



AUSTRALIAN COMPETITION
& CONSUMER COMMISSION

Retail and wholesale petrol market shares in Australia

September 2018

Australian Competition and Consumer Commission
23 Marcus Clarke Street, Canberra, Australian Capital Territory, 2601
© Commonwealth of Australia 2018

This work is copyright. In addition to any use permitted under the *Copyright Act 1968*, all material contained within this work is provided under a Creative Commons Attribution 3.0 Australia licence, with the exception of:

- the Commonwealth Coat of Arms
- the ACCC and AER logos
- any illustration, diagram, photograph or graphic over which the Australian Competition and Consumer Commission does not hold copyright, but which may be part of or contained within this publication.

The details of the relevant licence conditions are available on the Creative Commons website, as is the full legal code for the CC BY 3.0 AU licence.

Requests and inquiries concerning reproduction and rights should be addressed to the Director, Content and Digital Services, ACCC, GPO Box 3131, Canberra ACT 2601.

Important notice

The information in this publication is for general guidance only. It does not constitute legal or other professional advice, and should not be relied on as a statement of the law in any jurisdiction. Because it is intended only as a general guide, it may contain generalisations. You should obtain professional advice if you have any specific concern.

The ACCC has made every reasonable effort to provide current and accurate information, but it does not make any guarantees regarding the accuracy, currency or completeness of that information.

Parties who wish to re-publish or otherwise use the information in this publication must check this information for currency and accuracy prior to publication. This should be done prior to each publication edition, as ACCC guidance and relevant transitional legislation frequently change. Any queries parties have should be addressed to the Director, Content and Digital Services, ACCC, GPO Box 3131, Canberra ACT 2601.

ACCC 09/18_1461

www.accc.gov.au

Contents

Key messages	1
1. Retail petrol market shares in 2016–17	7
1.1 Definition of the retail petrol market	7
1.2 Retail petrol market shares by volume sold in 2016–17	7
1.3 Retail petrol market shares by retail sites in 2016–17	9
1.4 Retail petrol market shares in particular locations can vary markedly from national market shares	10
2. Retail petrol market shares over time	12
2.1 Retail petrol market shares by major retailer between 2002–03 and 2016–17	12
2.2 Retail petrol market shares by retailer category between 2002–03 and 2016–17	14
2.3 Supermarket chains	16
3. Wholesale petrol market shares	17
Appendix A: Background and methodology	19
Appendix B: Retail petrol market shares by retailer category over time using <i>Australian Petroleum Statistics</i> data	21

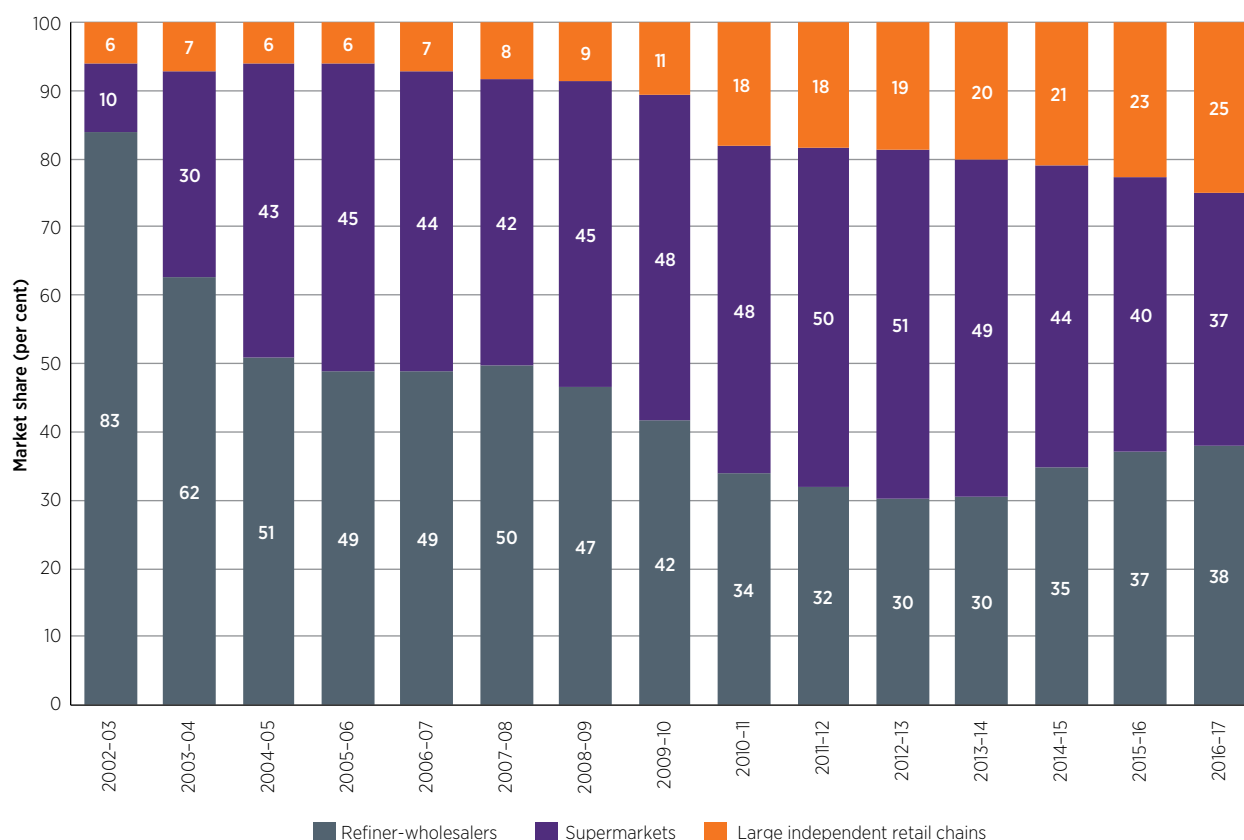
Key messages

The retail petrol market share of the supermarket chains has declined substantially since 2012-13

The share of the retail petrol market of the supermarket chains (Coles Express and Woolworths) has declined substantially since 2012-13, when they had a combined 51 per cent share of ACCC monitored retail petrol sales volumes.¹ In 2016-17, the supermarket chains had a combined 37 per cent of ACCC monitored retail petrol sales volumes. This is their lowest combined market share since 2003-04.

This is illustrated in the following chart, which shows the share of ACCC monitored retail petrol sales volumes by major retailer category between 2002-03 (the earliest year for which the ACCC has collected data) and 2016-17.

Share of ACCC monitored retail petrol sales volumes in Australia by retailer category: 2002-03 to 2016-17



Source: ACCC calculations based on data obtained from companies included in the ACCC's petrol monitoring program.

Note: Totals may not add up to 100 per cent due to rounding.

As part of its regular petrol monitoring activities, the ACCC collects data from the larger retailers in the Australian retail petrol market (referred to as 'ACCC monitored retail petrol sales volumes'). Companies that are currently included in this monitoring program are BP, Caltex, Mobil, Viva Energy/Shell, Coles Express, Woolworths, 7-Eleven, United, Puma Energy and On The Run.² The ACCC does not collect data from small independent retailers.

¹ In this report, 'petrol' refers to all grades of petrol, including regular unleaded petrol (RULP), premium unleaded petrol (95 RON and 98 RON) and ethanol-blended petrol (which is largely RULP with up to 10 per cent ethanol).

² In 2014, Vitol acquired Shell's downstream business (excluding lubricants production) in Australia and formed Viva Energy. In this report the market share of this company is identified as 'Viva Energy/Shell'.

For the purpose of analysis, the ACCC has summarised the retail petrol sales volumes of these monitored companies into three categories:

- refiner-wholesalers—BP, Caltex, Mobil and Viva Energy/Shell, which includes refiner-wholesaler controlled sites and independently operated but refiner-wholesaler branded sites
- supermarkets—Coles Express and Woolworths
- large independent retail chains—7-Eleven, United, Puma Energy and On The Run.

In 2002–03, Woolworths was the only supermarket chain in the retail petrol market, with around 10 per cent market share among ACCC monitored retail petrol sales volumes. The market share of the supermarket chains increased between 2002–03 and 2012–13 following the alliance formed between Woolworths and Caltex in August 2003 and the entry of Coles Express into the retail petrol market in July 2003. The availability of shopper docket discount schemes (which at times were up to 45 cents per litre) also contributed to the increased market share of the supermarkets. The combined share of the supermarket chains peaked in 2012–13, but this share decreased to around 37 per cent by 2016–17.

A number of factors have contributed to decreased sales volumes and market shares of the supermarkets

The decline in the supermarkets' sales volumes and market shares over the past four years have been influenced by a number of factors.

The ACCC commenced an investigation into shopper docket discounts in mid-2012. This investigation ended in December 2013, when the ACCC accepted voluntary court-enforceable undertakings from Coles Express and Woolworths to limit these discounts.

There were changes to the Woolworths alliance with Caltex in late-2014. As part of these changes, 131 Caltex-operated sites exited the Caltex-Woolworths joint venture and are no longer counted in Woolworths' sales volumes.

Coles Express' sales volumes have declined due to changes to its wholesale fuel agreement with its supplier, Viva Energy. Wesfarmers (Coles Express' parent holding company) noted in its 2017 third quarter retail sales results that fuel '...volumes remained in decline as Coles Express continued to respond to changes in the commercial terms of the Alliance, which included an increase in Coles' wholesale fuel price during the quarter.'³ In its 2017 annual report, Wesfarmers reported a 16.8 per cent decline in volumes across all fuel sales (including petrol, diesel and LPG) in 2016–17. While not all of this decline occurred in petrol, it is likely that petrol accounted for a significant portion of this decline in 2016–17.

The ACCC noted in its report *Petrol prices are not the same – report on petrol prices by major retailer in 2017* that Coles Express' average retail petrol price was the highest in all of the five largest cities (i.e. Sydney, Melbourne, Brisbane, Adelaide and Perth) for 2017.⁴ In contrast, the report also noted that Woolworths' average retail petrol price was below the city average in four of the five largest cities and equal to it in the other city.

It is interesting to note that Coles Express is both the retailer with the largest market share in 2016–17 and the highest priced major retailer in 2017 in the five largest cities. However, the decrease in Coles Express' sales volumes in recent years, which have coincided with its relatively high prices, indicates that many consumers are sensitive to price increases and have switched to other retailers with relatively lower prices. While consumers choose a retailer for a variety of reasons, consumers who are price sensitive can benefit by shopping around.

3 Wesfarmers, *2017 Third Quarter Retail Sales Results*, 27 April 2018, p. 3, at: <http://www.wesfarmers.com.au/docs/default-source/asx-announcements/2017-third-quarter-retail-sales-results.pdf?sfvrsn=0>, accessed on 12 September 2018.

4 ACCC, *Petrol prices are not the same – report on petrol prices by major retailer in 2017*, May 2018, at: <https://www.accc.gov.au/publications/petrol-industry-reports/petrol-prices-are-not-the-same-report-on-petrol-prices-by-major-retailer-in-2017>.

The ACCC expects Coles Express' retail petrol market share to decrease further in 2017–18. Wesfarmers in its full year results reported fuel volume declines of a further 17 per cent in 2017–18.⁵ Woolworths is pursuing an IPO or sale of its petrol business, which may also affect its future petrol sales volumes and market share.

The dominance of refiner-wholesalers has diminished significantly since 2002–03, with the presence of large independent retail chains increasing substantially

The market shares of the other major retailer categories in the retail petrol market have also changed considerably since 2002–03.

In 2002–03, the refiner-wholesalers accounted for a combined 83 per cent of ACCC monitored retail petrol sales volumes. Between then and 2016–17, the combined retail petrol market share of the refiner-wholesalers more than halved, decreasing to around 38 per cent in 2016–17.

Conversely, the combined retail petrol market share of the four large independent chains more than quadrupled over the period, increasing from around 6 per cent of ACCC monitored retail petrol sales volumes in 2002–03 to around 25 per cent in 2016–17.

A notable feature of the retail petrol market in 2016–17 compared with 2002–03 is the more even spread of market shares between the refiner-wholesalers, supermarkets and large independent retail chains.

Market shares shown are on a national basis. However, market shares of specific retailers in particular locations throughout Australia are often different from market shares on a national basis. For example, On The Run is almost entirely based in South Australia. Each location will have its own specific retailers, and their share of the retail market will often be different from the national market share.

Most retailers experienced significant changes in their market shares between 2002–03 and 2016–17

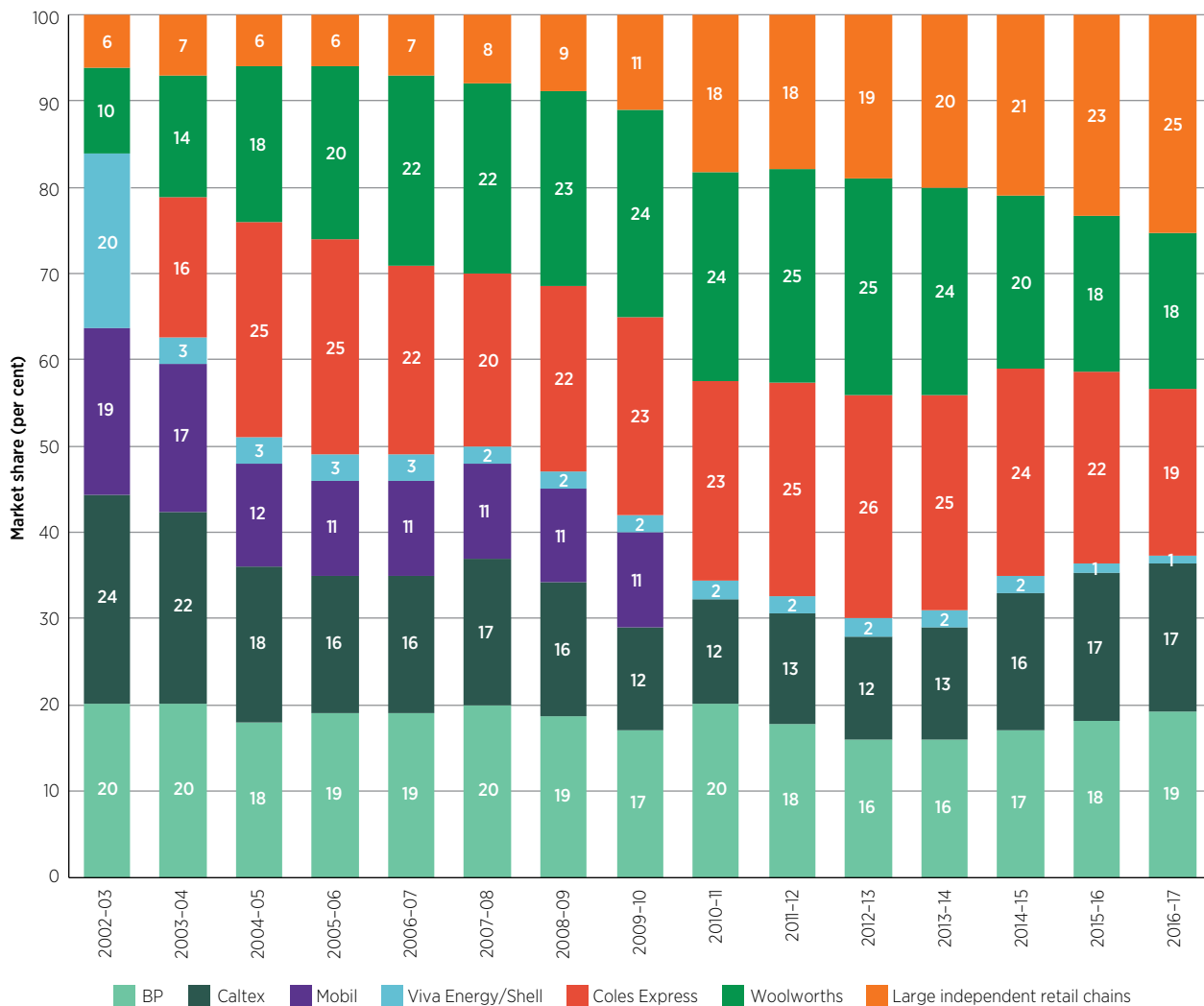
Most of the monitored companies experienced significant changes in their market shares between 2002–03 and 2016–17. This can be seen in the following chart, which shows the share of ACCC monitored retail petrol sales volumes by major retailer between 2002–03 and 2016–17.⁶ Historically, the ACCC has combined the shares of the large independent retail chains.

The only company with a broadly stable market share is BP, which had a retail petrol market share of around 20 per cent of ACCC monitored retail petrol sales volumes in 2002–03 compared with around 19 per cent in 2016–17.

5 Wesfarmers, *Appendix 4E and 2018 Full-year Results*, 14 August 2018, p.9, at: <http://www.wesfarmers.com.au/docs/default-source/asx-announcements/appendix-4e-and-2018-full-year-results.pdf?sfvrsn=0>, accessed on 12 September 2018.

6 This chart presents data that was published in the past in the ACCC's annual petrol monitoring reports.

Share of ACCC monitored retail petrol sales volumes in Australia by major retailer: 2002-03 to 2016-17



Source: ACCC calculations based on data obtained from companies included in the ACCC's petrol monitoring program.

Notes: Large independent retail chains are 7-Eleven, United, Puma Energy and On The Run.

Totals may not add up to 100 per cent due to rounding.

The change in market shares over time has been influenced by a number of corporate changes that have occurred in the retail petrol market. Apart from the alliance between Woolworths and Caltex, and the entrance of Coles Express into the retail petrol market in 2003, other significant changes include:

- Mobil exited the retail petrol market in 2010-11, selling its retail sites to 7-Eleven. 7-Eleven immediately sold the Mobil retail sites in South Australia to Peregrine, which operates On The Run.
- In 2011-12 Puma Energy purchased the retail operations of Neumann and Ausfuel.
- Peregrine acquired 25 BP retail sites in South Australia in 2013-14.
- Caltex acquired the Milemaker network of 46 retail sites in Victoria in 2016-17.

Another factor that has contributed to the changing market shares is the expansion of large independent retail chains over time. United, 7-Eleven and Puma Energy have gradually expanded their retail networks in recent years.

Small independents maintain a strong presence in the retail petrol market

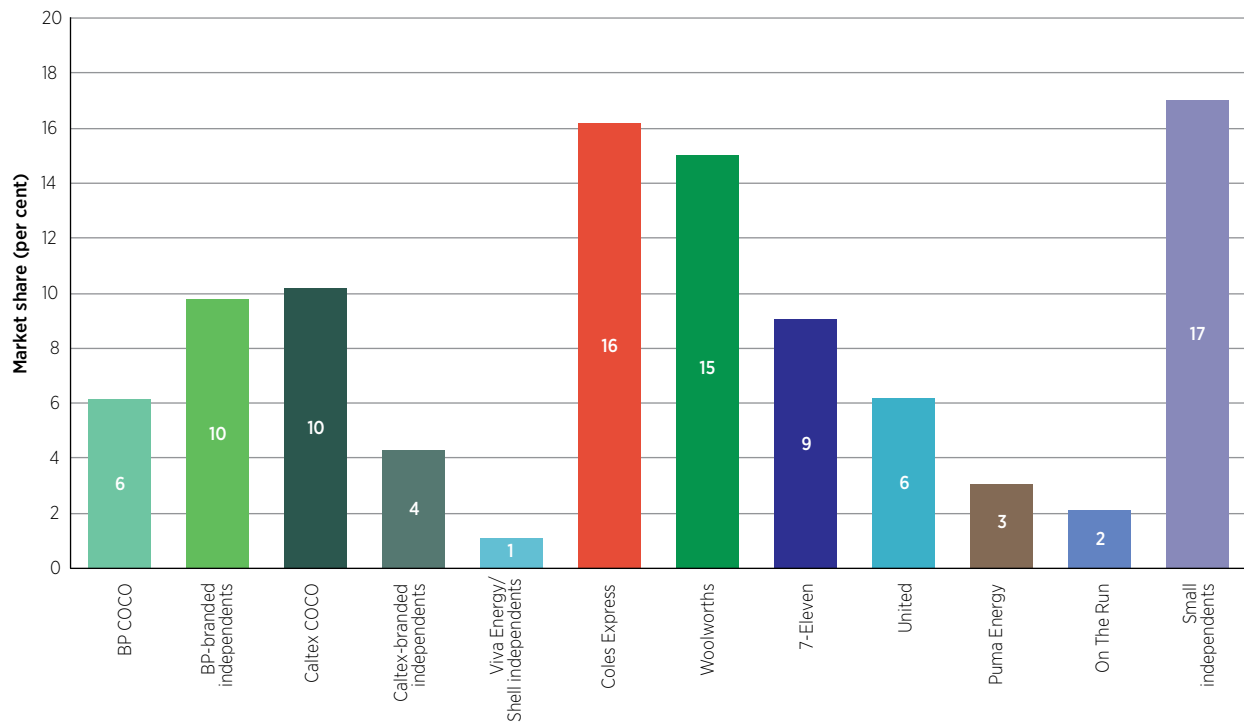
As noted previously, the ACCC only collects data from the major retailers in Australia. This means that the data collected excludes sales volumes of small independent retailers (which operate one or a small number of retail sites) and some medium-sized retailers (such as Speedway, Metro Petroleum, Freedom Fuels and APCO).

However, the Department of the Environment and Energy provides an estimate of the total volume of petrol sales in Australia in its *Australian Petroleum Statistics* (APS). This can be used as an indicator of the size of the Australian retail petrol market.

The difference between the petrol sales volumes collected by the ACCC (referred in this report as ‘ACCC monitored retail petrol sales volumes’) and the larger total volume of petrol sales reported in the APS (referred in this report as ‘total volume of petrol sales’) represents the sales volumes of retailers from which the ACCC does not collect data. Collectively, these retailers are referred to in this report as ‘small independents’. Over time, the ACCC’s monitored retail petrol sales volumes have represented between 83 and 85 per cent of total retail petrol sales volumes reported in the APS.

In 2016–17, when using the APS’s total volume of petrol sales to calculate retail market shares, the small independents combined accounted for a larger share of the retail petrol market than any individual retailer. This is shown in the following chart.

Share of total volume of petrol sales by major retailer in Australia in 2016-17



Sources: ACCC calculations based on data obtained from companies included in the ACCC’s petrol monitoring program, and the Department of the Environment and Energy, *Australian Petroleum Statistics*, issue 262, May 2018.

Notes: BP and Caltex COCO represents those sites at which BP and Caltex respectively set the retail price of petrol. Total does not add up to 100 per cent due to rounding.

Of the identified individual companies, Coles Express had the largest share of total volume of petrol sales in 2016–17, with around 16 per cent, closely followed by Woolworths with around 15 per cent.

The large independent retail chains (7-Eleven, United, Puma Energy and On The Run) collectively had around 20 per cent market share of the total volume of petrol sales in 2016–17. Sites at which refiner-wholesalers (BP and Caltex) set the price of petrol (referred to as BP COCO and Caltex COCO

in this report) collectively had around 16 per cent market share. Independently run BP, Caltex and Viva Energy/Shell retail sites combined had around 15 per cent of total volume of petrol sales in 2016–17.

While the various types of independent retailers (large independent retail chains, refiner-wholesaler branded independents and small independents) collectively represented around 52 per cent of the retail petrol market in 2016–17, their influence on prices and competition is mixed.

The ACCC's recent report on average petrol prices by major retailer in 2017 found that the large and medium-sized independent chains are, in general, often vigorous and effective competitors, whereas the BP and Caltex-branded independents often tend to be less competitive.⁷ However, the extent to which an independent retailer is a vigorous and effective competitor can depend on the particular market circumstances.

Consumers have a wider range of retail operations to choose from than in the past

Consumers overall now have a wider range of retail operations to choose from than in the past. In 2002–03, consumers purchased petrol from refiner-wholesaler branded retail sites on the overwhelming majority of occasions. However, in 2016–17 consumers were more able to purchase petrol from supermarket chains, large independent chains, medium-sized retailers and small independent retailers.

For many consumers, price is the most important factor when determining where to buy petrol. The ACCC's recent report on average petrol prices by major retailer in 2017 showed that petrol prices vary considerably by retailer. As such, price-sensitive consumers can make significant savings over time by choosing to buy petrol at lower priced retailers.

For other consumers, the price of petrol is not as important a factor in their decision about where to buy fuel. These consumers may prefer to purchase petrol from retailers that they consider to be in convenient locations, have superior convenience store offerings or offer loyalty schemes (such as frequent flyer points). These consumers can still benefit from having a wider range of retailing operations to choose from, as retailers are likely to try to compete on non-fuel offerings to attract these consumers.

In the wholesale petrol market the share of independents has almost doubled over the last 10 years, but refiner-wholesalers continue to dominate

The wholesale sector of the Australian petrol industry largely consists of the four refiner-wholesalers and large independent wholesalers (United, Puma Energy and Liberty). There are a number of smaller independent wholesalers that operate in Australia, but they are not included in the ACCC's petrol monitoring program.

In 2016–17, the wholesale petrol market share of the independent wholesalers was around 7 per cent, which was almost double their market share in 2006–07 (around 4 per cent).⁸ The market share of the refiner-wholesalers was around 93 per cent in 2016–17, a decrease of around 2 percentage points from 2006–07.

Independent wholesalers have increased the volume of imported petrol over the past decade, and subsequently sold petrol to downstream retailers. This occurred as local refineries in Australia were closing.

⁷ An exception is BP AA, a BP-branded independent chain operating in Melbourne.

⁸ 2006–07 is the earliest year for which the ACCC has collected data.

1. Retail petrol market shares in 2016–17

This chapter analyses the market shares of petrol retailers in Australia by volume of petrol sold in 2016–17. Unless otherwise specified, market shares presented in this chapter are at a national level. Retail shares vary across particular locations.

1.1 Definition of the retail petrol market

Retail market shares in this chapter show the sales volumes of petrol retailers monitored by the ACCC as a share of total volume of petrol sales in 2016–17 reported in the Department of the Environment and Energy's *Australian Petroleum Statistics* (APS).⁹

The ACCC collects data from the larger retailers in the retail petrol market. Companies that are currently monitored by the ACCC in the retail sector are BP, Caltex, Viva Energy/Shell, Coles Express, Woolworths, 7-Eleven, United, Puma Energy and On The Run.

The difference between total ACCC monitored retail petrol sales volumes and the total volume of petrol sales reported in the APS represents the sales volumes of petrol retailers from which the ACCC does not collect data. This includes many small independent retailers (which operate one or a small number of retail sites), and some medium-sized retailers (such as Speedway, Metro Petroleum, Freedom Fuels and APCO). These retailers are collectively represented by the 'small independents' category in this report.

Over time, the ACCC's monitored retail petrol sales volumes have represented between 83 and 85 per cent of total volume of petrol sales reported in the APS.

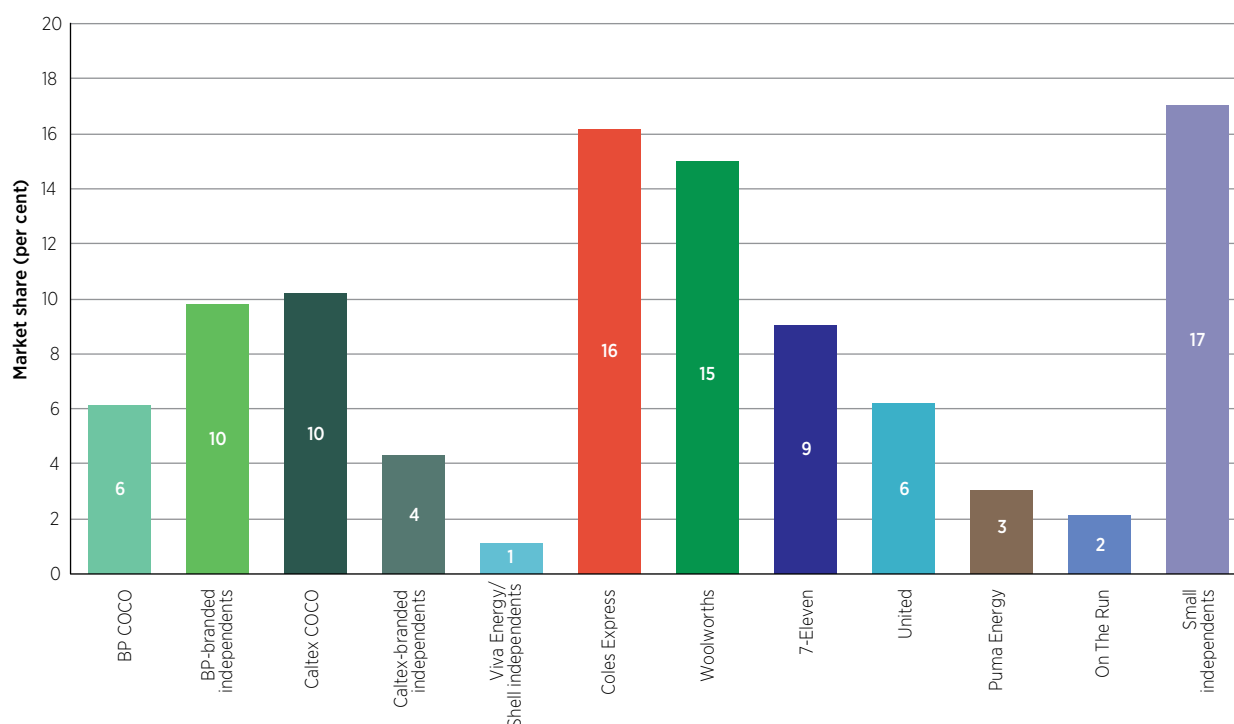
1.2 Retail petrol market shares by volume sold in 2016–17

The estimated total volume of petrol sold in Australia in 2016–17 according to the APS was around 18 600 mega litres.¹⁰ Chart 1.1 shows the share of the total volume of petrol sales by major retailer in Australia in 2016–17.

⁹ Appendix A provides further information about the methodology used in this report.

¹⁰ Department of the Environment and Energy, *Australian Petroleum Statistics*, issue 262, May 2018, 'Table 3A. Sales of petroleum products, Australia', available at: https://www.energy.gov.au/sites/g/files/net3411/f/australian_petroleum_statistics_-_issue_262_may_2018.pdf. This estimate of total petrol sales also includes a small volume of bulk petrol sold to customers such as mining sites and agriculture, and fuel imported directly by businesses for use in their own Australian operations. These sales are minor and are not part of the retail petrol market.

Chart 1.1: Share of the total volume of petrol sales by major retailer in Australia in 2016–17



Sources: ACCC calculations based on data obtained from companies included in the ACCC’s petrol monitoring program, and the Department of the Environment and Energy, *Australian Petroleum Statistics*, issue 262, May 2018.

Notes: BP and Caltex COCO represent those sites at which BP and Caltex respectively set the retail price of petrol. Total does not add up to 100 per cent due to rounding.

BP and Caltex, two of the larger monitored companies, operate a variety of business models and have different petrol price setters. Therefore, BP and Caltex sales volumes in 2016–17 have been separated into two categories:

- COCO—these are BP and Caltex sites that are company owned and company operated sites, or commission agent sites, at which BP and Caltex respectively set the price of petrol.
- Branded independents—these are sites that operate under the BP or Caltex brand, but the price of petrol is set independently of BP or Caltex.¹¹

In 2016–17, Coles Express had the largest retail market share (around 16 per cent), closely followed by Woolworths (around 15 per cent). Viva Energy/Shell, which largely operates at the retail level through independent retailers operating under the Shell brand, had the smallest retail market share (around 1 per cent).

Collectively, BP sites had around 16 per cent market share in 2016–17. The majority of this was accounted for by BP-branded independents (around 10 per cent). Caltex sites collectively had around 14 per cent market share, with the majority of this accounted for by Caltex COCO (around 10 per cent).

7-Eleven was the largest independent retail chain in 2016–17, with around 9 per cent market share. On The Run was the smallest independent retail chain, with around 2 per cent market share. However, it largely operates only in South Australia.

The supermarket chains combined accounted for almost one third of the petrol retail market by sales volume in 2016–17 in Australia. The market shares of other retailer categories were fairly evenly distributed.

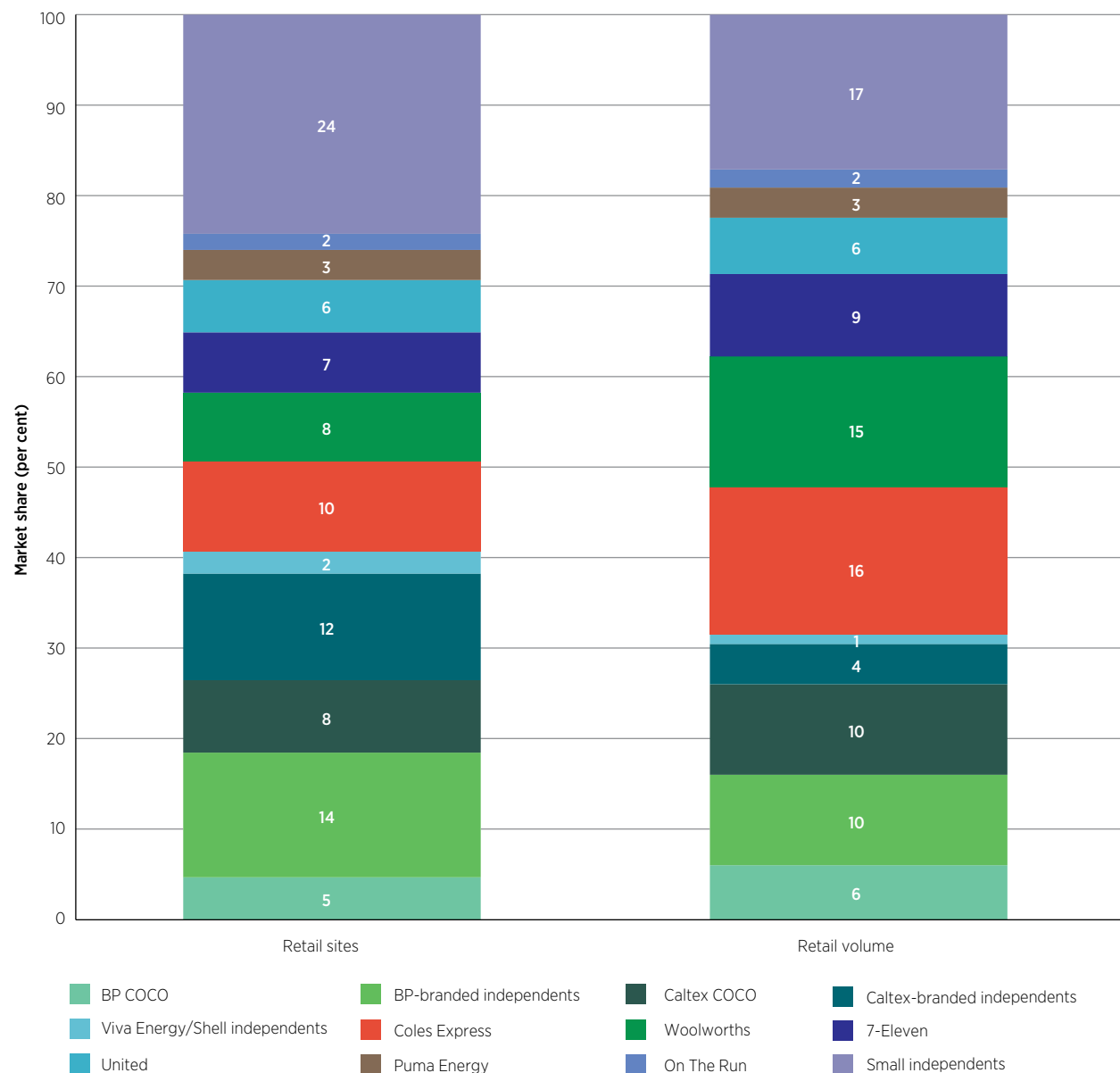
¹¹ This is consistent with the approach taken in the ACCC report *Petrol prices are not the same—Report on petrol prices by major retailer in 2017*.

The large independent retail chains collectively had around 20 per cent market share, and small independent retailers combined had around 17 per cent of the market. Sites at which refiner-wholesalers set the price of petrol (BP COCO and Caltex COCO) had approximately 16 per cent market share. Independently run BP, Caltex and Viva Energy/Shell retail sites combined had around 15 per cent of the market in 2016-17.

1.3 Retail petrol market shares by retail sites in 2016-17

As at 30 June 2017, according to the Informed Sources Netwatch database of retail fuel sites, there were around 7 100 retail petrol sites in Australia. Chart 1.2 shows the share of retail petrol sites by major retailer as at 30 June 2017, and the share of the total volume of petrol sales in 2016-17.

Chart 1.2: Share of retail petrol sites in Australia as at 30 June 2017 and share of the total volume of petrol sales by major retailer in Australia in 2016-17



Sources: ACCC calculations based on Informed Sources Netwatch and data obtained from companies included in the ACCC's petrol monitoring program, and the Department of the Environment and Energy, *Australian Petroleum Statistics*, issue 262, May 2018.

Notes: BP and Caltex COCO represents those sites at which BP and Caltex respectively set the retail price of petrol. Totals do not add up to 100 per cent due to rounding.

Chart 1.2 indicates that there can be a significant difference between a company's market share of retail sites and its share of petrol volume sold.

In 2016–17, both supermarket chains had a smaller share of retail sites than their share of petrol volume sold. Coles Express had around 10 per cent of retail sites, but accounted for around 16 per cent of petrol volume sold. Similarly, Woolworths had around 8 per cent of retail sites, but accounted for around 15 per cent of petrol volume sold. This pattern also applied to BP COCO, Caltex COCO, and 7-Eleven sites, but to a lesser extent.

Conversely, BP-branded independents, Caltex-branded independents, Viva Energy/Shell independents and small independents all had a larger share of retail sites than petrol volume sold in 2016–17. The small independents accounted for almost one in four retail sites, but only about one sixth of the total volume of petrol sold.

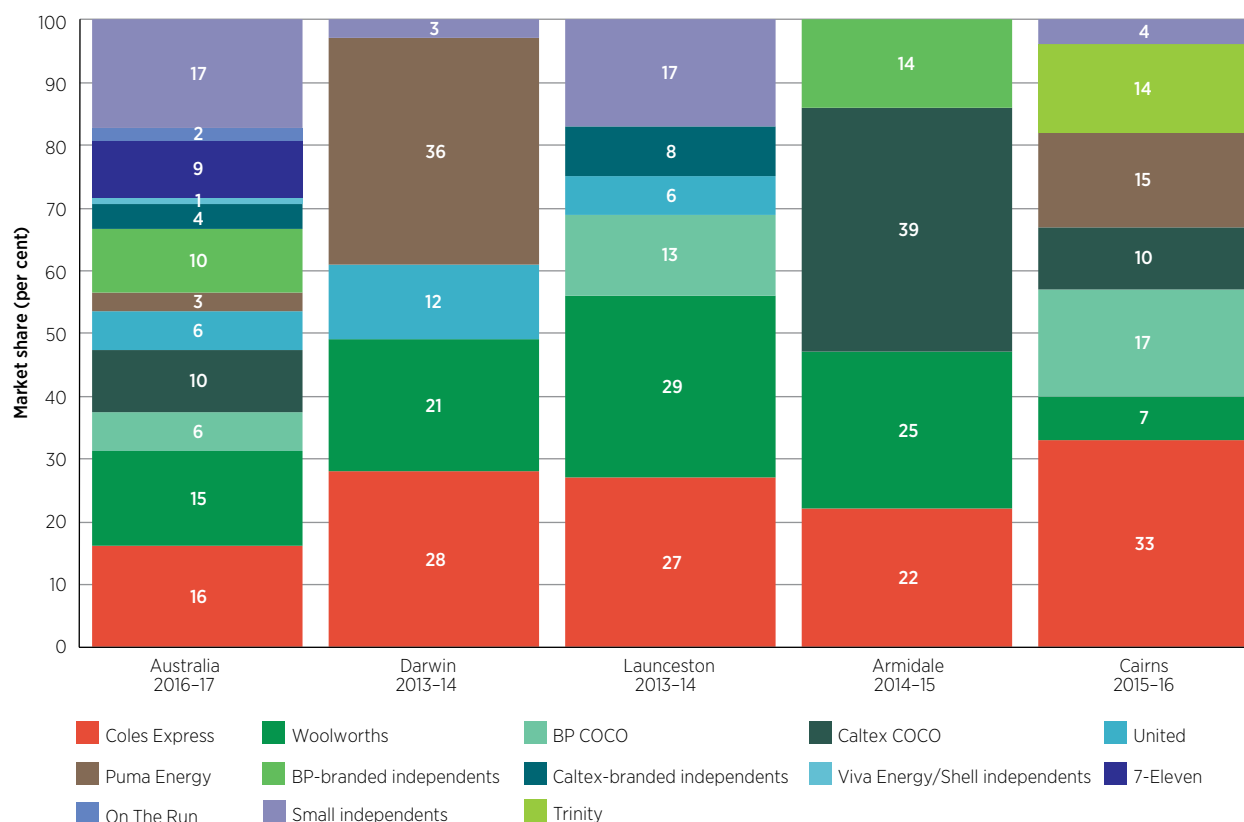
Many factors contribute to the differing shares of retail sites and petrol volumes sold. These include: the quality and location of retail sites; discount schemes and loyalty arrangements; retail pricing strategies; and convenience and/or other product offerings.

1.4 Retail petrol market shares in particular locations can vary markedly from national market shares

The market shares of specific retailers in particular locations throughout Australia are often different from their market shares on a national basis. This is clearly illustrated when comparing national market shares in 2016–17 with local market shares in the locations in which the ACCC undertook regional market studies over the last three years (i.e. Darwin, Launceston, Armidale and Cairns).¹² This is shown in chart 1.3.

¹² These reports are available at: <https://www.accc.gov.au/publications/petrol-market-studies>.

Chart 1.3: Share of total retail petrol sales by company: Australia, Darwin, Launceston, Armidale and Cairns—various years



Sources: ACCC calculations based on data obtained from companies included in the ACCC’s petrol monitoring program, data provided by companies that participated in the Darwin, Launceston, Armidale and Cairns petrol market studies, and the Department of the Environment and Energy, *Australian Petroleum Statistics*, issue 262, May 2018.

Notes: The market shares for Caltex and Woolworths in Armidale include a pro-rated allocation of the former Woolworths site that became a Caltex site in late-November 2014.

BP-branded sites in Cairns include Centrel and BP independent sites.

Totals may not add up to 100 per cent due to rounding.

Not all retailers operated in each regional location. Coles Express and Woolworths were the only retailers that operated retail sites in all four regional locations, while 7-Eleven operated no sites in any of the regional locations. BP COCO and Caltex COCO operated in some but not all of the regional locations, as did United and Puma Energy. The overwhelming majority of On The Run retail sites are in South Australia, meaning its volume share is significantly different in South Australia than in other states.

Even where the major retailers operate in each regional location, their shares can vary considerably. For example, Woolworths, which was the second-largest retailer by volume nationally (around 15 per cent), had around 7 per cent market share in Cairns and around 29 per cent market share in Launceston. Coles Express, which was the largest retailer nationally (around 16 per cent), had around 22 per cent market share in Armidale and around 33 per cent market share in Cairns.

The largest market share in the four regional locations was Caltex COCO in Armidale with around 39 per cent, which was almost four times higher than the Caltex COCO national market share (around 10 per cent). Puma Energy had around 36 per cent market share in Darwin, which was twelve times its national market share (around 3 per cent).

Each location has its own specific retailers, and their respective share of the retail market will often be different from each retailer’s national market share.

2. Retail petrol market shares over time

This chapter examines market shares over time of petrol retailers in Australia by volume of petrol sold. All market shares presented in this chapter are at a national level. As shown in chapter 1, retail shares vary across particular locations.

Retail market shares in this chapter are shown as a proportion of ACCC monitored retail petrol sales volumes.¹³ Retail market shares as a proportion of the total volume of petrol sales reported in the APS (i.e. as outlined in chapter 1) are provided in appendix B.

2.1 Retail petrol market shares by major retailer between 2002-03 and 2016-17

Retail petrol market shares of the major retailers have changed significantly over time. Chart 2.1 shows the retail petrol market shares of ACCC monitored retail petrol sales volumes between 2002-03 and 2016-17.

¹³ As mentioned in chapter 1, the companies currently monitored by the ACCC in the retail sector are BP, Caltex, Viva Energy/Shell, Coles Express, Woolworths, 7-Eleven, United, Puma Energy and On The Run. The difference between total ACCC monitored retail petrol sales volumes (used in this chapter) and the total volume of petrol sales reported in the APS (used in chapter 1 and appendix B) represents the sales volumes of smaller petrol retailers from which the ACCC does not collect data.

- In 2011–12 Puma Energy purchased the retail operations of Neumann and Ausfuel, which largely spanned across New South Wales, Queensland, the Northern Territory and Western Australia.
- Peregrine (On The Run) acquired 25 BP retail sites in South Australia in 2013–14.
- In late 2014, 131 sites exited the Woolworths/Caltex joint venture, resulting in a shift in market share from Woolworths to Caltex.
- Caltex acquired the Milemaker network of 46 retail sites in Victoria in 2016–17.

Another factor that has contributed to the changing market shares is the expansion of the large independent retail chains over time. United, 7-Eleven and Puma Energy have gradually expanded their retail networks in recent years. For example, the number of United retail sites operating nationally increased from 245 retail sites at 30 June 2007 to 408 retail sites at 30 June 2017.¹⁴

2.2 Retail petrol market shares by retailer category between 2002–03 and 2016–17

A variety of retail sites operate in the Australian retail petrol market, which have differing operating arrangements and differing pricing strategies.

For the purpose of analysis in this section, retail petrol sales volumes have been broken down into three categories:

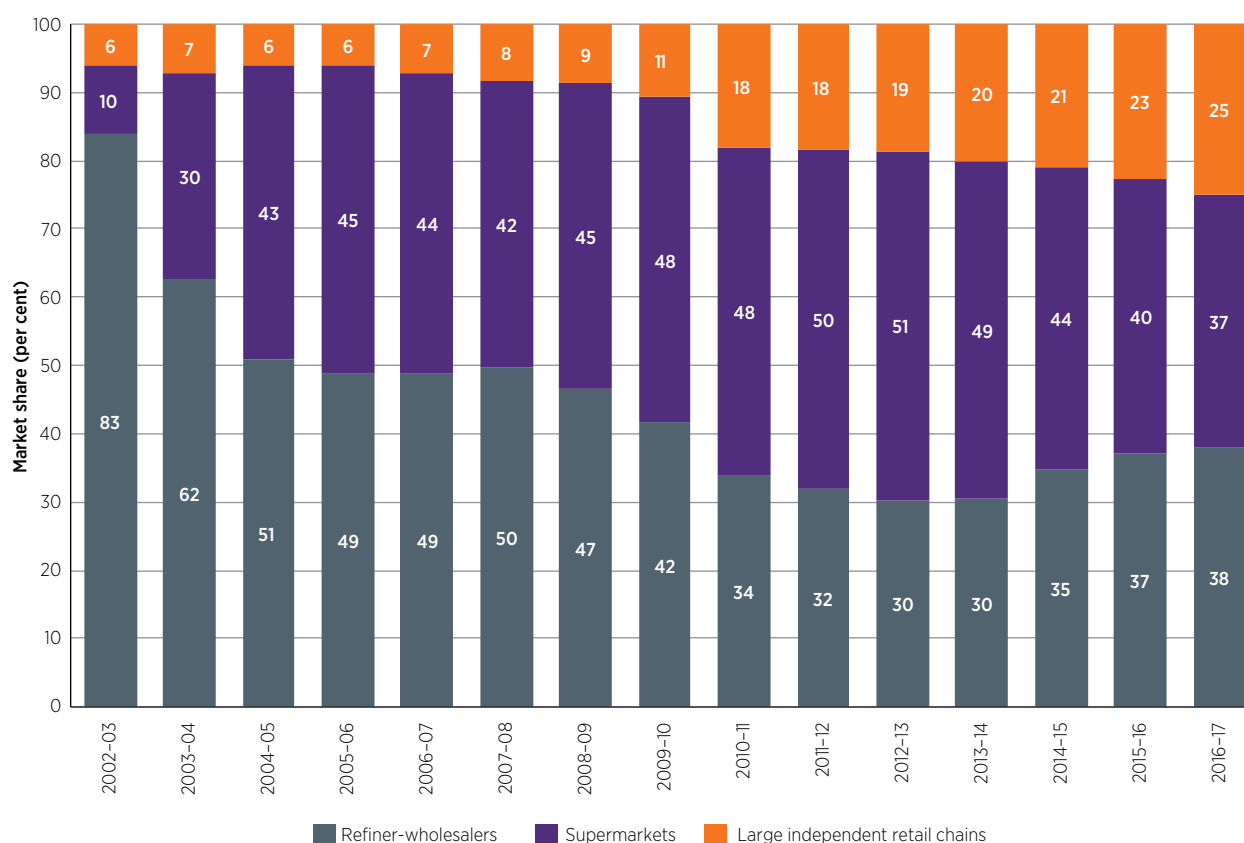
- **Refiner-wholesalers**—vertically integrated retailers that refine and wholesale petrol, as well as sell petrol under their brand at the retail level (BP, Caltex, Mobil and Viva Energy/Shell).¹⁵ This includes refiner-wholesaler controlled sites and independently operated but refiner-wholesaler branded sites.
- **Supermarkets**—Coles Express and Woolworths.
- **Large independent retail chains**—the independent retailers that provide data to the ACCC as part of its petrol monitoring program (7-Eleven, United, Puma Energy and On The Run).

Chart 2.2 shows the share of ACCC monitored retail petrol sales volumes by retailer category between 2002–03 and 2016–17.

¹⁴ According to the Informed Sources Netwatch database of retail fuel sites.

¹⁵ Mobil is captured in this category until it exited the retail petrol market in 2010–11.

Chart 2.2: Share of ACCC monitored retail petrol sales volumes in Australia by retailer category: 2002-03 to 2016-17



Source: ACCC calculations based on data obtained from companies included in the ACCC’s petrol monitoring program.
 Notes: As data is only for ACCC monitored companies, it does not include the sales volumes of small independent retailers. Totals may not add up to 100 per cent due to rounding.

In 2002-03, the refiner-wholesalers sold the vast majority of petrol in Australia. Collectively, refiner-wholesalers had around 83 per cent of ACCC monitored retail petrol sales volumes. Woolworths was the only supermarket operating in the retail petrol market in 2002-03, and had around 10 per cent market share. Large independent retail chains had around 6 per cent market share.

Between 2003-04 and 2012-13, the market shares of the supermarkets and the large independent retail chains increased steadily (to around 51 per cent and 19 per cent respectively), while the market share of the refiner-wholesalers declined (to around 30 per cent).

Between 2012-13 and 2016-17, the market shares of the refiner-wholesalers and large independent retail chains increased (to around 38 per cent and 25 per cent respectively), while the market share of the supermarkets decreased (to around 37 per cent).

A notable feature of the retail petrol market in 2016-17 compared with 2002-03 is the more even spread of market shares between the refiner-wholesalers, supermarkets and large independent chains.

2.3 Supermarket chains

The combined market share of the supermarkets increased from around 10 per cent of ACCC monitored retail petrol sales volumes in 2002–03 to around 51 per cent of ACCC monitored retail petrol sales volumes in 2012–13. By 2016–17, this share had decreased to around 37 per cent.

The alliance formed between Woolworths and Caltex in August 2003 and the entry of Coles Express into the retail petrol market from July 2003 drove the expansion of the supermarkets between 2002–03 and 2012–13.

The availability of shopper docket discount schemes significantly contributed to the increased market share of the supermarkets. While these shopper docket discounts were typically 4 cents per litre, there were times when the supermarkets offered discounts significantly greater than that (up to 45 cents per litre).

The ACCC commenced an investigation into shopper docket discounts in mid-2012. This investigation ended in December 2013, when the ACCC accepted voluntary court-enforceable undertakings from Coles Express and Woolworths to limit these discounts.¹⁶

These limits contributed to decreased sales volumes of the supermarkets. In its 2014 full year results, Wesfarmers (Coles Express' parent holding company) noted '...reduced fuel volumes driven largely by the capping of fuel docket discounts'.¹⁷ Woolworths in its 2014 annual report noted that petrol sales volumes were '...impacted by reduced fuel discount activity following the undertaking to the Australian Competition and Consumer Commission'.¹⁸

In late-2014, there were changes to the Woolworths alliance with Caltex. As part of these changes, 131 Caltex-operated sites exited the Caltex-Woolworths joint venture and were no longer counted in Woolworth's sales volumes.¹⁹ This further contributed to decreased sales volumes for the supermarkets.

Coles Express' sales volumes have also declined due to changes to its wholesale fuel agreement with its supplier, Viva Energy. Wesfarmers noted in its 2017 third quarter retail sales results that fuel '...volumes remained in decline as Coles Express continued to respond to changes in the commercial terms of the Alliance, which included an increase in Coles' wholesale fuel price during the quarter.'²⁰

In its 2017 annual report, Wesfarmers reported a 16.8 per cent decline in volumes across all fuel sales (including petrol, diesel and LPG) in 2016–17. While not all of this decline occurred in petrol, it is likely that petrol accounted for a significant portion of the decline in that year.

The ACCC expects Coles Express' retail petrol market share to decrease further in 2017–18. Wesfarmers in its full year results reported fuel volume declines of a further 17 per cent in 2017–18.²¹ In July 2018, when Woolworths announced a new alliance with Caltex, it commented that it would continue to pursue an IPO or sale of its petrol business.²² This may have an impact of Woolworths' market share in the future.

16 More information about the ACCC's investigation into shopper docket discount schemes is available from ACCC media releases: *ACCC concerned about escalating shopper docket discounts*, 29 July 2013, at: <https://www.accc.gov.au/media-release/accc-concerned-about-escalating-shopper-docket-discounts>, and *Coles and Woolworths undertake to cease supermarket subsidised fuel discounts*, 6 December 2013, at <https://www.accc.gov.au/media-release/coles-and-woolworths-undertake-to-cess-supermarket-subsidised-fuel-discounts>.

17 Wesfarmers, *2014 Full-Year Results*, p. 2, at: <http://www.wesfarmers.com.au/docs/default-source/results-presentations/2014/2014-full-year-results-announcement.pdf?sfvrsn=2>, accessed on 12 September 2018.

18 Woolworths, *Annual report 2014*, p. 20, at: https://www.woolworthsgroup.com.au/icms_docs/185964_annual-report-2014.pdf, accessed on 12 September 2018.

19 Woolworths, *Changes to Caltex-Woolworths alliance*, media release, 20 November 2014, at: https://www.woolworthsgroup.com.au/page/media/Latest_News/Changes_to_Caltex-Woolworths_alliance, accessed on 12 September 2018.

20 Wesfarmers, *2017 Third Quarter Retail Sales Results*, p. 3.

21 Wesfarmers, *Appendix 4E and 2018 Full-year Results*, p. 9.

22 Woolworths, *Woolworths Group enters new alliance with Caltex*, media release, 5 July 2018, at: https://www.woolworthsgroup.com.au/page/media/Press_Releases/woolworths-group-enters-convenience-and-loyalty-alliance-and-new-15-year-wholesale-fuel-arrangement-with-caltex/, accessed on 12 September 2018.

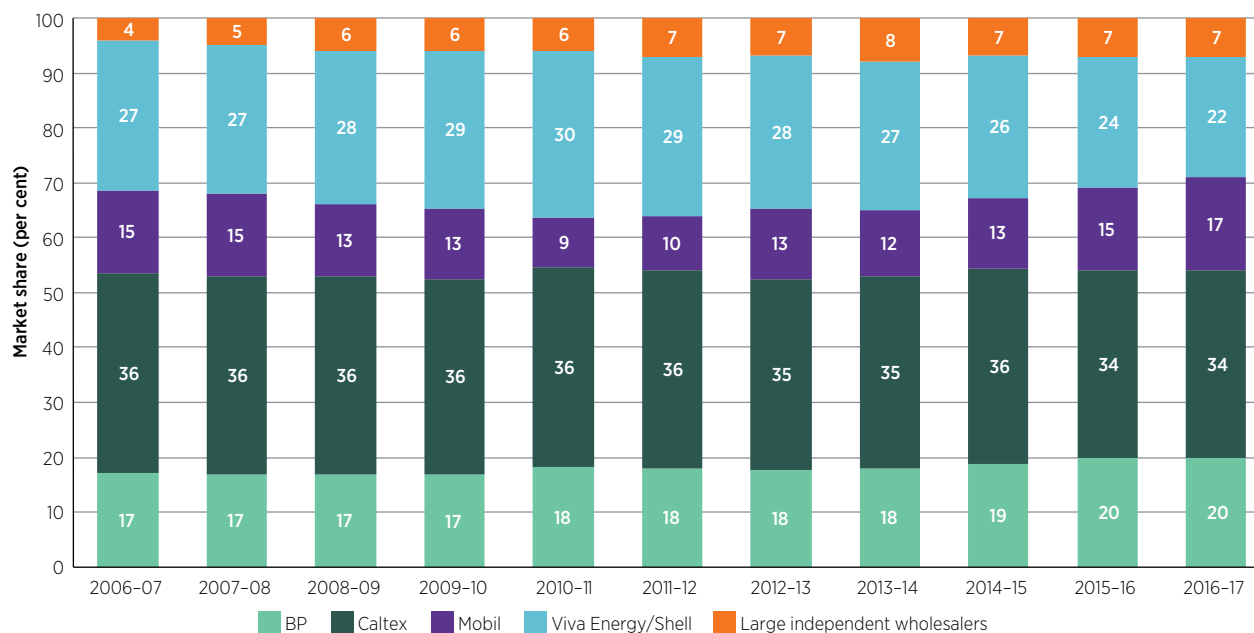
3. Wholesale petrol market shares

This chapter examines market shares of petrol wholesalers in Australia by volume of petrol sold. Market shares presented in this chapter are at a national level.

The wholesale sector of the Australian petrol industry largely consists of the four refiner-wholesalers (BP, Caltex, Mobil and Viva Energy/Shell) and large independent wholesalers, which include United, Puma Energy and Liberty.²³ There are a number of small independent wholesalers that operate in Australia, but they are not included in the ACCC’s petrol monitoring program.

Chart 3.1 shows the share of ACCC monitored wholesale petrol sales volumes by company between 2006–07 (which is the earliest data available to the ACCC) and 2016–17.

Chart 3.1: Share of ACCC monitored wholesale petrol sales volumes in Australia by company: 2006–07 to 2016–17



Source: ACCC calculations based on data obtained from companies included in the ACCC’s petrol monitoring program.

Notes: Data is only for ACCC monitored companies, and therefore it does not include sales volumes of small independent wholesalers.

Large independent wholesalers are United, Puma Energy and Liberty.

Totals may not add up to 100 per cent due to rounding.

Refiner-wholesalers account for the majority of wholesale petrol sales volumes in Australia, although their share of sales volumes has decreased marginally over time.

In 2006–07, the combined market share of refiner-wholesalers was around 95 per cent, whereas the market share of independent wholesalers was only around 4 per cent. Caltex had the largest share of ACCC monitored wholesale petrol sales volumes in 2006–07 (around 36 per cent), followed by Viva Energy/Shell (around 27 per cent).

By 2016–17, the large independent wholesalers’ market share had almost doubled, to around 7 per cent. Independent wholesalers have increased the volume of imported petrol over the past decade, and subsequently sold petrol to downstream retailers. This has occurred as local refineries in Australia were closing.

²³ In December 2014 Viva Energy announced the completion of its acquisition of a non-controlling stake in Liberty. See: Viva Energy, *Viva Energy Completes Liberty Acquisition*, media release, 4 December 2014, at: <https://www.vivaenergy.com.au/about-us/media-centre/news/2014/viva-energy-completes-liberty-acquisition>, accessed on 12 September 2018.

Three Australian refineries ceased production in recent years, and instead became import terminals: Bulwer Island in Brisbane (BP) in 2015; Kurnell in Sydney (Caltex) in 2014; and Clyde in Sydney (Viva Energy/Shell) in 2012.

As the Australian refineries closed, refiner-wholesalers also increased their imports of petrol. Imports of petrol in 2016-17 represented around 37 per cent of total petrol sales in Australia. This was up from around 14 per cent in 2010-11.²⁴

Caltex still had the largest wholesale market share (around 34 per cent) in 2016-17, although it was marginally lower than in 2006-07. BP and Mobil's wholesale market shares both increased between 2006-07 and 2016-17.

²⁴ ACCC calculations based on data from the Department of the Environment and Energy, *Australian Petroleum Statistics*, issue 262, May 2018.

Appendix A: Background and methodology

Background

On 20 December 2017, the then Treasurer issued a new direction to the ACCC to monitor the prices, costs and profits relating to the supply of petroleum products and related services. The direction, issued under section 95ZE of the *Competition and Consumer Act 2010* (Cth), took effect from that date and lasts for two years.

Under the direction, the ACCC produces quarterly petrol monitoring reports focusing on price movements in the capital cities and over 190 regional locations across Australia. It also produces industry reports that focus on particular aspects of consumer interest in the fuel market. This is the second industry report under the new direction.

Methodology

As part of its role in monitoring the petroleum industry, the ACCC collects sales volume data from Australia's largest petrol retailers and wholesalers.

Companies that are currently monitored by the ACCC in the retail sector are BP, Caltex, Viva Energy/Shell, Coles Express, Woolworths, 7-Eleven, United, Puma Energy and On The Run. The ACCC does not collect data from smaller independent retailers. This includes many small independent retailers (which operate one or a small number of retail sites) and some medium-sized retailers (such as Speedway, Metro Petroleum, Freedom Fuels and APCO).

Companies that are currently monitored by the ACCC in the wholesale sector are BP, Caltex, Mobil, Viva Energy/Shell, United, Puma Energy and Liberty.

In this report, 'petrol' refers to all grades of petrol, including regular unleaded petrol (RULP), premium unleaded petrol (95 RON and 98 RON) and ethanol-blended petrol (which is largely RULP with up to 10 per cent ethanol).

Data collection

In the petrol industry, as with other industries, different companies use different business models, organisational structures and reporting systems. Even among petrol companies that operate in the same sector, there are differences in the way they operate and report data. Differences in company reporting structures and accounting systems can complicate comparison of data across companies.

While the ACCC has sought to use data templates that as far as possible mirror the companies' own reporting frameworks, it has been necessary to use standardised data templates to ensure that data collected in the monitoring program is comparable across companies and with previous years.

The design and conceptual basis of the transactional data templates used for data collection have not changed since the ACCC last published this data in 2014.

Retail market share calculations

Retail market shares are calculated using two estimates of the retail market.

- The first is total petrol sales volumes reported in the Department of the Environment and Energy's *Australian Petroleum Statistics* (APS). This is referred to as 'total volume of petrol sales'.
- The second is the sum of petrol sales volumes reported to the ACCC by monitored companies. This is referred to as 'ACCC monitored retail petrol sales volumes'.

The APS provides estimates of total petrol volumes sold in Australia for each financial year from 2010-11 to 2016-17.

The March 2018 issue of the APS published revised total petrol sales volumes for July 2016 to December 2017. It advised that published statistics prior to January 2018 are not expected to be changed materially going forward.

This APS estimate of total petrol sales also includes a small volume of bulk petrol sold to customers such as mining sites and agriculture, and fuel imported directly by businesses for use in their own Australian operations. These sales are minor and are not part of the retail petrol market.

The difference between total ACCC monitored retail petrol sales volumes and the total volume of petrol sales reported in the APS largely represents the sales volumes of the petrol retailers from which the ACCC does not collect data (i.e. the 'small independents' category in this report). Over time, total ACCC monitored retail petrol sales volumes have represented between 83 and 85 per cent of the total retail petrol sales volumes reported in the APS.

Wholesale market share calculations

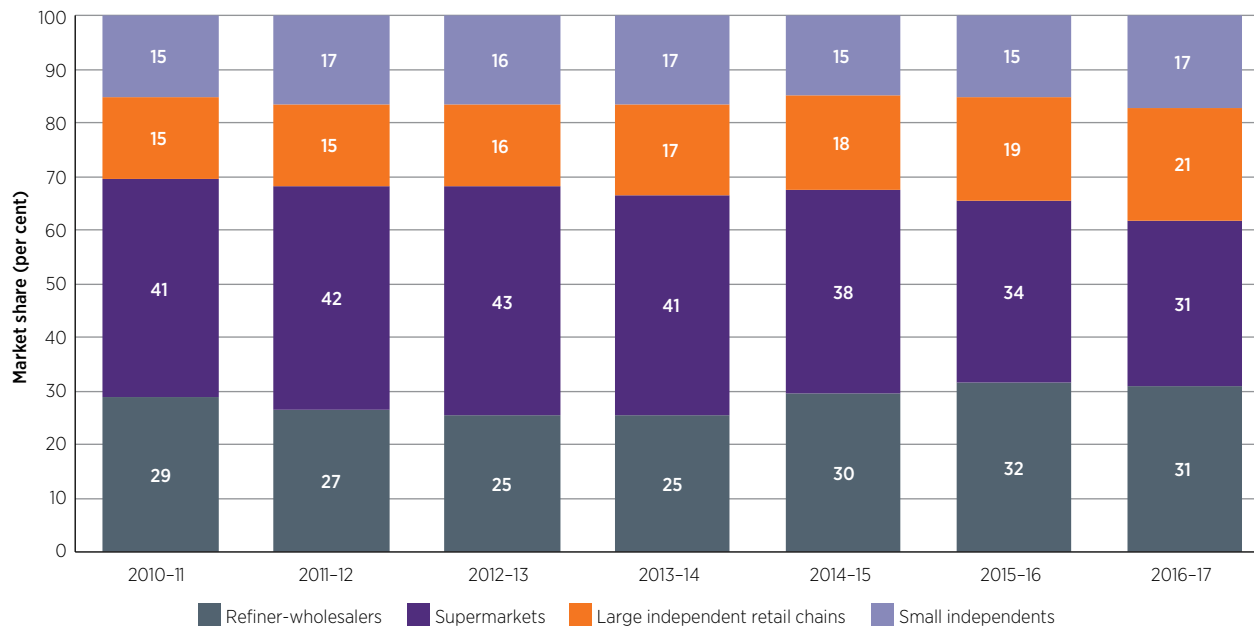
Wholesale market shares are calculated using the sum of petrol sales volumes reported to the ACCC by monitored companies as the estimate of the size of the wholesale market.

An estimate of the total wholesale petrol market in Australia is not available in the APS.

Appendix B: Retail petrol market shares by retailer category over time using *Australian Petroleum Statistics* data

Market shares by retailer category as a proportion of the total volume of petrol sales reported in the APS for the years 2010–11 to 2016–17 are shown in chart B1.²⁵

Chart B1: Share of the total volume of petrol sales in Australia by retailer category: 2010–11 to 2016–17



Sources: ACCC calculations based on data obtained from companies included in the ACCC's petrol monitoring program, and the Department of the Environment and Energy, *Australian Petroleum Statistics*, issue 262, May 2018.

Note: Totals may not add up to 100 per cent due to rounding.

These retail categories are:

- **Refiner-wholesalers**—vertically integrated retailers that refine and wholesale petrol, as well as selling petrol under their brand at the retail level (BP, Caltex and Viva Energy/Shell).²⁶ This includes refiner-wholesaler controlled sites and independently operated but refiner-wholesaler branded sites.
- **Supermarkets**—Coles Express and Woolworths.
- **Large independent retail chains**—the independent retailers that provide data to the ACCC as part of its petrol monitoring program (7-Eleven, United, Puma Energy and On The Run).
- **Small independents**—these are petrol retailers from which the ACCC does not collect data. It includes small independent retailers (which operate one or a small number of retail sites), and some medium-sized retailers (such as Speedway, Metro Petroleum, Freedom Fuels and APCO). It is a residual calculation as it represents the difference between the total of ACCC monitored retail petrol sales volumes and the total volume of petrol sales reported in the APS.

The market share of the small independents has remained broadly stable at 15 to 17 per cent between 2010–11 and 2016–17.

²⁵ Sales volume data is not available in the APS prior to 2010–11.

²⁶ Mobil exited the retail petrol market in 2010–11.



AUSTRALIAN COMPETITION
& CONSUMER COMMISSION

