

DOWNSTREAM PETROLEUM



THE AUSTRALIAN RETAIL FUELS MARKET



KEY MESSAGES

- The retail fuel market is highly dynamic and competitive.
- Australian retail fuel prices are closely linked to international prices.
- Australia has among the lowest retail fuel prices in the OECD, providing the domestic economy with a competitive advantage.
- A majority of consumers utilise the retail petrol price cycle in capital cities to purchase heavily discounted fuel; ACCC analysis shows retail price movements around public holidays are similar to those at other times.
- Prices can vary greatly between regional towns due to their differing competitive and economic characteristics as highlighted in the various ACCC regional studies.
- The ACCC has shown that industry profits are a very small proportion of the retail price (profit over the last decade has averaged 1.8 cents per litre of fuel sold).
- Major supermarkets and independent operators have the majority share of the Australian retail fuels market.

PRICES AND TAXES

In 2016 and 2017 Australia continued to have among the lowest retail petrol and diesel prices in the OECD. In today's dollar terms, retail petrol prices are lower than they were in the 1980s and represent a smaller proportion of the average household consumer budget than ever before.



The ACCC considers that Australian retail fuel prices are highly competitive. Retail fuel prices apply to almost half of the fuel sold in Australia. The remainder of sales are under competitive tenders to commercial, industrial and agricultural buyers.

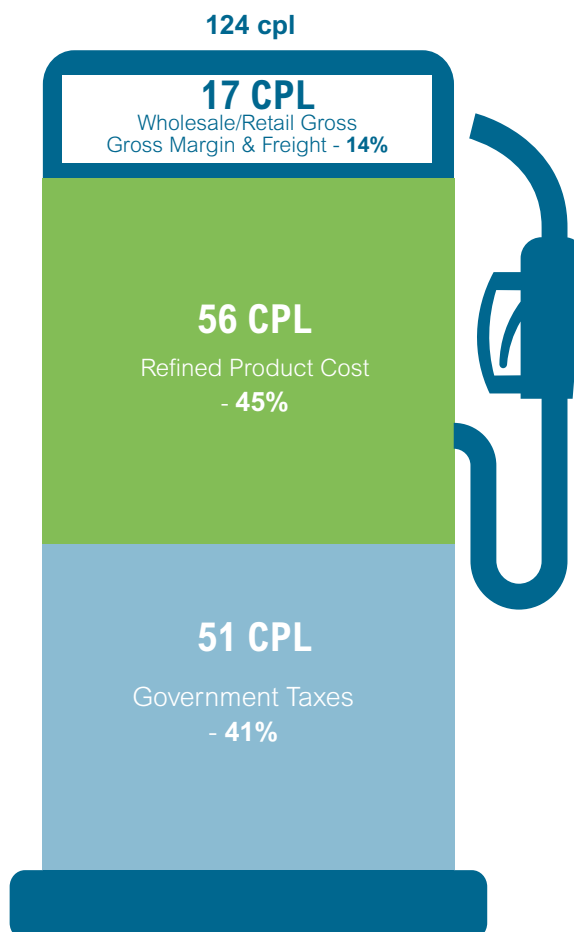
The components of the national average retail petrol price highlight the small proportion of the final price received by fuel wholesalers and retailers. In 2015-16, the tax component (GST and fuel excise) of the final price of petrol averaged about 41 per cent or 50 cents per litre.

ACCORDING TO THE ACCC, "PETROL INDUSTRY COSTS ARE DOMINATED BY REFINED INTERNATIONAL BENCHMARK PRICES AND TAXES"

AIP member companies make payments to the Australian Government (from fuel excise, GST on fuels and income tax) typically over \$20 billion per annum. Fuel excise payments of \$18 billion provided around 5 per cent of taxation revenue to the Australian Government in 2015-16.

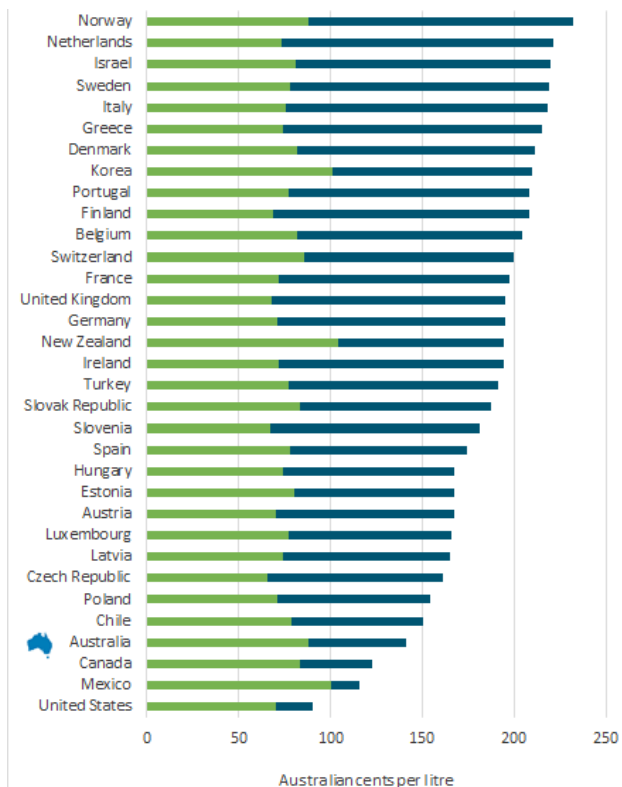
RETAIL PETROL PRICE COMPONENTS:

National Average 2016-17



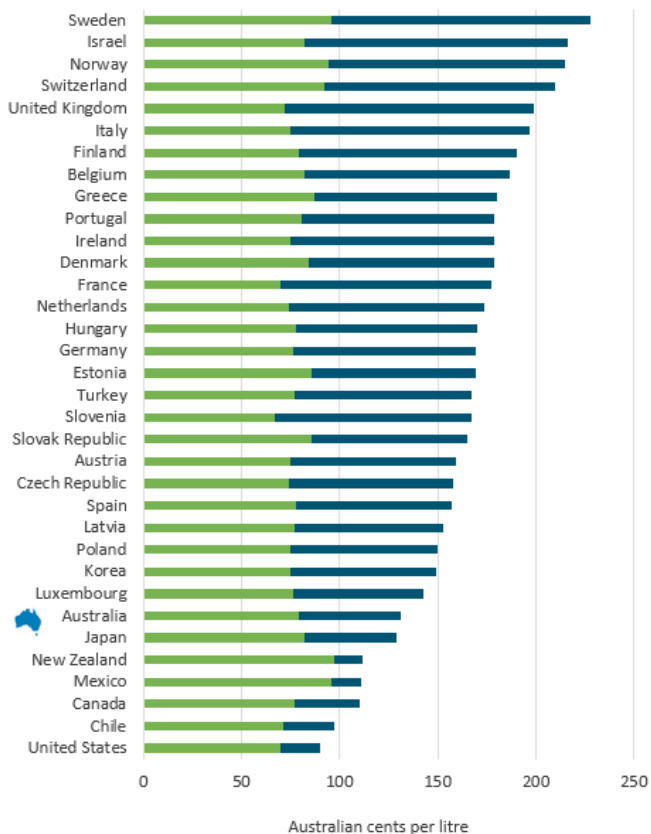
PETROL PRICES AND TAXES IN OECD COUNTRIES

March Quarter 2017



DIESEL PRICES AND TAXES IN OECD COUNTRIES

March Quarter 2017



■ Tax Component

Source: Australian Petroleum Statistics

THE RETAIL MARKET

Retail market share

The supermarket alliances and independent operators account for around two-thirds of the retail petrol market. Since 2002-03, the major brands (BP, Caltex, Mobil & Shell) share of retail operations has declined from 83 per cent to 33 per cent.

- Shell 2%
- BP 13%
- Caltex 18%
- Independents 19%
- Coles Express 24%
- Woolworths 24%

SOURCE: ACCC

PETROL VOLUME SOLD BY BRAND:

2013-14



The retail business and operators

The structure of the retail market continues to evolve. The number of retail sites has decreased from around 20,000 sites in 1970 to around 7,000 in 2017, but the ACCC has concluded that consolidation of retail sites plateaued since the mid-2000s. Most sites now sell larger volumes of fuel and rely more on convenience store sales. The major oil company brands now directly operate and set the prices at only 16 per cent of retail sites across Australia.

- Refiner Franchisees - 2%
- Refiner Marketers - 16%
- Independents - 23%
- Supermarkets - 25%
- Branded Independents - 34%

WHO SETS RETAIL PRICES 2013-14



SOURCE: ACCC

MARKET TRANSPARENCY AND CONSUMER INFORMATION

In recent years, the retail fuels market has become increasingly transparent due to a range of initiatives by AIP and the ACCC including:

- Detailed weekly pricing data provided on the AIP website,
- ACCC price monitoring,
- ACCC quarterly and annual reports and Regional Market Studies, and
- Price reporting on television and in print media.

This information has empowered consumers through a better understanding of daily pricing as well as retail price cycles. Price cycles occur as a result of the pricing policies of fuel retailers. This allows consumers to take advantage of the bottom of the cycle to buy cheaper fuel which is often sold at or below the wholesale cost price.

In addition to these initiatives, there is an expanding range of third party services and IT applications that builds on this information by providing real time and personalised price comparisons.

These include commercial applications such as MotorMouth and GasBuddy, along with regulated approaches such as FuelCheck in New South Wales. AIP contends that given the constant evolution and innovation of the various commercial offerings, Government intervention, such as in New South Wales, is unwarranted and simply imposes significant costs on the industry without commensurate consumer benefit beyond that already freely available in the market place.

The display of highly visible price boards at service station sites also enables consumers to make quick price comparisons on the road if they are not using information technology.

In three States - Victoria, South Australia and Queensland - a uniform approach to price board regulations has provided motorists with consistent information for price comparison purposes and without unduly increasing costs for the industry and therefore motorists. Tasmania and the Northern Territory are adopting a similar approach to these States.

AIP supports these ongoing developments that support further market transparency and encourages consumers to utilise this information to make timely and well informed purchasing decisions in their local area.



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