got caught having sold a number of packages at a set rate, only to find our margins taken out by extra fuel costs. Because of the unpredictability of fuel prices we're not currently selling packages."

Elsewhere, fuel surcharges have become a regular feature of invoices. Theresa Souster at London Helicopter Centres at Redhill says: "The idea is that if fuel prices fall back we'll be able to remove the surcharge, whereas if we incorporate it into the hourly charge it tends to become permanent."

"We have a £5 fuel surcharge on an R22 at the moment, and there's no sign of an improvement in the situation – if anything, it looks like fuel prices will continue to rise."

A few operators are still holding out. Richard Bristowe of Aviation South West at Exeter says that so far his company is absorbing the cost, but they can't for much longer.

"Look at it this way," he says. "We'll put out a C152 at £120 an hour dual and it burns about 25 litres an hour at £1 a litre, so fuel is just over 20 percent of the cost. A ten percent increase in fuel costs doesn't look too deadly in that light, but the prices we're seeing now are really starting to hurt. It's like boiling frogs – you wonder at what point enough's enough. There's downward pressure on our prices from competition, but we can't hold out forever."

Avgas suffers from all the supply and demand problems of other fuels, only more so. There are only four refineries in Europe producing avgas, one each from Shell, BP, Esso and Total, so competitive influences are not strong. The market is tiny – the entire UK uses only 35,000 tonnes of avgas a year, compared with millions of tonnes of motor fuel.

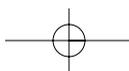
The picture for Jet-A1 is slightly better than for avgas, but not much. It is produced in far greater quantities because it is used for jet aircraft and heating oil, and competition factors give it an edge over avgas – but not much of one.

According to Andreas Michaelides of fuel wholesalers CYMA Petroleum, with demand outstripping supply across the globe the long-term trend is not positive. "The Chinese are only just beginning to get off their bicycles and into their cars," he says. "Demand exceeds available supplies right now, but the problem is largely a lack of refinery capacity."

"A lot of refineries across the world – several in the UK – have closed in recent times. This is partly a legacy of the 1980s and 90s when refining margins were under pressure, and partly because of environmental and legislative pressure to produce fuel more cleanly. Old refineries cannot be made to conform to standards that are now being set. New refineries are being built but they're very expensive and there aren't enough of them."

"The trend is extremely worrying, and not just for aviation – we risk a recession in Europe if energy costs continue to run away."

Spare a thought for the airlines – perversely, because they pay no tax their percentage increase is much greater, which plays havoc with their planning. Those who feel so moved may send donations. ■





Fuel price guide

This survey was conducted on August 16th 2005 by the Helicopter Club of Great Britain, an AOPA corporate member. Some of these prices have already been superseded. Landing fees and discounts are included because of their obvious effect on overall cost.

Airfield	Avgas (pence per litre ex VAT)	Jet A1 (pence per litre ex VAT)	Landing fee (Inc VAT)	Fee waived on fuel uptake
Barton	105	52	£10	80 litres min
Bournemouth	97.8	56.07	£21.15	No
Cambridge	101	59.4	£18.50	Discounted
Carlisle	112	54	£10	Discounted
Compton Abbas	95.3	N/A	£8	No
Denham	99	50	£10	No
Elstree	98.7	57	£15	No
Fairoaks	102	52.9	£16	No
Gloucestershire	102	51	£17.62	50 litres min
Headcorn	116	45*	£8	40 litre min
Kemble	97	41	£12	Occasionally
Leicester	98	44	£10	Yes
Liverpool	97.52	56.07	£20	No
Lydd	99	39	£13 per tonne	No
North Weald	104.85	51.85	£20	No
Nottingham	104	51	£12	No
Old Sarum	95.3	N/A	£8	No
Oxford	107.8	53.75	£12	Discounted
Redhill	100	53	£18.72	50% discount
Shobdon	103.9	53.5	£8	No
Shoreham	109	55	£15	No
Sibson	102.1	N/A	£10	50 litres min
Southend	106.52	48.64	£18.80	Occasionally
Swansea	104	55.24	£12.76	No
Sywell	100.5	44.5	£12	No
Thrupton	93	50	£10	50% discount
Turweston	102	48.6	£10	60 litres min
Wellesbourne	101	46	£5	No
White Waltham	102	62	£10	Yes
Wolverhampton	108	49.9	£15	Yes

*turbines in emergency only

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