3 Developments in industry structure

Key points

- Australia's refining sector continues to be increasingly reliant on imported crude oil.
- Australia's refining output increased in 2010–11, but it continued to be supplemented by imports of refined petrol.
- While still comprising a relatively small proportion of total supply, independent imports increased substantially, following growth in capacity of independently owned import terminals.
- The domestic refining industry continues to be under pressure from larger Asian refineries.
- Specialist retailers continued to increase their market share.

3.1 Introduction

This chapter covers recent developments in the structure of the downstream petroleum industry, focusing on the 12-month period since the 2010 ACCC petrol monitoring report.

The industry has two broad areas of operation: upstream and downstream. This report covers downstream operations, which are divided into three sectors: total supply (including refining and importing), wholesale and retail. Upstream operations, that is, the exploration, production and export of crude oil, are generally outside the scope of this report, though are covered where they impact on Australia's downstream petroleum industry.

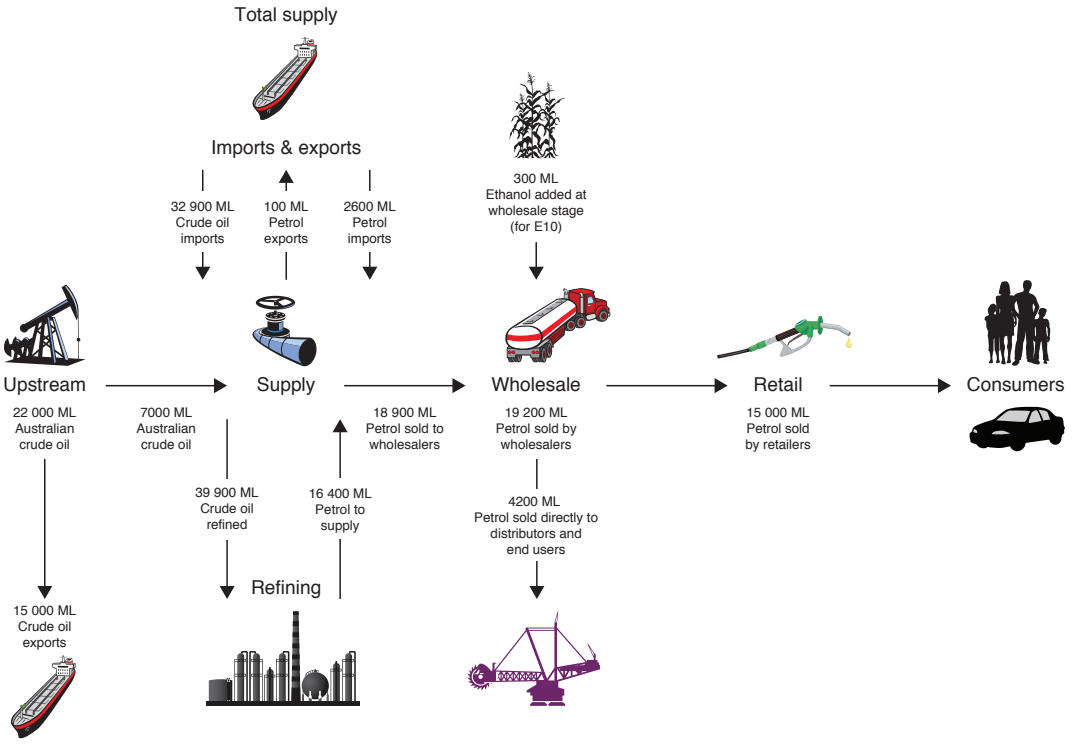
The total supply sector provides petroleum products for on-selling to wholesalers. Petroleum products are either refined locally or imported. This sector comprises mainly the refiner-marketers, though independent importers are becoming increasingly important.

Wholesale refers to the sale, and in some cases transportation, of petroleum products by a refiner, importer or wholesaler to other wholesalers, retailers, or end users. As with the supply sector, wholesale is dominated by the refiner-marketers, albeit with an increasingly important presence by independent wholesalers.

The retail sector comprises operators that purchase refined products from wholesalers and sell to the public through retail sites. While most retail sites carry the brand of a refiner-marketer, in practice refiner-marketers only operate a small percentage of sites. Independent operators have a significant and growing presence in the retail sector.

Figure 3.1 schematically represents the volumes of crude oil and petrol flows within and between the sectors of the industry. This gives a national overview of the industry, though the operations and infrastructure are predominately state-based. For a description of infrastructure by state, refer to the state-by-state schematics at appendix B.

Figure 3.1 Volumes of crude oil and petrol flows: 2010–11



Source: Department of Resources, Energy and Tourism (RET), *Australian Petroleum Statistics*, issue 179, June 2011; ACCC estimates based on data obtained from firms monitored through the ACCC's monitoring process; APAC Biofuel Consultants, *Australian Biofuels 2011–12*.

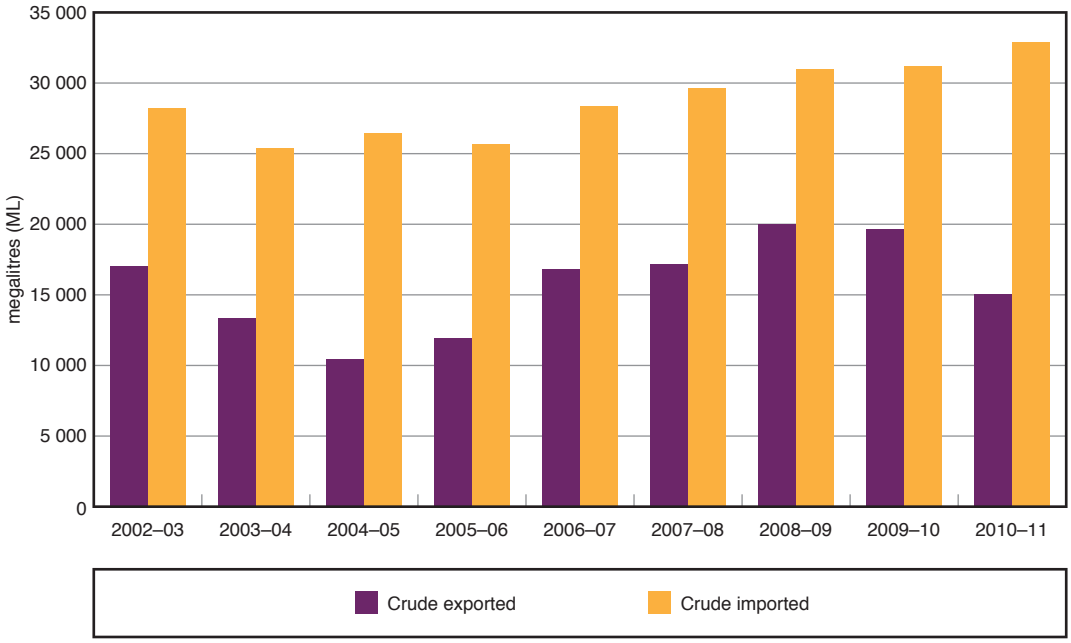
3.2 Crude oil production

3.2.1 Crude oil inputs

Australia exports much of its crude oil production, and increasingly relies on imports for the supply of crude for its refineries. Australian refineries generally require a blend of different types of crude, including heavier crudes which must be imported. Most crude oil produced in Australia is light sweet crude from the North West Shelf in Western Australia and Bass Strait in Victoria. While crude of this quality may be suitable for Australian refineries, it can be exported at a premium relative to heavier crudes.

Australia's crude oil imports have risen each year since 2005–06 (chart 3.1). In 2010–11, imports were 32 900 megalitres (ML), compared with 31 206 ML in 2009–10. While the volume of exports rose in the four years up to 2008–09, it has fallen in the last two years. In 2010–11, 15 000 ML were exported, a decrease of about 17 per cent compared to 2009–10.

Chart 3.1 Australian crude oil and condensate[21] exports and imports: 2002–03 to 2010–11



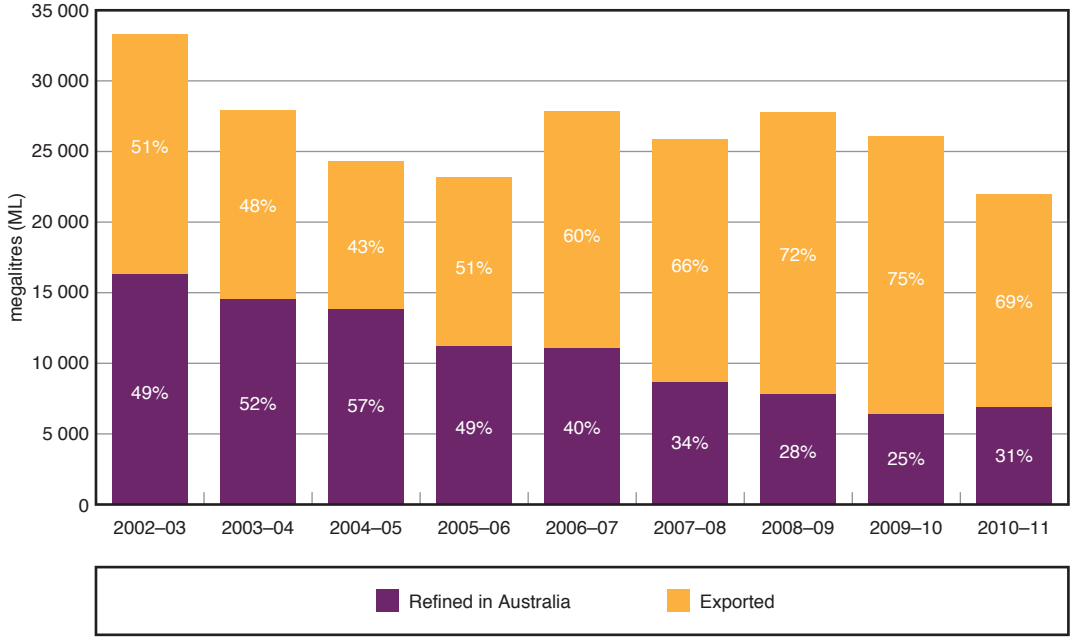
Source: RET, *Australian Petroleum Statistics*, issues 107, June 2005; 143, June 2008; and 179, June 2011.

Note: Not comparable with chart 3.1 in 2010 ACCC petrol monitoring report due to data revision.

While Australia's crude oil production fell in 2010–11, from 26 083 ML to 21 942 ML, there was an increase in both the volume and percentage used in local refineries (chart 3.2). Overall, the total volume of crude refined in Australia increased in 2010–11 to 39 794 ML (chart 3.3), the highest volume since 2004–05. Australia is increasingly reliant on imported crude: in 2010–11, only 17 per cent of crude refined in Australia was local, compared with 35 per cent in 2004–05.

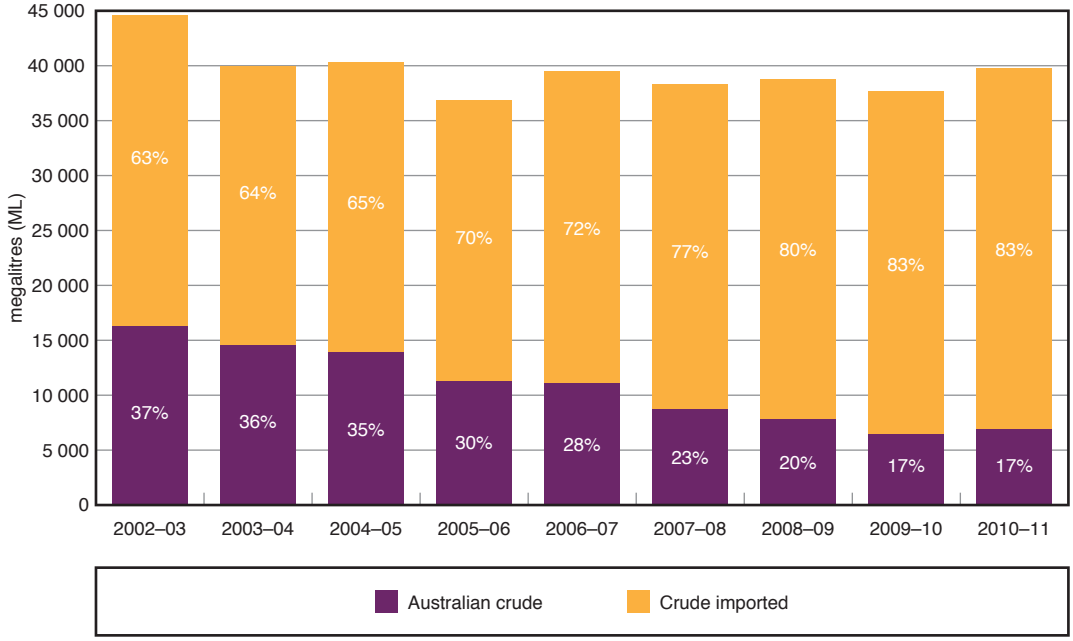
21 Condensate is defined in the *Excise Act 1901* as either (a) liquid petroleum, that is, a mixture of hydrocarbons that is produced from gas wells and that is liquid at standard temperature and pressure after recovery in surface preparation facilities, or (b) another substance that is derived from gas associated with oil production and that is liquid at standard temperature and pressure.

Chart 3.2 Volume and percentage of Australian crude oil and condensate production used for domestic use or exported: 2002–03 to 2010–11



Source: RET, *Australian Petroleum Statistics*, issues 107 June 2005; 143, June 2008; and 179, June 2011.

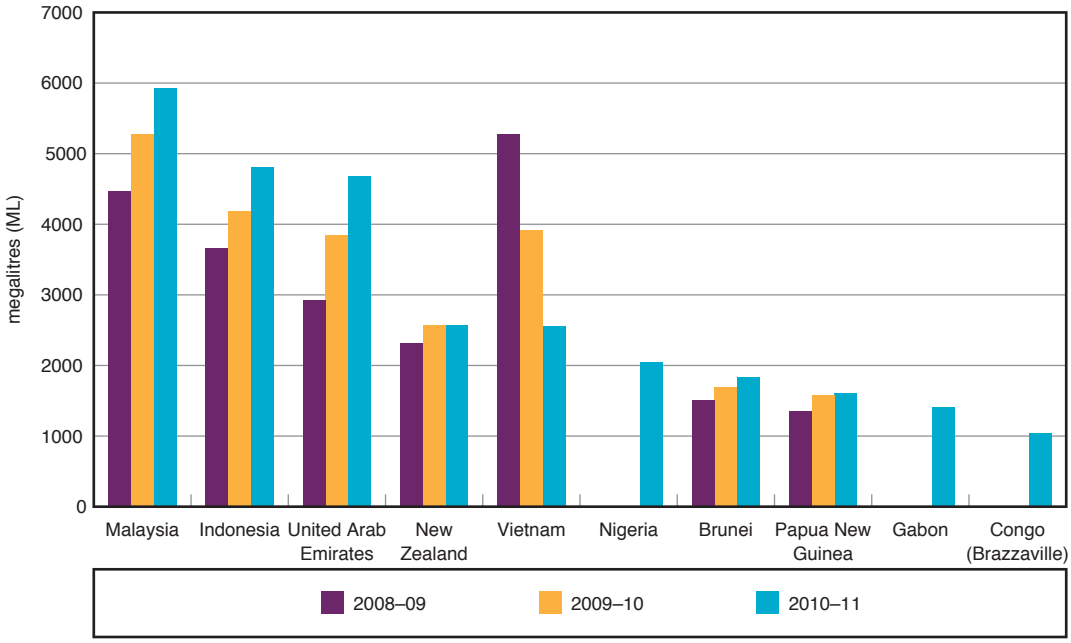
Chart 3.3 Volume and percentage of crude oil and condensate refined in Australia by source: 2002–03 to 2010–11



Source: RET, *Australian Petroleum Statistics*, issues 107, June 2005; 143, June 2008; and 179, June 2011.

The sources of Australian crude oil imports continued to change in 2010–11 (chart 3.4). Local refineries sought new sources as Vietnam reduced its exports. In 2008–09, Vietnam was Australia's primary source of imports, but has recently increased its domestic refining activities, using more of its own crude rather than exporting. In 2010–11, Malaysia was the main source of crude oil imports (as in 2009–10), with 5929 ML. Other important suppliers of crude oil imports included Indonesia, United Arab Emirates and New Zealand. For the first time since at least 2008–09 African countries were major sources of imports: Nigeria, Gabon and Congo (Brazzaville).

Chart 3.4 Major sources of crude oil imports to Australia: 2008–09 to 2010–11



Source: RET, *Australian Petroleum Statistics*, issue 179, June 2011.

3.3 Total supply sector: refining

Australia currently has seven refineries, located in Sydney (two), Brisbane (two), Melbourne, Geelong, and Kwinana (near Perth).[22] All are small by international standards and face an increasingly competitive environment. In 2010, Australia accounted for less than 3 per cent of Asia-Pacific refining capacity.[23] Shell recently announced its intention to close its Clyde refinery in Sydney by mid-2013, and to convert it to an import terminal. Shell has claimed that output from the Clyde refinery cannot compete with imports from the larger and more modern refineries in Asia.[24] It is the smaller of the two Sydney refineries and the second smallest in Australia.

The site at Clyde is well located to operate as a terminal, a role it has often played since 2008 as a result of refinery breakdowns and maintenance. Although located inland, it is connected by pipeline

22 For information on the refineries refer to chapter 4 and the 2009 ACCC petrol monitoring report, pp. 25–6.

23 BP, Statistical review of world energy, June 2011, historical data at http://www.bp.com/sectionbodycopy.do?categoryId=7500&contentId=7068481, accessed 30 November 2011.

24 Shell Australia, 'Shell to cease refining at Clyde', media release, 27 July 2011.

from Gore Bay in Sydney Harbour, so can function as an import terminal. The refinery is the oldest of those currently operating and, while it has been effectively rebuilt and upgraded over its lifetime, has required significant investment in recent years. A major maintenance shutdown was scheduled for 2013.

3.3.1 Refinery capacity

Australia's total refining capacity is estimated to have changed little in recent years. The most recent estimate from the Australian Institute of Petroleum indicates total refining capacity of 44 210 ML pa, which is the same as 2009–10.[25] This will be reduced by 4740 ML pa following the closure of Clyde.

3.3.2 Refinery production

Most petroleum products consumed in Australia are refined locally. In 2010–11, there was a significant increase in production of petroleum products, the largest by volume since at least 2002–03 (table 3.1). The volume of sales also rose in 2010–11. Since 2002–03, the percentage of sales of petroleum products produced in Australia has fallen to 77 per cent in 2010–11. This was up from 72 per cent in 2009–10.

Table 3.1 Petroleum products production as a percentage of sales in Australia: 2002–03 to 2010–11

	Petroleum products production ML	Petroleum products sales ML	Production as a percentage of sales %
2002–03	41 951	41 980	100
2003–04	39 654	43 899	90
2004–05	38 786	45 496	85
2005–06	37 160	45 610	81
2006–07	39 108	46 541	84
2007–08	37 744	48 434	78
2008–09	34 590	48 052	72
2009–10	34 839	48 665	72
2010–11	38 188	49 359	77

Source: ACCC analysis based on data obtained from firms monitored through ACCC's monitoring process.

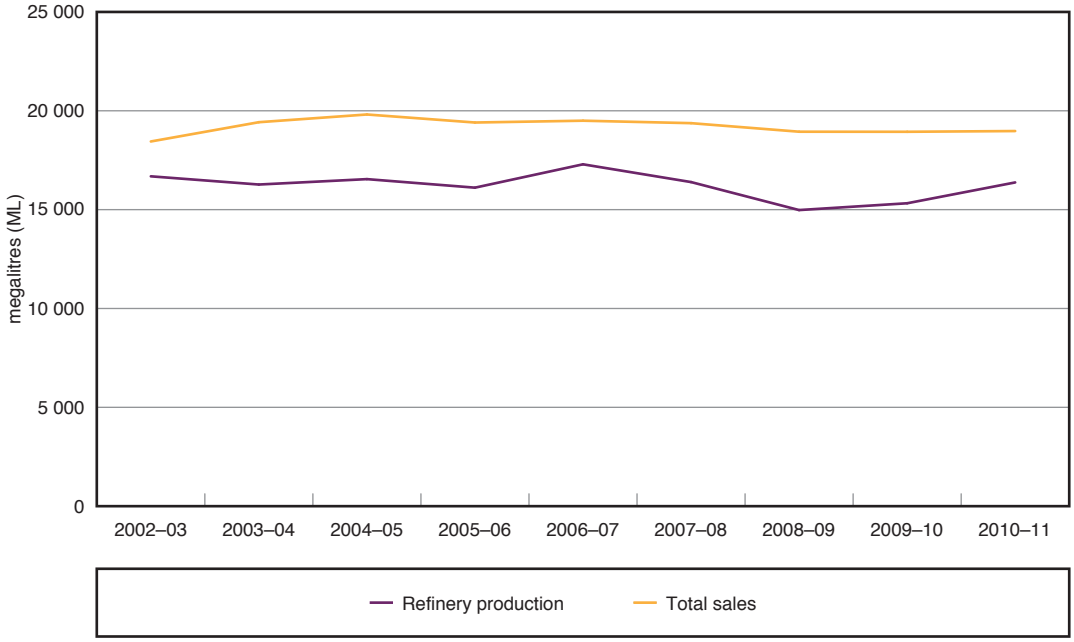
3.3.3 Petrol production

In 2010–11, petrol production increased from 15 322 ML to 16 376 ML, while sales rose slightly (chart 3.5).

As a percentage of sales, petrol production has risen from 81 per cent in 2009–10 to 86 per cent in 2010–11.

25 Australian Institute of Petroleum, Downstream petroleum 2009, p. 5. The capacities of individual refineries were specified in the 2009 ACCC petrol monitoring report, p. 25.

Chart 3.5 Production and sales of petrol in Australia: 2002–03 to 2010–11



Source: ACCC analysis based on data obtained from firms monitored through ACCC's monitoring process.

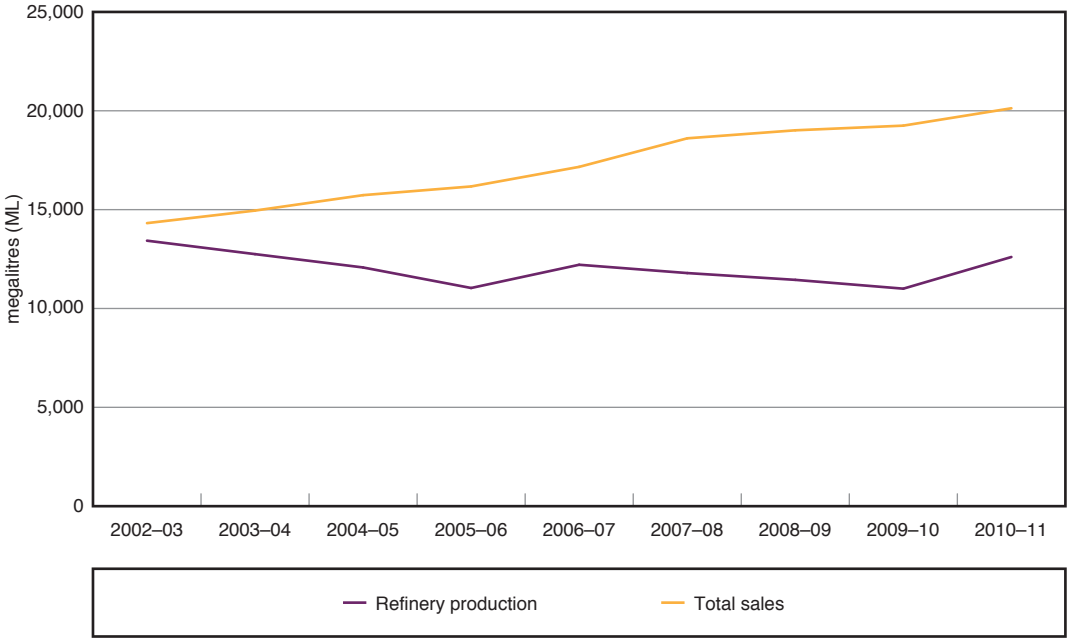
3.3.4 Diesel production

Domestic diesel production increased significantly in 2010–11 to the highest level since 2003–04 (chart 3.6). This is in contrast to consecutive falls in the three previous years. 2010–11 was only the second year since 2002–03 in which diesel production increased.

Sales of diesel rose in 2010–11 to 20 127 ML, up from 19 249 ML in 2009–10. Diesel sales have increased 41 per cent since 2002–03.

As a percentage of sales, domestic production of diesel has fallen from 94 per cent in 2002–03 to 62 per cent in 2010–11.

Chart 3.6 Production and sales of diesel in Australia: 2002–03 to 2010–11



Source: ACCC analysis based on data obtained from firms monitored through ACCC's monitoring process.

3.3.5 Petrol refining market shares

Refinery market shares changed for all companies in 2010–11 (table 3.2).

There were two significant changes: Shell's share rose from 23.9 per cent in 2009–10 to 28.0 per cent in 2010–11, while Caltex's share fell from 31.8 per cent to 27.4 per cent. The other changes were less significant: BP's share up from 29.1 per cent to 30.9 per cent and Mobil's down from 15.1 to 13.7 per cent in 2010–11.

Table 3.2 Share of petrol production in Australia: 2002–03 to 2010–11

	BP %	Caltex %	Mobil %	Shell %
2002–03	24.7	28.6	18.3	28.3
2003–04	25.6	31.1	16.8	26.5
2004–05	27.2	32.5	15.9	24.5
2005–06	23.5	34.3	14.8	27.4
2006–07	25.6	35.4	13.3	25.7
2007–08	27.2	33.7	13.9	25.2
2008–09	29.1	34.6	14.2	22.1
2009–10	29.1	31.8	15.1	23.9
2010–11	30.9	27.4	13.7	28.0

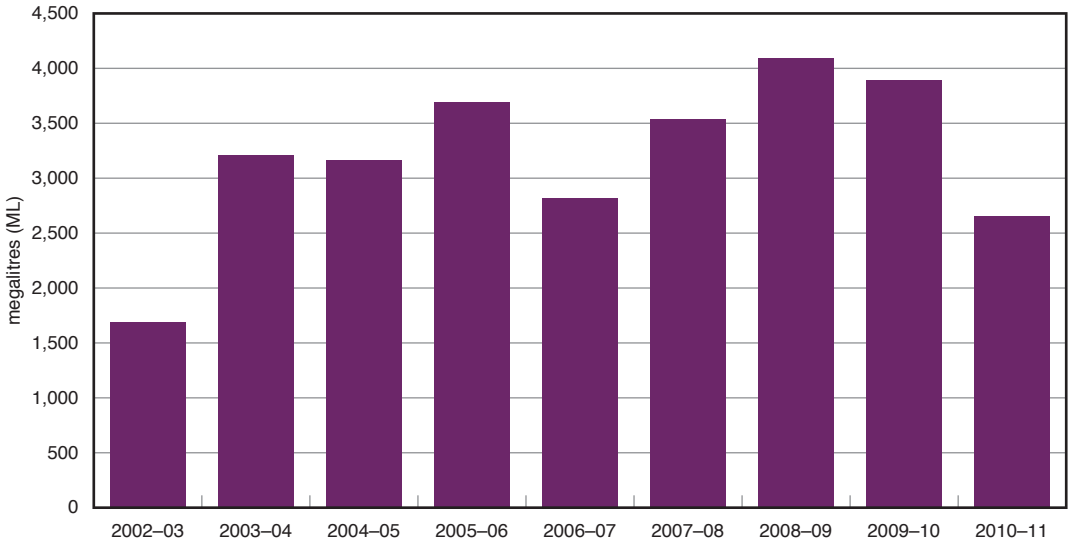
Source: ACCC analysis based on data obtained from firms monitored through ACCC's monitoring process.

3.4 Total supply sector: importing refined petroleum products

3.4.1 Petrol imports

The volume of petrol imports fell significantly in 2010–11, to 2651 ML (chart 3.7). This was the lowest level of imports since 2002–03, when the Port Stanvac refinery was operating.[26]

Chart 3.7 Volume of petrol imported into Australia: 2002–03 to 2010–11



Source: RET, *Australian Petroleum Statistics*, issues 107, June 2005; 143, June 2008; and 179, June 2011.

In 2002–03, while total imports were relatively small, independent importers accounted for around one half of imports.[27] Subsequently, with the introduction of new Australian fuel standards it became more difficult to source imports and the proportion of independent imports declined. Since 2003–04, independent imports were often significantly less than 10 per cent of total imports.

In 2009–10, independent imports increased again, assisted by enhanced access to independently owned import capacity (see section 3.5.2), and exceeded 10 per cent of total imports.

In 2010–11, independent imports continued to grow while overall imports fell. As a result, the share of independent imports increased to around 40 per cent of total imports.[28]

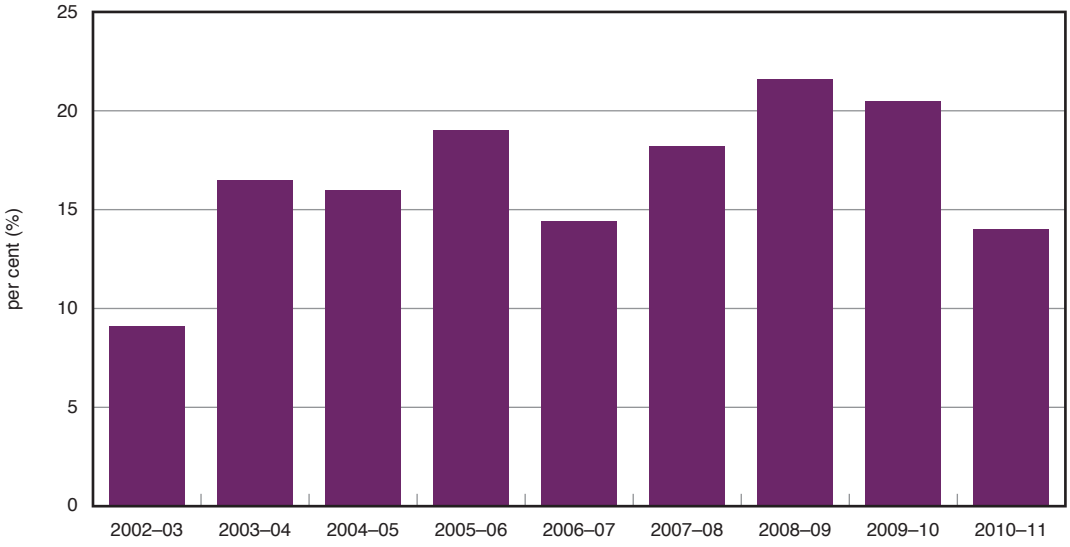
In 2010–11, imports represented 14 per cent of total petrol sales, compared with just over 20 per cent in 2009–10 (chart 3.8). This was the lowest percentage since 2002–03 when imports comprised 9 per cent of total petrol sales.

26 The Port Stanvac refinery was owned by Mobil and ceased operation on 1 July 2003.

27 ACCC petrol inquiry report, 2007, pp. 63–4.

28 For more on the changes in independent imports, see chapter 4, section 4.2.2.

Chart 3.8 Petrol imports as a percentage of total sales in Australia: 2002–03 to 2010–11



Source: RET, *Australian Petroleum Statistics*, issues 107, June 2005; 143, June 2008; and 179, June 2011; ACCC analysis based on data obtained from firms monitored through ACCC's monitoring process.

The percentage of refined petrol imports from Singapore decreased from 86 per cent in 2009–10 to 79 per cent in 2010–11 (table 3.3). South Korea became increasingly important as a source of imports, accounting for 15 per cent, which was up from 7 per cent in 2009–10.

Table 3.3 Sources of petrol imports into Australia: 2007–08 to 2010–11

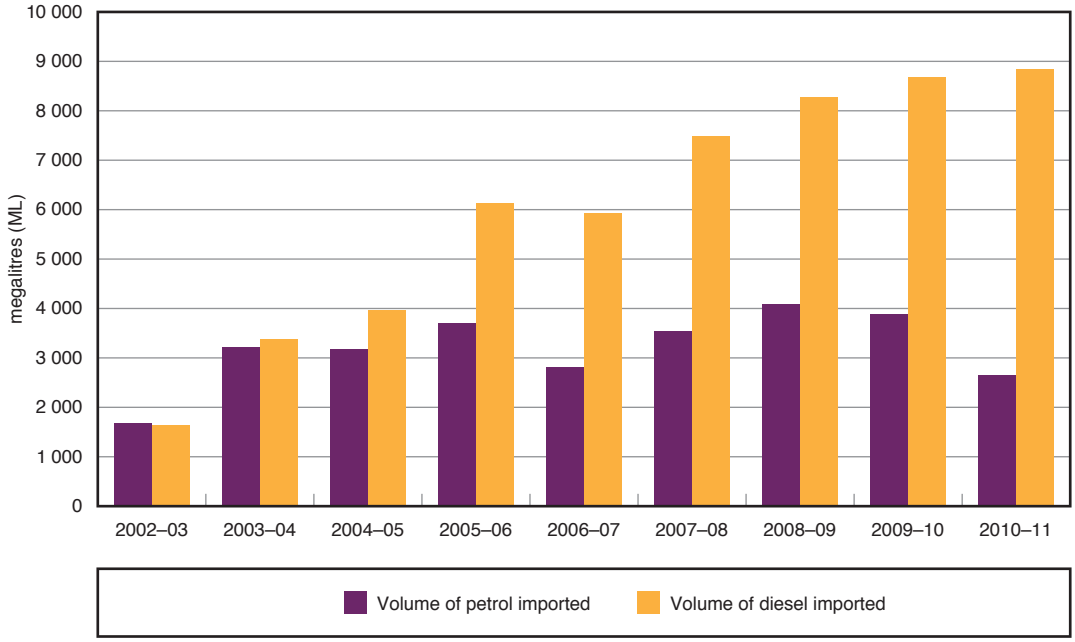
	2007–08		2008–09		2009–10		2010–11	
	ML	%	ML	%	ML	%	ML	%
Singapore	3301	93	3426	84	3330	86	2101	79
Taiwan	110	3	297	7	91	2	90	3
Oman	0	0	108	3	46	1	0	0
South Korea	18	0	81	2	278	7	407	15
Other	107	4	182	4	144	4	54	2
Total	**3536**	**100**	**4093**	**100**	**3889**	**100**	**2652**	**100**

Source: RET, *Australian Petroleum Statistics*, issues 107, June 2005; 143, June 2008; and 179, June 2011.

3.4.2 Diesel imports

Diesel imports continued to increase in 2010–11, to 8831 ML, though at a slower rate compared with the previous three years (chart 3.9). While in 2002–03 volumes of petrol and diesel imports were similar, by 2010–11 increasing domestic demand for diesel for transport and industrial uses had caused the volume of diesel imports to increase to three times that of petrol.

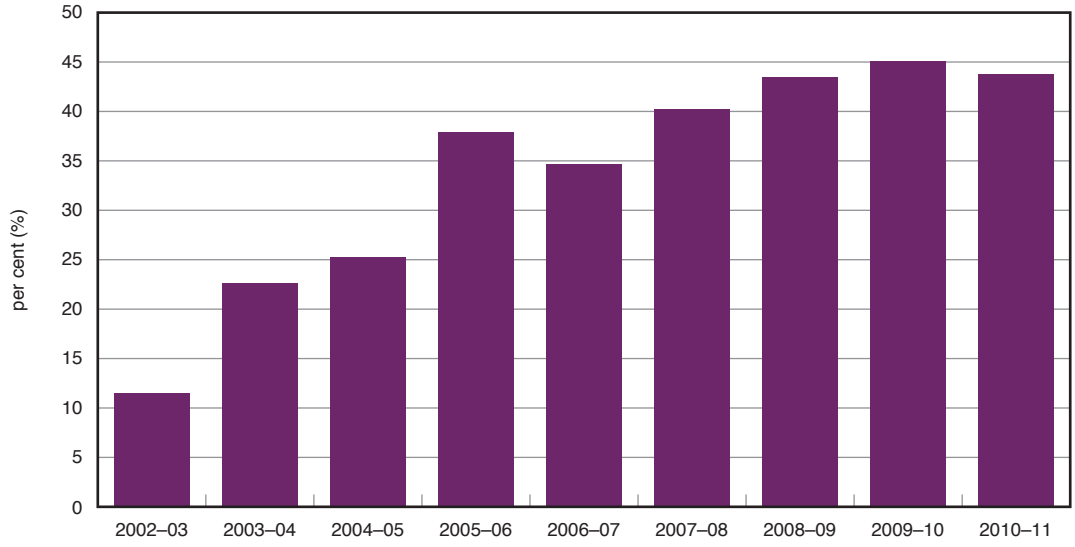
Chart 3.9 Volumes of petrol and diesel imported into Australia: 2002–03 to 2010–11



Source: RET, *Australian Petroleum Statistics*, issues 107, June 2005; 143, June 2008; and 179, June 2011.

Diesel imports as a percentage of total sales decreased marginally in 2010–11 to 43.8 per cent (chart 3.10). This represented the first decrease since 2006–07.

Chart 3.10 Diesel imports as a percentage of total sales in Australia: 2002–03 to 2010–11



Source: RET, *Australian Petroleum Statistics*, issues 107, June 2005; 143, June 2008; and 179, June 2011; ACCC analysis based on data obtained from firms monitored through ACCC's monitoring process.

3.5 Import infrastructure

As part of its monitoring activities, the ACCC collects detailed data on the use of and plans for import terminal infrastructure. Data is collected from the refiner-marketers, major independent wholesalers/importers and terminal owners/operators.

This section outlines changes in import infrastructure since the 2010 ACCC petrol monitoring report. The focus is on major terminals and includes a brief description of expansion plans.

Major terminals are defined as terminals which have a pipeline connection to a port and/or refinery. They are the point where fuel which has been refined in Australia or imported, is stored, distributed or sold, by refiner-marketers and importers.

3.5.1 Terminal throughput

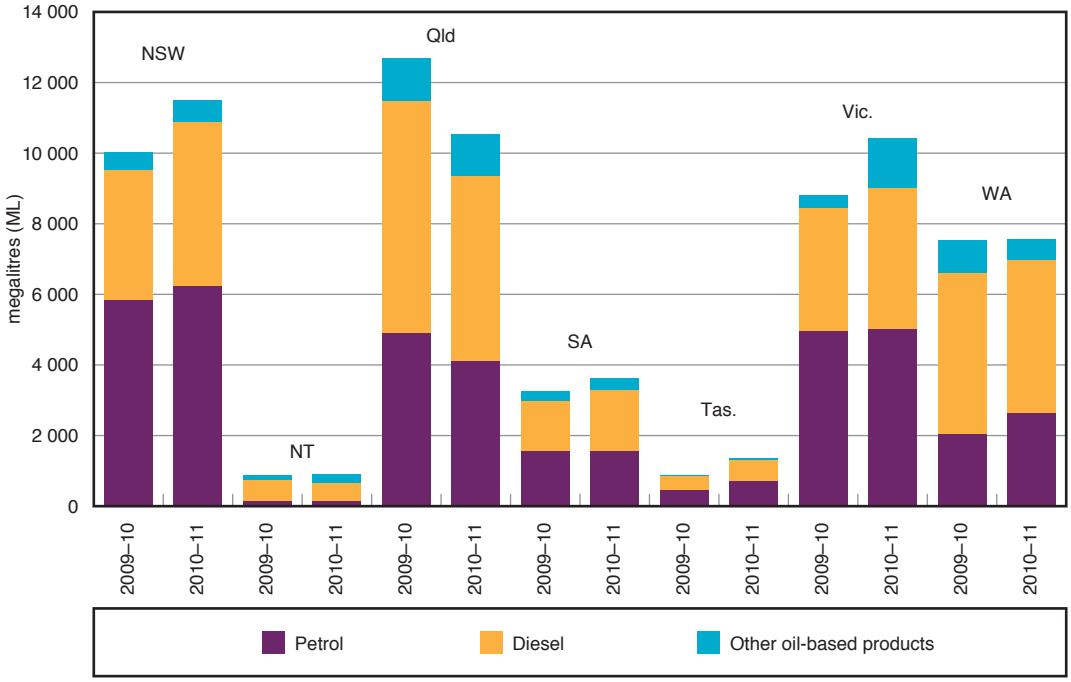
Petroleum products

While there was national growth in terminal throughput of both petrol (2.4 per cent) and diesel (2.2 per cent), there were significant variations between states (chart 3.11). The largest increases in petrol throughput in 2010–11 were in Tasmania, Western Australia and New South Wales. There were declines in petrol throughput in Queensland and Northern Territory.

In 2010–11, there were large increases in diesel throughput in Tasmania, New South Wales, South Australia and Victoria, while there was a significant decline in Queensland. The floods in January 2011 may be one reason for the declines in petrol and diesel throughput in Queensland terminals.

Across Australia, the percentage of terminal throughput accounted for by independent wholesalers/importers has increased steadily since 2007–08, rising from 3.5 per cent to 5.8 per cent in 2010–11.

Chart 3.11 Petroleum products throughput by state: 2009–10 and 2010–11



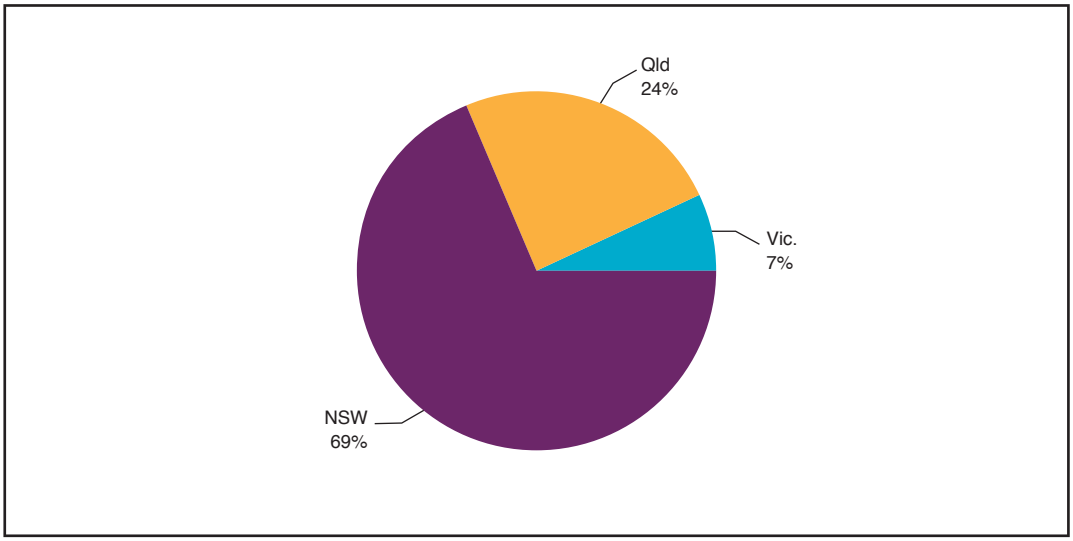
Source: ACCC analysis based on data obtained from firms monitored through ACCC's monitoring process.

Ethanol

During 2010–11, ethanol throughput grew by 81.2 per cent, with increases in each of the three states with significant ethanol throughput (chart 3.12).

By far the largest increase was in New South Wales, the only state with a state government ethanol mandate. New South Wales now accounts for 69 per cent of total ethanol throughput, compared with 50 per cent in 2009–10. Queensland's share of throughput has fallen from 40 per cent to 24 per cent in 2010–11, at least partly due to the impact of the January 2011 floods which affected production. It is likely that the suspension of the announced state government ethanol mandate may also have dampened demand for ethanol in Queensland.

Chart 3.12 Ethanol terminal throughput by state: 2010–11



Source: ACCC analysis based on data obtained from firms monitored through ACCC's monitoring process.

Note: New South Wales, Queensland and Victoria were the only states with significant ethanol throughput in 2010–11.

3.5.2 Developments at major terminals by state, 2010–11

Historically, the majority of major terminals have been owned and operated by the refiner-marketers. While this is still the case, there is a trend of increasing independent terminal ownership and operation. As outlined below, two terminals are planned to be constructed by independent owners and used by refiner-marketers.

In October 2011, Marstel changed its name to Stolthaven Australasia Pty Ltd, following acquisition of a 70 per cent stake by Stolt-Nielsen Ltd, a multinational transport company and terminal owner/operator.[29]

New South Wales

Marstel has submitted plans to the NSW Government for a new 54 ML terminal at Newcastle. It aims to commence construction before the end of 2011 and start operating in 2012. The company has signed a memorandum of understanding with Shell, which intends to use the facility to import diesel, including from its refinery in Singapore. It will supplement Shell's existing Newcastle terminal, which lacks import capability.[30]

Mobil has reported it has spare capacity at the Silverwater terminal, which it jointly owns with Caltex. Mobil is currently closing its Botany terminal.

Northern Territory

Vopak has reported no plans for expansion at the Northern Territory's only major petrol import terminal, in Darwin.

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29 Stolt-Nielsen media release, 4 October 2011: http://www.stolt-nielsen.com/Media-Centre/Feed-News.aspx?link=http://cws.hugionline.com/5/154/PR/201110/1552136.xml

30 Shell Australia, 'New diesel import and storage facility for Newcastle', media release, 4 April 2011, and information supplied to the ACCC.

Queensland

Shell is constructing 19.6 ML of additional diesel capacity at its Mackay terminal which is due for completion in March 2012.

A new 15 ML diesel tank is to be built at Neumann's Eagle Farm terminal, with completion due in December 2012. The commissioning of the new pipeline connecting the terminal to a deep-water port was delayed and is now expected by the end of 2011.

At Gladstone, the ACCC did not object to Caltex's acquisition of Mobil's share of the jointly owned Caltex–Mobil terminal. Mobil has advised the ACCC it intends to seek a hosting agreement with Caltex and continue to supply its customers from this terminal.

At Mackay, Caltex has completed expansion of diesel capacity: this has increased by 26 ML to 55 ML.

Marstel's Bundaberg terminal remains unused, though it is expected to be recommissioned during 2012.

South Australia

There are significant proposals to expand storage capacity in the Adelaide area, especially for diesel.

Mobil is expanding its Birkenhead terminal with the construction of a 9 ML diesel tank due to be completed mid-late 2012.[31] Petrol capacity at this terminal is expected to increase slightly by late 2012 at the conclusion of its current major maintenance program.

At Largs North, BP is planning to build a new tank which will increase the diesel capacity of its terminal by 30 ML. It is due for completion by the end of 2012. BP has also announced it is planning to build a rail gantry at this terminal.[32]

Terminals Pty Ltd has announced plans to build a new 85 ML terminal at Outer Harbour, Adelaide. Due for completion in 2013, this terminal will have capacity for petrol, diesel, ethanol and biodiesel. Caltex has signed a 25-year agreement to use the terminal instead of its existing facility at Birkenhead, which is experiencing space constraints.

Tasmania

There have been no significant developments at the Tasmanian terminals. Marstel has spare throughput capacity of about 100 ML at its Bell Bay terminal.

Victoria

At Newport, Shell is constructing a 0.9 ML biodiesel tank which is due for completion in December 2012. Mobil's Yarraville terminal has spare capacity. A major maintenance program is being undertaken at this terminal. Following the conclusion of this program in 2012 and related tank reallocations, there will be slight increase in diesel capacity.

Western Australia

At Port Hedland, in May BP completed its expansion of diesel capacity and loading infrastructure, as outlined in the 2010 ACCC petrol monitoring report. Caltex expects to complete its 40 ML diesel capacity expansion by December 2011.

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31 ExxonMobil, 'Mobil to expand Adelaide terminal', media release, 23 June 2011.

32 BP, 'Growing demand leads to expansion at BP terminal in Adelaide', media release, 14 April 2011.

Caltex has reported spare throughput capacity at its Albany terminal of 15 ML pa. At Kwinana, Coogee's terminal, which now incorporates the former Gull (Terminals West) terminal, has spare throughput capacity of 100–200 ML pa.

3.5.3 Import terminals with spare capacity

There are two types of major terminals: import terminals and refinery-pipeline terminals. Import terminals are connected to a port, which in most cases is their only source of fuel. Refinery-pipeline terminals are connected to a refinery by pipeline. They may also be connected to a port, though are likely to receive most of their fuel from the refinery and will hence have higher turnover than an import terminal.

Import terminals would be expected to have a significantly lower turnover compared with refinery-pipeline terminals.[33] This is primarily due to the fact that they do not have a direct link to what is usually an ongoing source of supply. In 2010–11, Australia's import terminals had an average turnover of 7.3 times, up from 6.8 times in 2009–10 (table 3.4). Turnover rates of refinery-pipeline terminals were also higher, 32.5 times compared with 29.7 times in 2009–10.

Table 3.4 Petrol turnover by type of terminal

	IMPORT TERMINALS			REFINERY-PIPELINE TERMINALS		
	Capacity ML	Throughput ML	Turnover times	Capacity ML	Throughput ML	Turnover times
2009–10	687.8	4 703.0	6.8	442.9	13 134.3	29.7
2010–11	691.5	5 019.1	7.3	488.1	15 876.2	32.5

Source: ACCC analysis based on data obtained from firms monitored through ACCC's monitoring process.

Note: Excludes Corio and Parramatta refinery-pipeline terminals (which are directly attached to refinery storage tanks and have no stand-alone storage capacity), and import terminals that exist primarily to service local mines.

Terminal access for independent importers can affect their ability to compete in the petrol industry. The low turnover of independently owned import terminals suggests availability of spare capacity for independent importers (table 3.5). There are also independently owned refinery-pipeline terminals which may have spare capacity.

Table 3.5 Import terminal petrol turnover by type of ownership: 2010–11

Type of ownership	Capacity ML	Throughput ML	Turnover times
Independently owned	398.7	1504.8	3.8
Refiner-marketer owned	292.8	3514.3	12.0
Australia	**691.5**	**5019.1**	**7.3**

Source: ACCC analysis based on data obtained from firms monitored through ACCC's monitoring process.

Note: Excludes throughput for terminals that exist primarily to service local mines.

Table 3.5 also shows that independently owned import terminals have significantly greater total petrol capacity than those owned by refiner-marketers. In 2007–08, the independents' capacity was similar to that of the refiner-marketers. Since then, independent owners have undertaken acquisitions and major expansions, increasing total capacity by more than one and

33 Turnover refers to the number of times a terminal is effectively emptied and filled in the year.

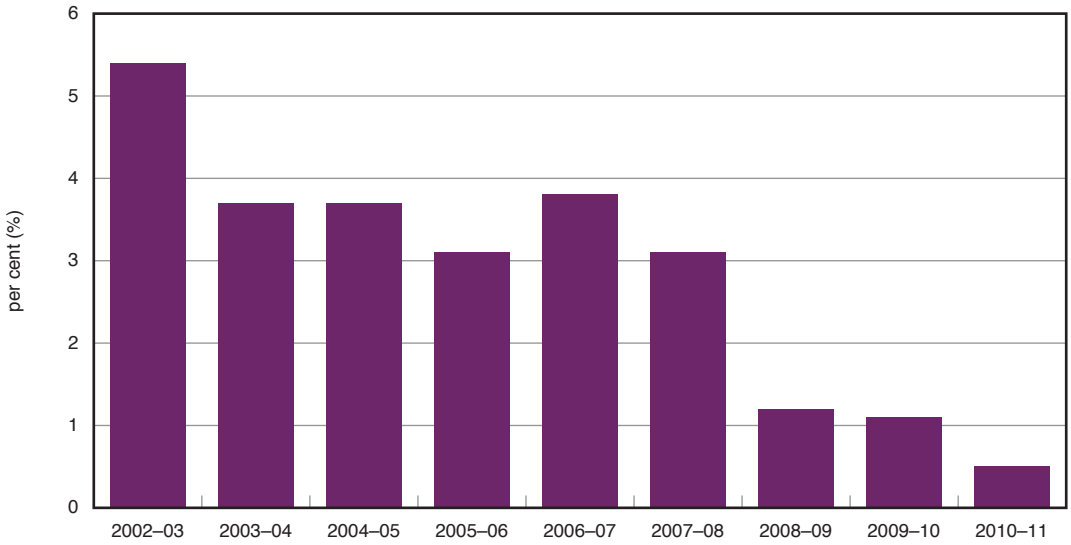
a half times. Over the same period, petrol capacity of terminals owned by refiner-marketers has been virtually unchanged.

The percentage of total throughput accounted for by independently owned terminals has increased steadily over the past four years, from 3.5 per cent in 2007–08 to 5.8 per cent in 2010–11.

3.6 Exporting refined product

There has been a significant downward trend in petrol exports as a percentage of domestic supply since the cessation of production at the Port Stanvac refinery in 2003–04 (chart 3.13). Australia is now a structural importer; exports form a very minor part of the industry.

Chart 3.13 Petrol exports as a percentage of domestic supply: 2002–03 to 2010–11



Source: RET, *Australian Petroleum Statistics*, issues 107, June 2005; 143, June 2008; and 179, June 2011.

3.7 Wholesaling

3.7.1 Wholesale market share

The most noticeable change in wholesale market share from 2009–10 to 2010–11 was the fall in Mobil's share from 13 per cent to 9 per cent (table 3.6). Independent wholesalers, primarily United, Neumann, Gull and Liberty, continued to increase their share of the wholesale sales of the monitored companies, rising from 6 per cent to 7 per cent.

Table 3.6 Monitored companies' share of wholesale petrol sale volumes: 2005-06 to 2010-11

	2005–06 %	2006–07 %	2007–08 %	2008–09 %	2009–10 %	2010–11 %
BP	17	17	17	17	17	18
Caltex	36	36	36	36	36	36
Mobil	14	15	15	13	13	9
Shell	29	27	27	28	29	30
Independent wholesalers	4	4	5	6	6	7

Source: ACCC analysis based on data obtained from firms monitored through ACCC's monitoring process.

3.7.2 Types of wholesale sales

The refiner-marketers' largest wholesale customers in 2010–11 were independent retailers (including supermarkets), which accounted for 55.3 per cent of total wholesale sales (table 3.7).

The percentage of total sales accounted for by independent retailers has increased steadily over the past four years. The second largest category of wholesale customers was branded retailers, including branded independents, franchisees and company-owned businesses, with 32.6 per cent. This was down from 35.8 per cent in 2009–10.

The sale by Mobil of its retail assets to 7-Eleven contributed to the fall in the shares of wholesale sales to refiner-marketer branded retailers and the rise of independent retailers' share of wholesale sales.

The shares of resellers and other distributors have declined since 2007–08 as a percentage of the refiner-marketers wholesale sales. It is possible that this is at least partly due to the increase in independents' imports.

Table 3.7 Refiner-marketers' wholesale petrol sales by type of customer: 2007–08 to 2010–11

Type of customer	2007–08 %	2008–09 %	2009–10 %	2010–11 %
Resellers and distributors	9.8	9.3	7.2	8.3
Independent retailers (incl. supermarkets)	50.6	51.3	53.0	55.3
Refiner-marketer branded retailer	35.7	34.8	35.8	32.6
Other retailers	3.9	4.5	3.9	3.8

Source: ACCC analysis based on data obtained from firms monitored through ACCC's monitoring process.

3.7.3 Developments in the wholesale sector

In December 2010, the Western Australian operations of independent wholesaler and retailer Gull were acquired by Ausfuel.[34] In March 2010, Gull had sold its import terminal at Kwinana, near Perth, to Coogee Chemicals.

In May 2011, United announced it had acquired one of the two ethanol plants in Queensland, at Dalby.[35]

34 *West Australian*, 'Rae family lets Gull out from under wing', 2 December 2010, p. 52; and Ausfuel 'Gull Petroleum stays in independent hands', media release, 1 December 2010.

35 United Petroleum, 'United Petroleum purchase Dalby bio-refinery', media release, 20 May 2011.

3.8 Retailing

The retail sector continued to undergo structural changes in 2010–11. The refiner-marketers continued to withdraw from retail and sharpen their focus on the total supply and wholesale sectors.

3.8.1 Retail market share

The structure and nature of petrol retailing continues to undergo profound changes. As discussed in more detail in chapters 4 and 16, the Australian retail sector has changed dramatically over time.

One of the most important factors behind the evolution of the retail sector has been the emergence of specialist retailers that have transformed petrol stations into broader retail outlets. This trend has favoured specialist retailers such as 7-Eleven, On The Run and the supermarkets.

There was a significant increase in the market share of the independent retail chains during 2010–11, principally as a result of the sale of Mobil's retail business to 7-Eleven and On The Run (table 3.8). This follows four years of steady growth for the independent chains and is consistent with the longer-term changes that have been evident in the industry for several decades (see chapter 4, section 4.2.4).

The other beneficiaries from Mobil's exit from retailing appear to have been BP and Caltex-branded sites; both recorded market share increases in 2010–11, after having fallen in most years since 2002–03.

Table 3.8 Share of volume of retail petrol sales by brand: 2002–03 to 2010–11

	BP	Caltex	Mobil	Shell	Woolworths Caltex (co-branded)	Coles Express/Shell (co-branded)	Independent retail chains
	%	%	%	%	%	%	%
2002–03	20	24	19	20	10	0	6
2003–04	20	22	17	3	14	16	7
2004–05	18	18	12	3	18	25	6
2005–06	19	16	11	3	20	25	6
2006–07	19	16	11	3	22	22	7
2007–08	20	17	11	2	22	20	8
2008–09	19	16	11	2	23	22	9
2009–10	17	16	10	2	23	22	10
2010–11	19	18	0	2	23	22	17

Source: ACCC analysis and estimates based on data obtained from firms monitored through ACCC's monitoring process.

Notes: 2010–11 sales for Mobil sites sold to 7-Eleven and On The Run are included in the 'Independent retail chains' column. In 2002–03 Woolworths was independently branded. The agreement with Caltex began in August 2003.

3.8.2 Retail business types

As has been noted in previous monitoring reports, the brand name on a petrol retail site does not always provide an accurate indication of the owner or type of ownership structure. Most petrol retail businesses are actually owned and/or operated by supermarkets, independent retailers, franchisees, or commission agents (table 3.9). In 2010–11, 9.6 per cent of petrol retail businesses were under the brand of specialist retailers and a further 6.4 per cent were independent wholesalers.

Table 3.9 Percentage of monitored retail sites by brand and business operator: 2010–11[a]

Brand	Business operated by[b]: Directly owned and operated %	Distributor owned operations %	Independent retailer %	Franchisee[d] %	Commission agent[d] %	Total %
BP	3.6	16.3	6.4	0.3	0.0	26.5
Caltex	1.8	9.5	3.0	4.4	6.5	25.3
Mobil	0.0	6.0	0.0	0.0	0.0	6.0
Shell	0.4	0.0	4.6	0.0	0.0	5.0
Woolworths/Caltex (co-branded)	10.2	0.0	0.0	0.0	0.0	10.2
Coles Express/Shell (co-branded)	11.0	0.0	0.0	0.0	0.0	11.0
Specialist retailers[c]	0.0	0.0	2.2	5.5	1.9	9.6
Independent wholesalers	0.0	0.0	0.3	0.3	5.8	6.4
Total	**27.1**	**31.7**	**16.4**	**10.4**	**14.3**	**100.0**

Source: ACCC analysis and estimates based on data obtained from firms monitored through ACCC's monitoring process.

a Data is only for monitored companies, so underestimates the total number of retail sites in Australia.
b Sites are categorised by the operator of the business on the site, regardless of branding.
c Specialist retailers include those businesses operated by independent retail chains and some other independents.
d Commission agents generally manage a business owned by a refiner-marketer or independent chain, and are generally compensated in the form of a commission based on the quantity of product sold. Franchisees rent a site or a number of sites and source fuel from the franchisor and brand it accordingly. They may receive price support from the franchisor (wholesaler), providing some influence over the retail prices set by the franchisee. These categories exclude supermarkets in this table.

3.8.3 Developments in the retail sector

In August 2010, BP advised the ACCC that it intended to acquire one of its rural and regional distributors, Reliance Petroleum. This company operated 215 BP-branded retail sites. Reliance also supplied and distributed BP fuel and lubricants to a significant number of third-party owned and operated BP-branded retail sites, as well as to commercial customers.

In November 2010, the ACCC announced that it would not oppose the acquisition, concluding that the proposed acquisition was unlikely to substantially lessen competition in the relevant markets.

As noted above, on 4 October 2010, Mobil sold its 295 retail sites to 7-Eleven. Most of these sites were operated by Mobil's multi-site franchisee Strasburger Enterprises (Properties) Pty Ltd. The 30 Mobil sites in South Australia were on-sold by 7-Eleven to Peregrine Corporation, which operates under the trading name of On The Run.

3.9 Concluding observations

The changes in the petrol industry detailed in previous ACCC petrol monitoring reports continued in 2010–11. The most significant changes were in the total supply and retail sectors.

Key developments included:

- Petrol imports fell substantially, mainly because refineries were affected by fewer shutdowns and were able to meet a greater proportion of Australia's petrol requirements.
- Independent imports increased strongly and now account for more than 40 per cent of total petrol imports.
- Independent terminal operators and owners are becoming an important part of the industry, providing enhanced access to import infrastructure.
- The announced closure of Shell's Clyde refinery suggests Australian refining continues to be affected by competitive pressures from refineries in Asia.
- While the refiner-marketers still supply fuel to the bulk of retail sites, the number of retail businesses in which they have an interest continued to decline.
- The presence of specialist retailers continued to rise.

The changes evident in the structure of the Australian downstream petroleum industry suggest that the extent of vertical integration by the refiner-marketers continues to diminish.

In the context of the evolution of the industry, the retail sector is moving closer to its structure of several decades ago with a predominance of specialist independent retailers; though with the critical difference that the refiner-marketers now have a more reliable outlet for their refined and imported products. This evolution is detailed in the next chapter.