Australian
Institute of
Petroleum

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 where they exist 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.
- Major supermarkets and independent operators have the majority share of the Australian retail fuels market.

PRICES AND TAXES

In 2018-19, 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.

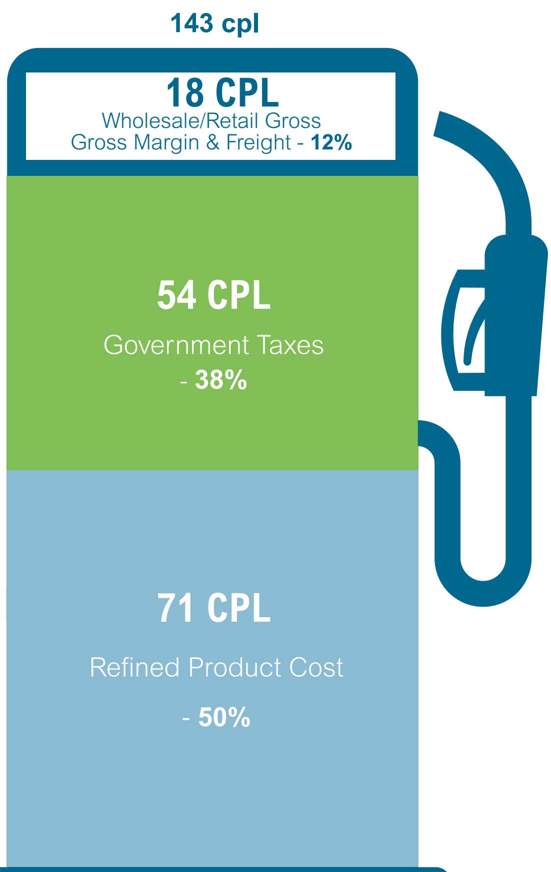
The components of the national average retail petrol price highlight the small proportion of the final price received by fuel wholesalers and retailers. In 2018-19, the tax component (GST and fuel excise) of the final price of petrol averaged about 38 per cent or 54 cents per litre.

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

AIP member companies typically make payments to the Australian Government (from fuel excise, GST on fuels and income tax) of over $20 billion per annum. Fuel excise payments of $19.8 billion provided around 5 per cent of taxation revenue to the Australian Government in 2018-19.

RETAIL PETROL PRICE COMPONENTS:

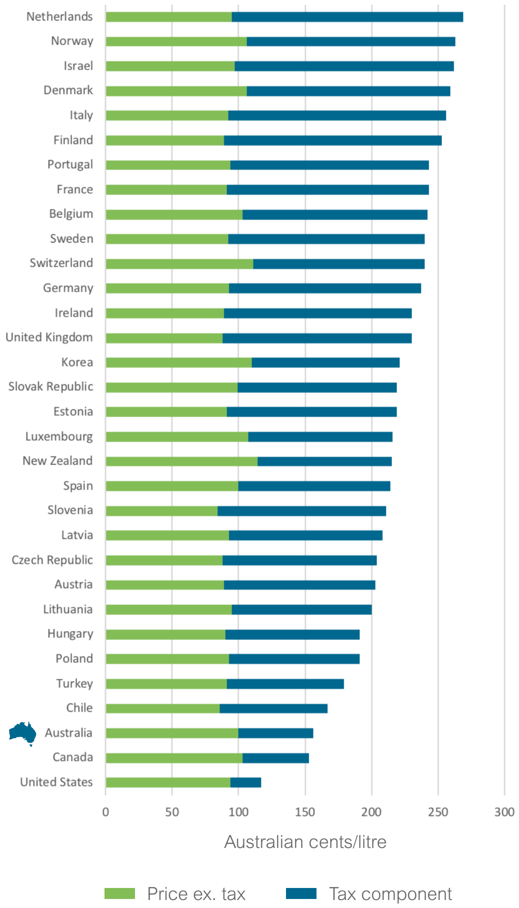
National Average 2018-19



Source: ACCC, AIP

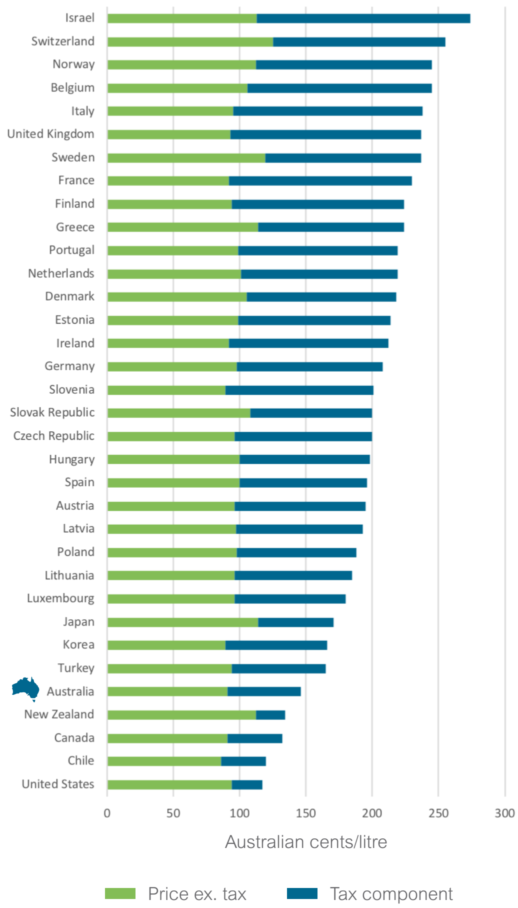
PETROL PRICES AND TAXES IN OECD COUNTRIES

September Quarter 2019



DIESEL PRICES AND TAXES IN OECD COUNTRIES

September Quarter 2019



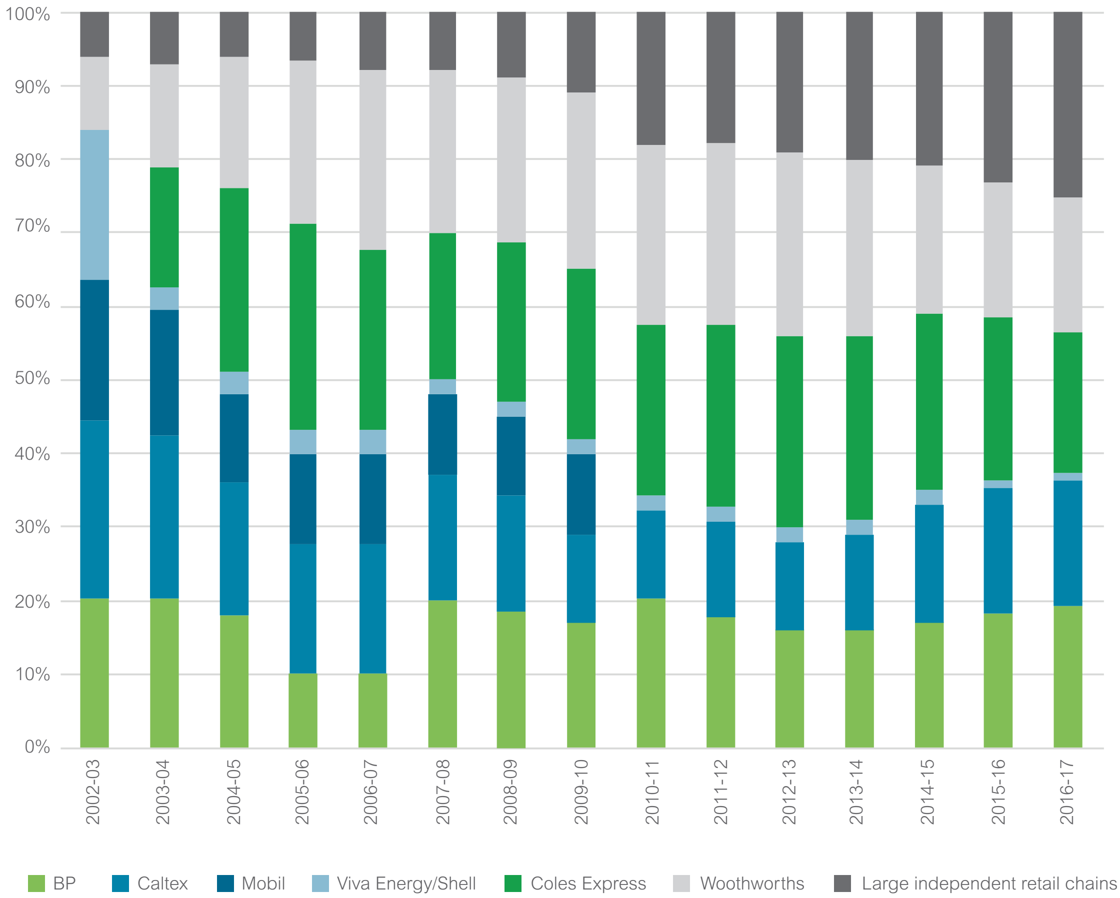
Source: Australian Petroleum Statistics, Department of Industry, Science, Energy and Resources

THE RETAIL MARKET

Retail market share

The supermarket alliances and independent operators account for around two-thirds of the retail petrolmarket.Since 2002-03, the major oil companies'(BP, Caltex, Mobil & Shell/Viva) share of retail operations hasdeclined from 84per cent to 36per cent.

SHARE OF ACCC MONITORED PETROL RETAIL SALES VOLUMES IN AUSTRALIA BY MAJOR RETAILER: 2002-03 TO 2016-17

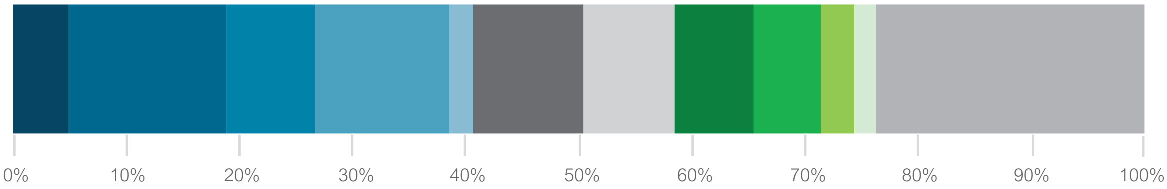


SOURCE: ACCC

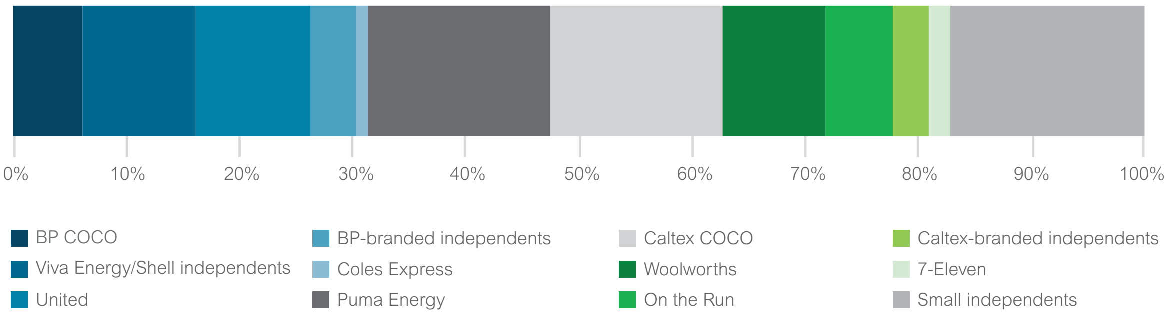
The retail business and operators

The structure of the retail market continues to evolve, with all participants experiencing significant changes in market share in the past two decades. The number of overall retail sites has decreased from around 20000 sites in 1970 to around 7100 in 2019. Most sites now sell larger volumes of fuel and rely more on convenience store sales. The major oil companies now directly operate (Company Owned Company Operated or COCO) and set the prices at only 13per cent of retail sites across Australia, selling some 16 percent of the total volume.Large and branded independents operate around 46% of the sites and 35% of the volume, the supermarkets 18% and 31% respectively, with small independents holding a significant presence in the marketoperating 24% of the sites with around 17% of the volume sold.

SHARE OF RETAIL PETROL SITES IN AUSTRALIA AS AT 30 JUNE 2017



SHARE OF THE TOTAL VOLUME OF PETROL SALES BY MAJOR RETAILER IN AUSTRALIA IN 2016-2017



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, Regional Market Studies and Industry Information Reports
- 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. It 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 and the trial Price Reporting requirements in Queensland. AIP contends that given the constant evolution and innovation of the various commercial offerings, Government intervention, such as in New South Wales and Queensland, 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 sitesalso enables consumers to make quick price comparisonson the roadif they are not using information technology.

In Victoria, South Australia,Queensland and the ACT, a uniform approach to price board regulations has provided motorists with consistent information for price comparison purposes and without increasing costs for the industry and therefore motorists.

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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