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1 December 2014

The Secretary
Fuel Price Disclosure Scrutiny Committee
GPO Box 3721
DARWIN NT 0801

Dear Sir/Madam

Please find attached Caltex's submission to the Northern Territory Fuel Price Disclosure Bill Scrutiny Committee inquiry on the draft Fuel Price Disclosure Bill.

Caltex is lodging the attached slide pack and supplementary notes as a preliminary submission. A further, more detailed submission will be made in the near future.

Do not hesitate to contact me on [REDACTED] should you require anything further in relation to the submission.

Kind regards

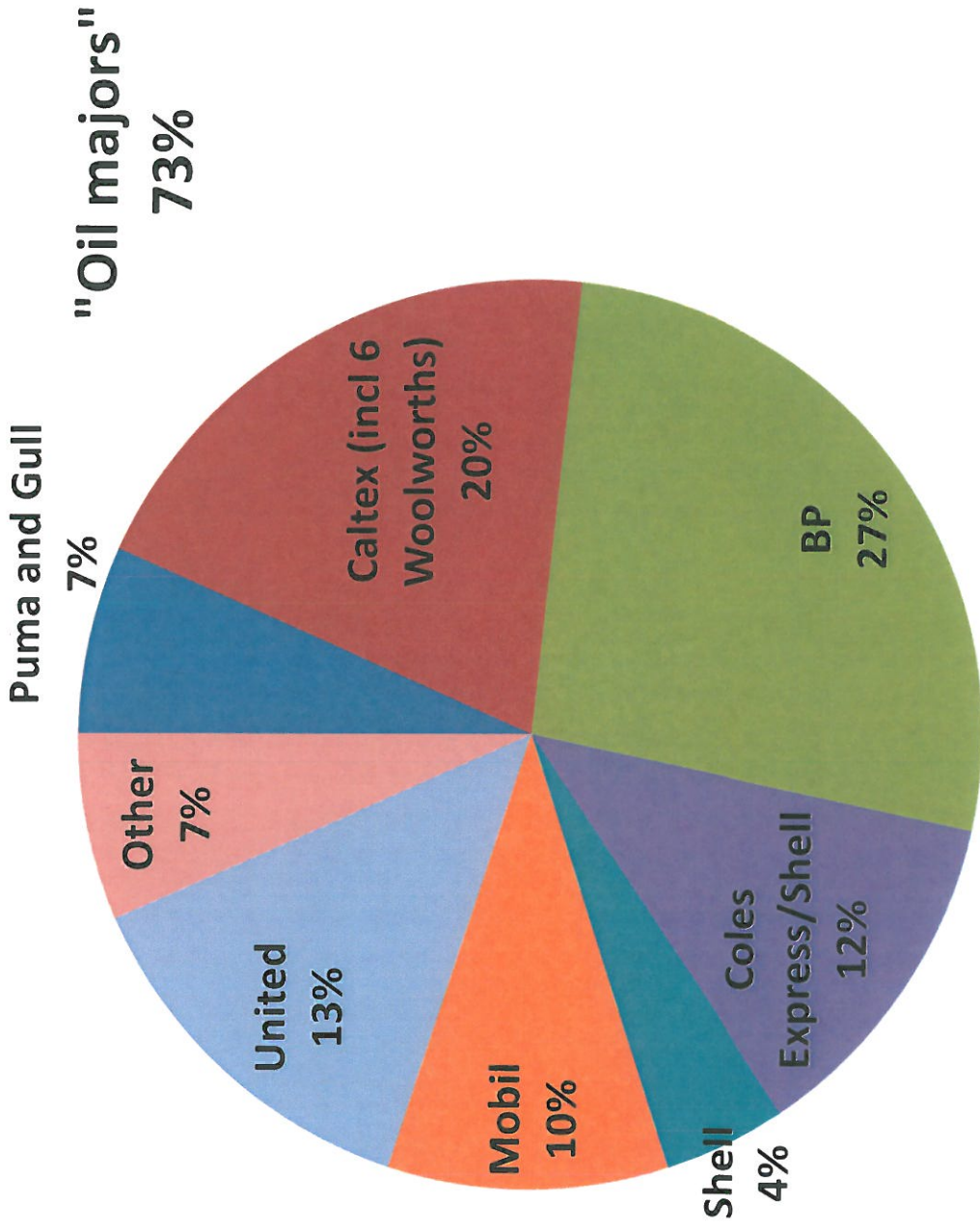
Nicole Buskiewicz
Senior Government Affairs Adviser

NT fuels market

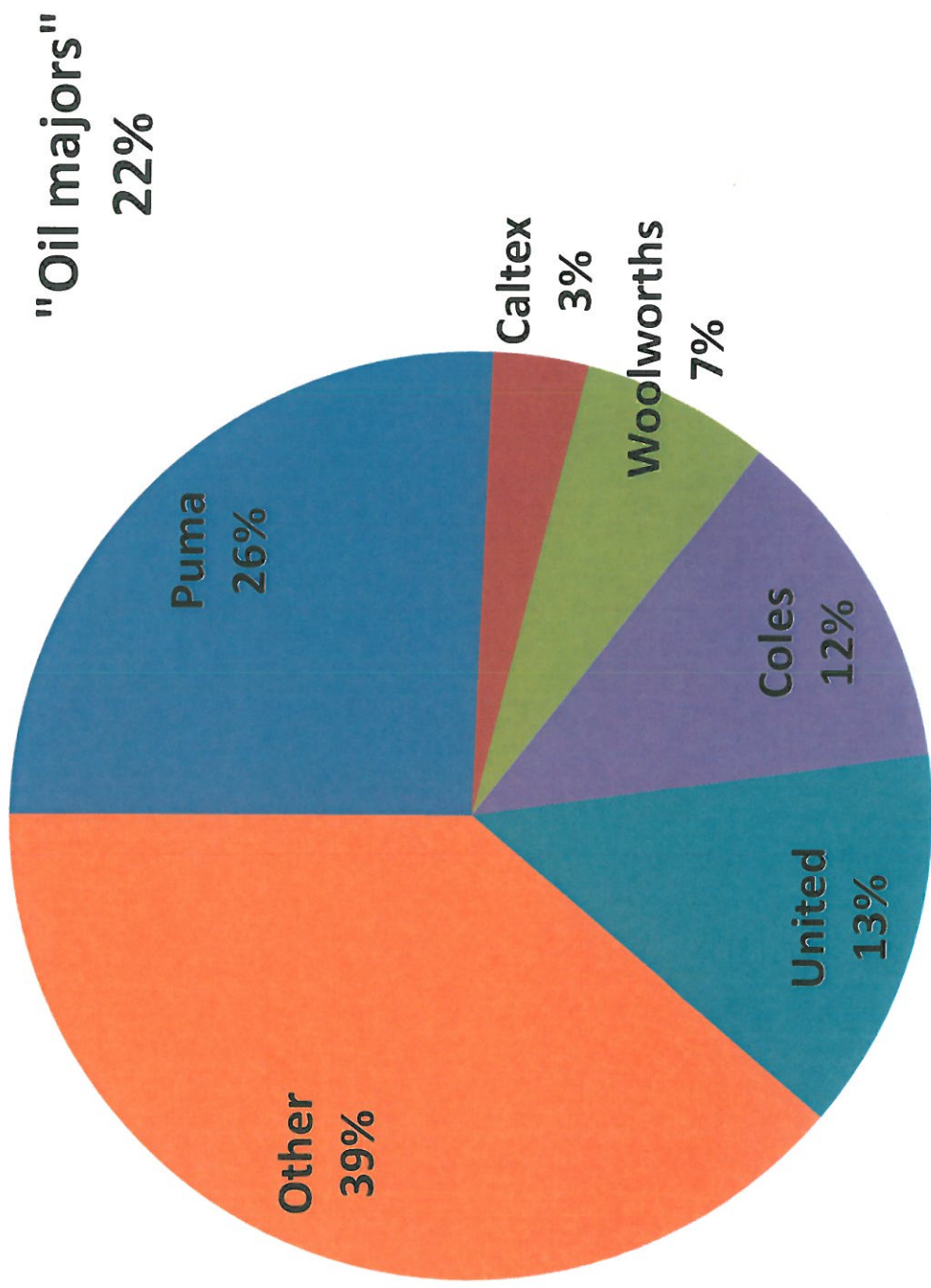
Darwin Fuel Summit

7 October 2014

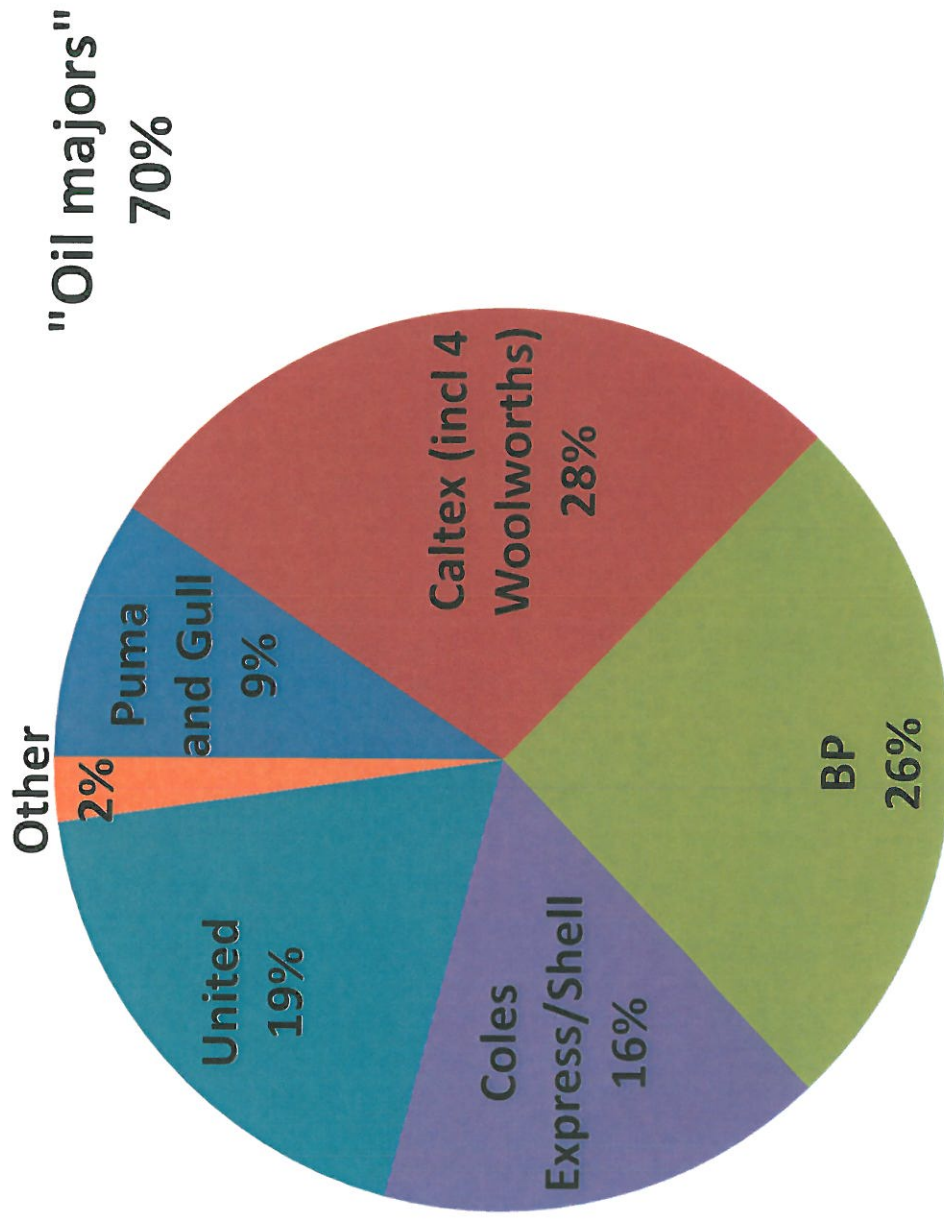
NT service stations by brand



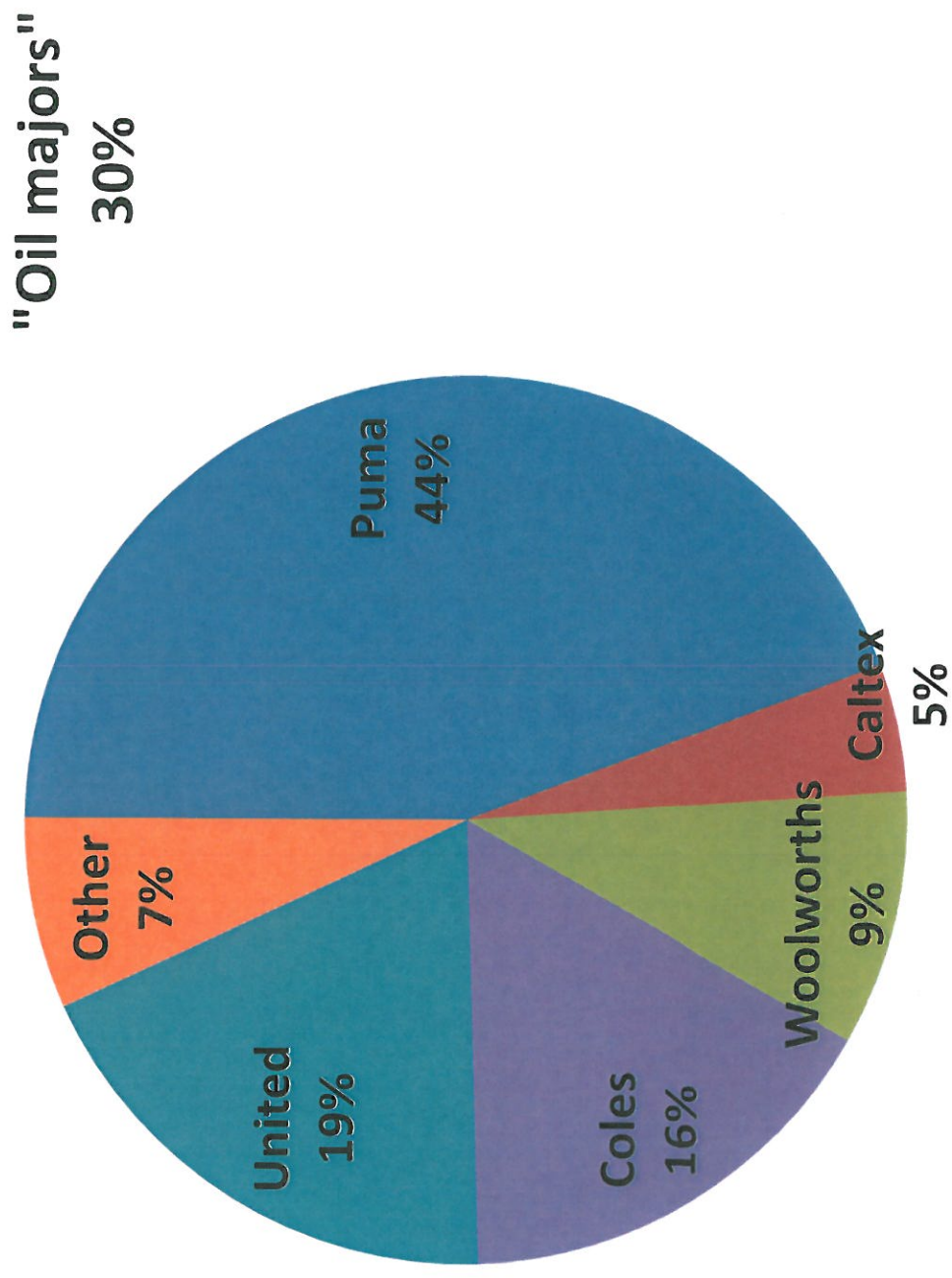
NT sites by retail price control



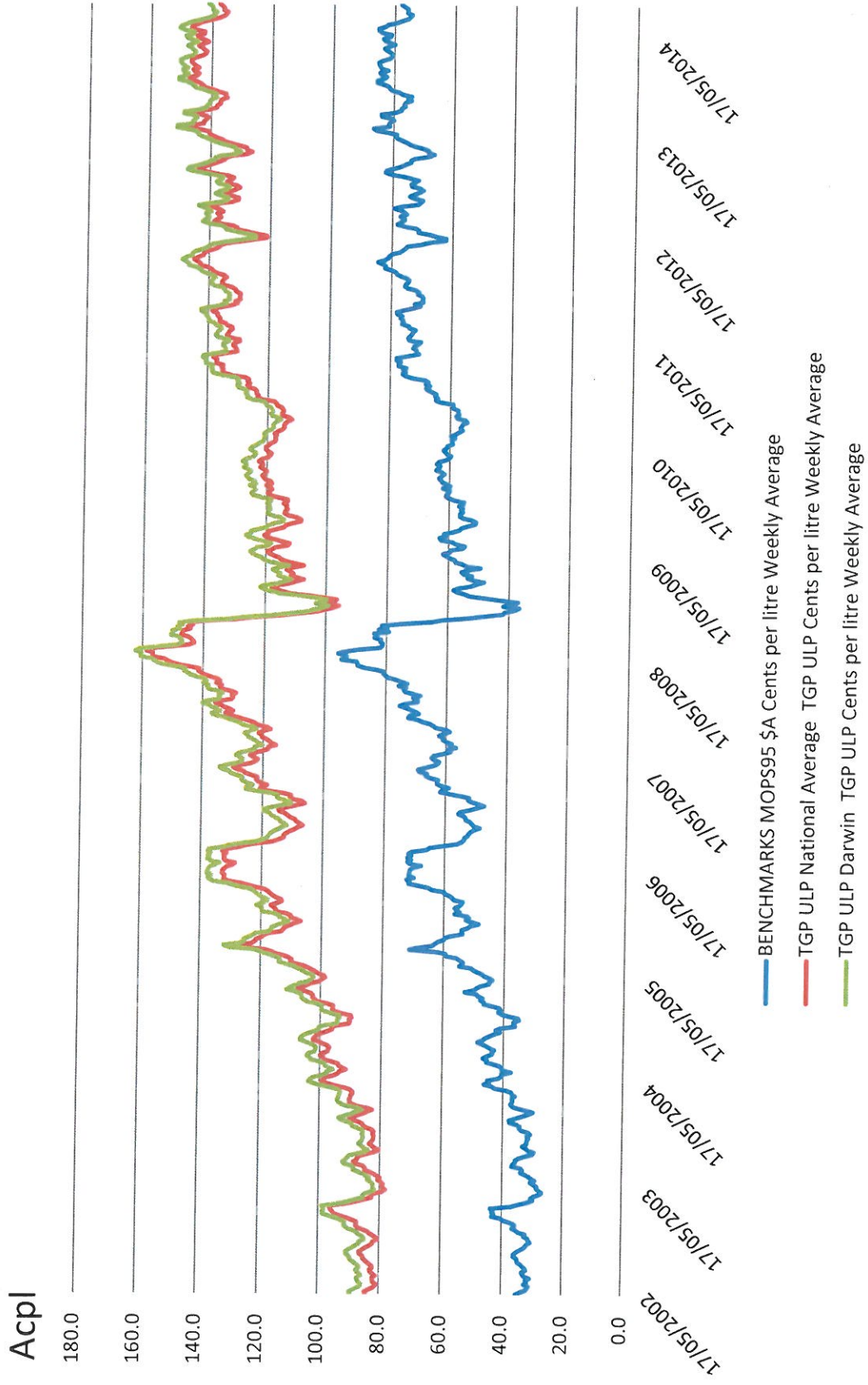
Darwin service stations by brand



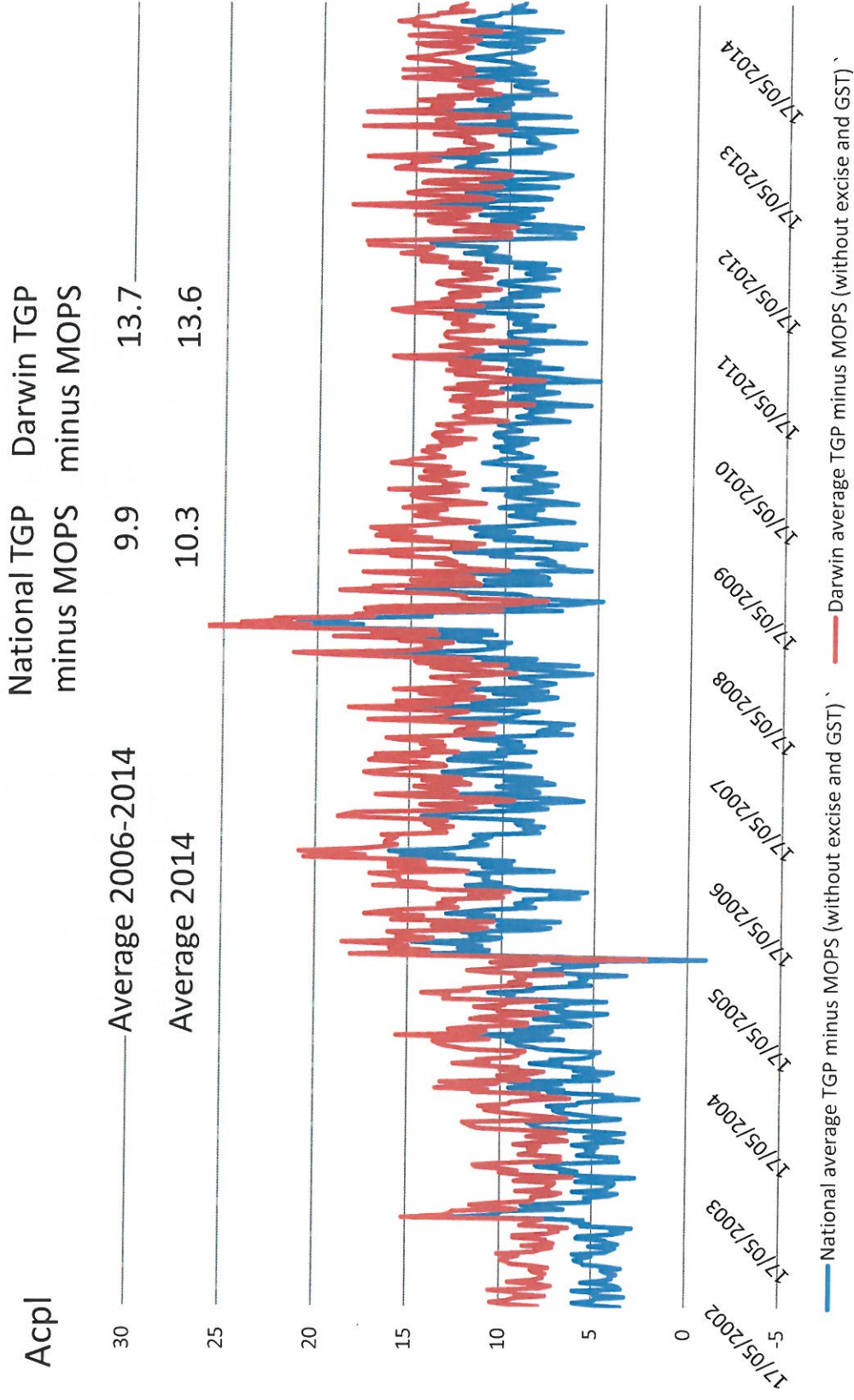
Darwin sites by retail price control



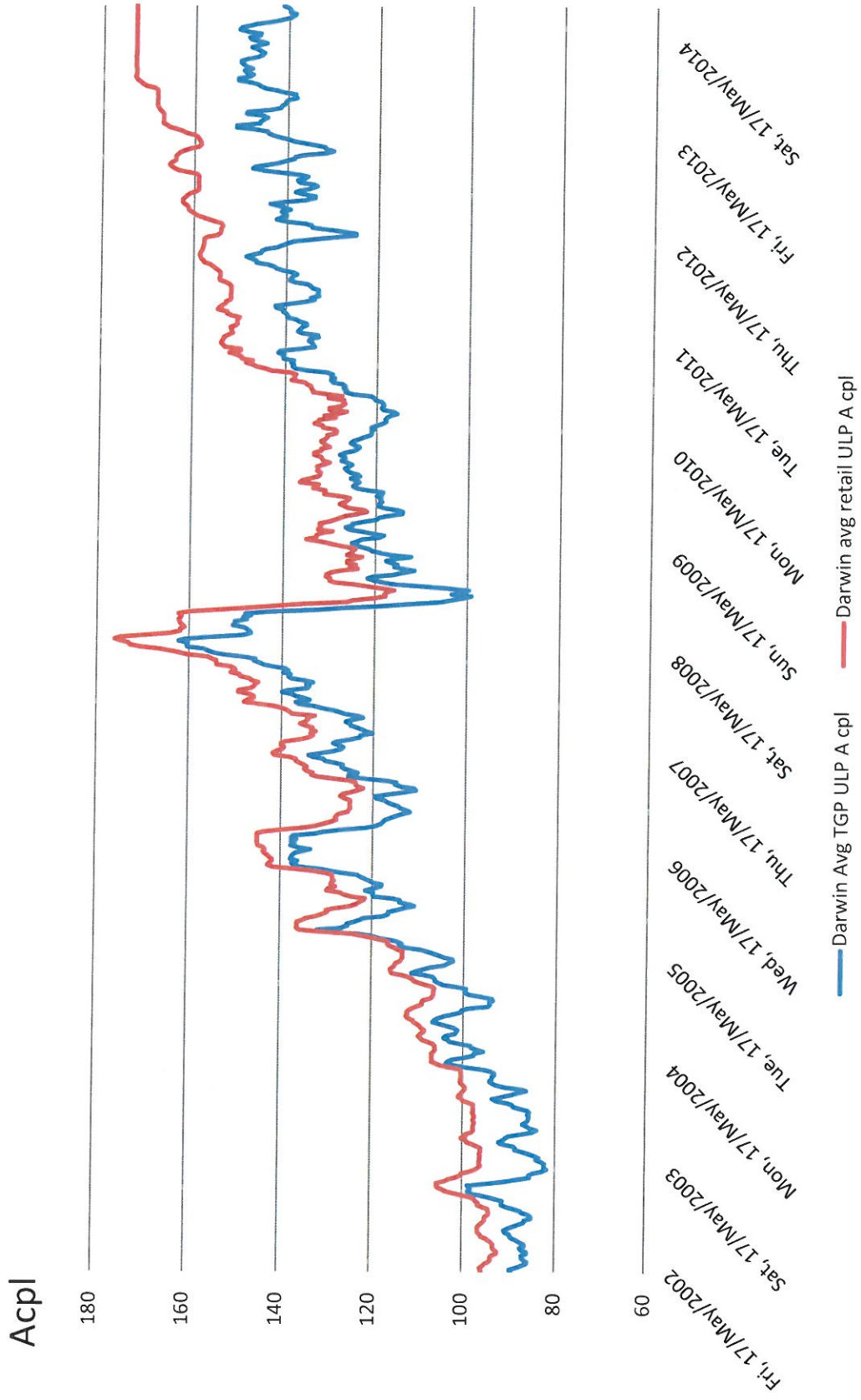
TGP tracks Singapore price



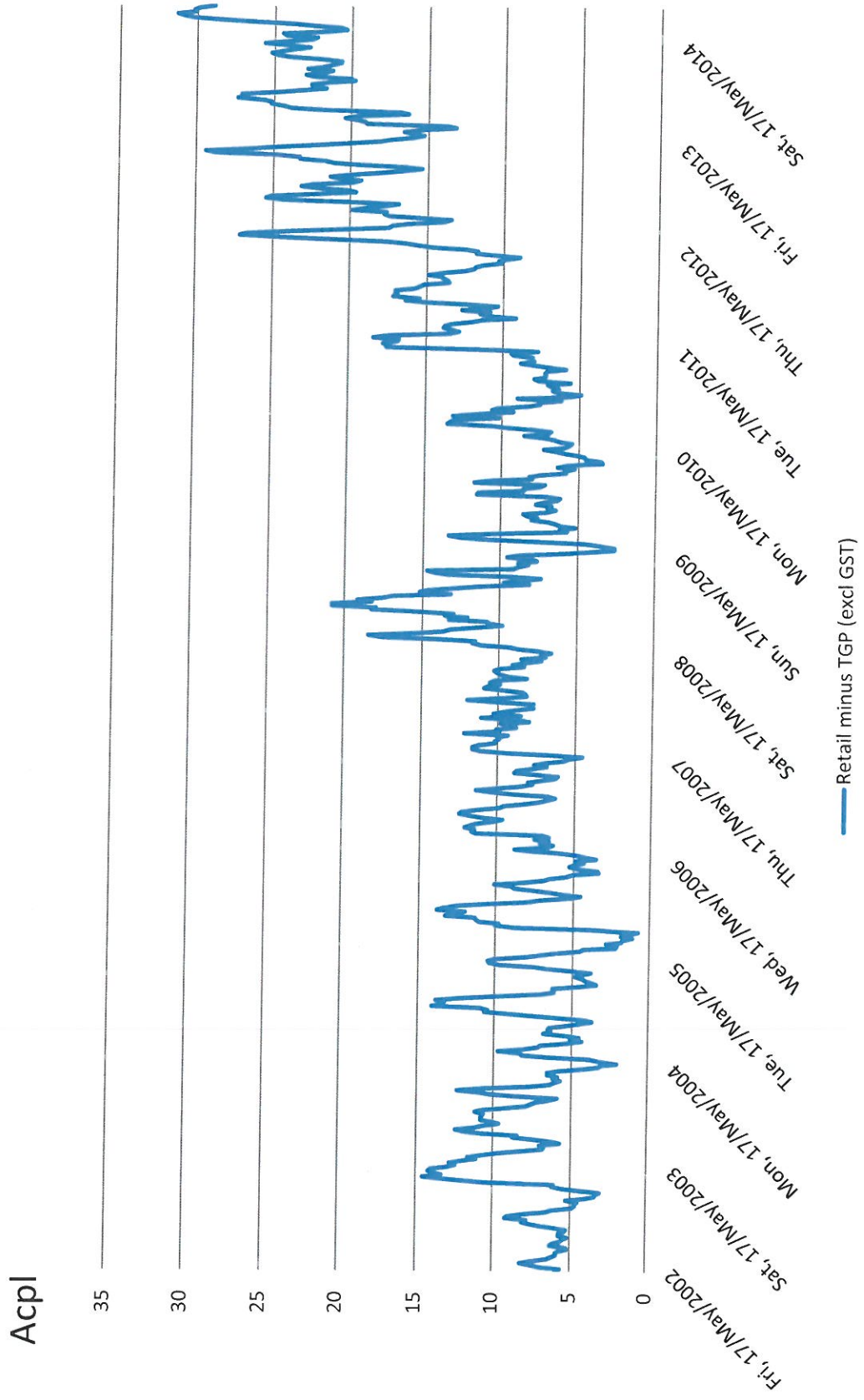
Darwin TGP tracks national average TGP and TGP tracks MOPS 2006+



Darwin ULP retail price versus TGP



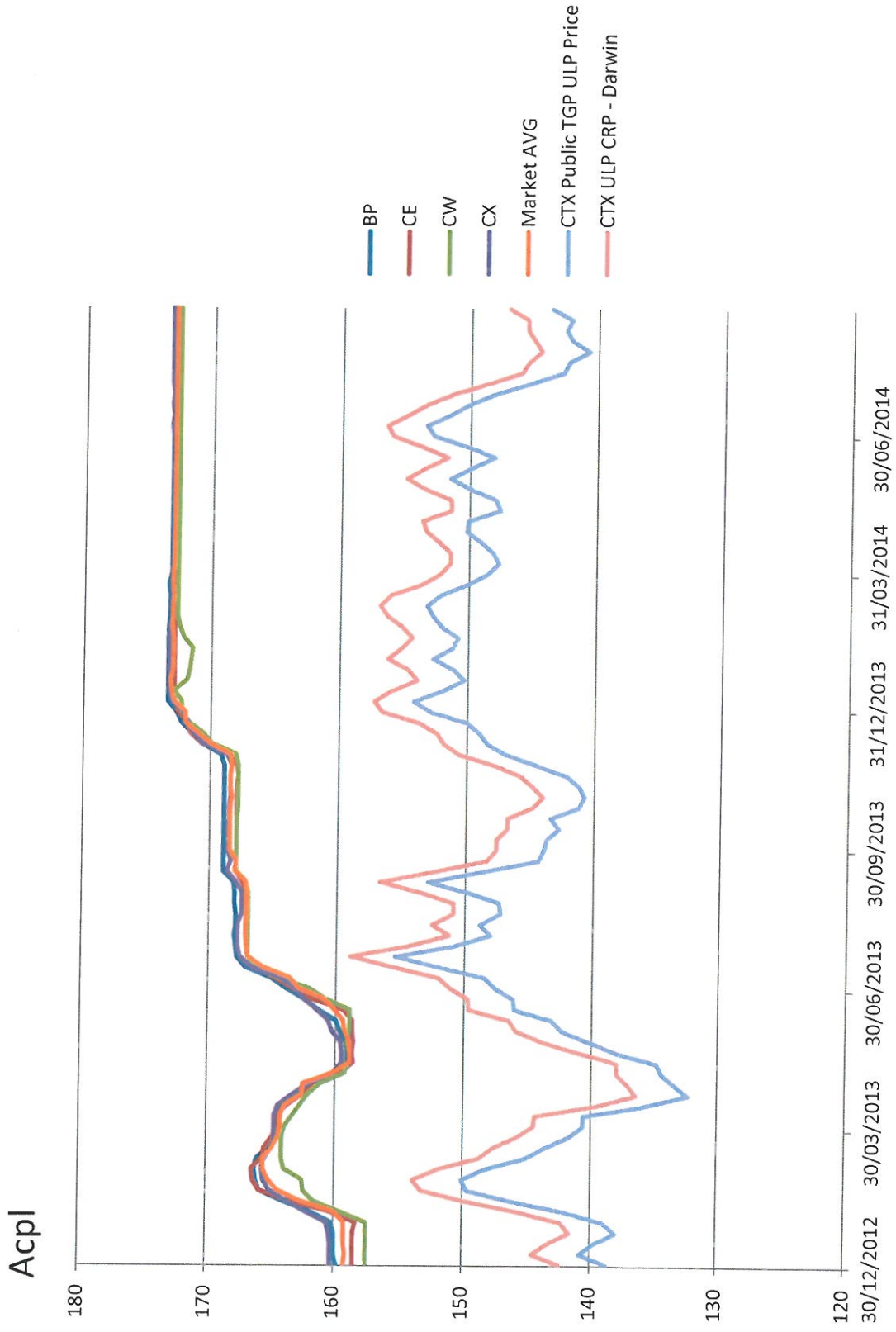
Darwin ULP retail price minus TGP



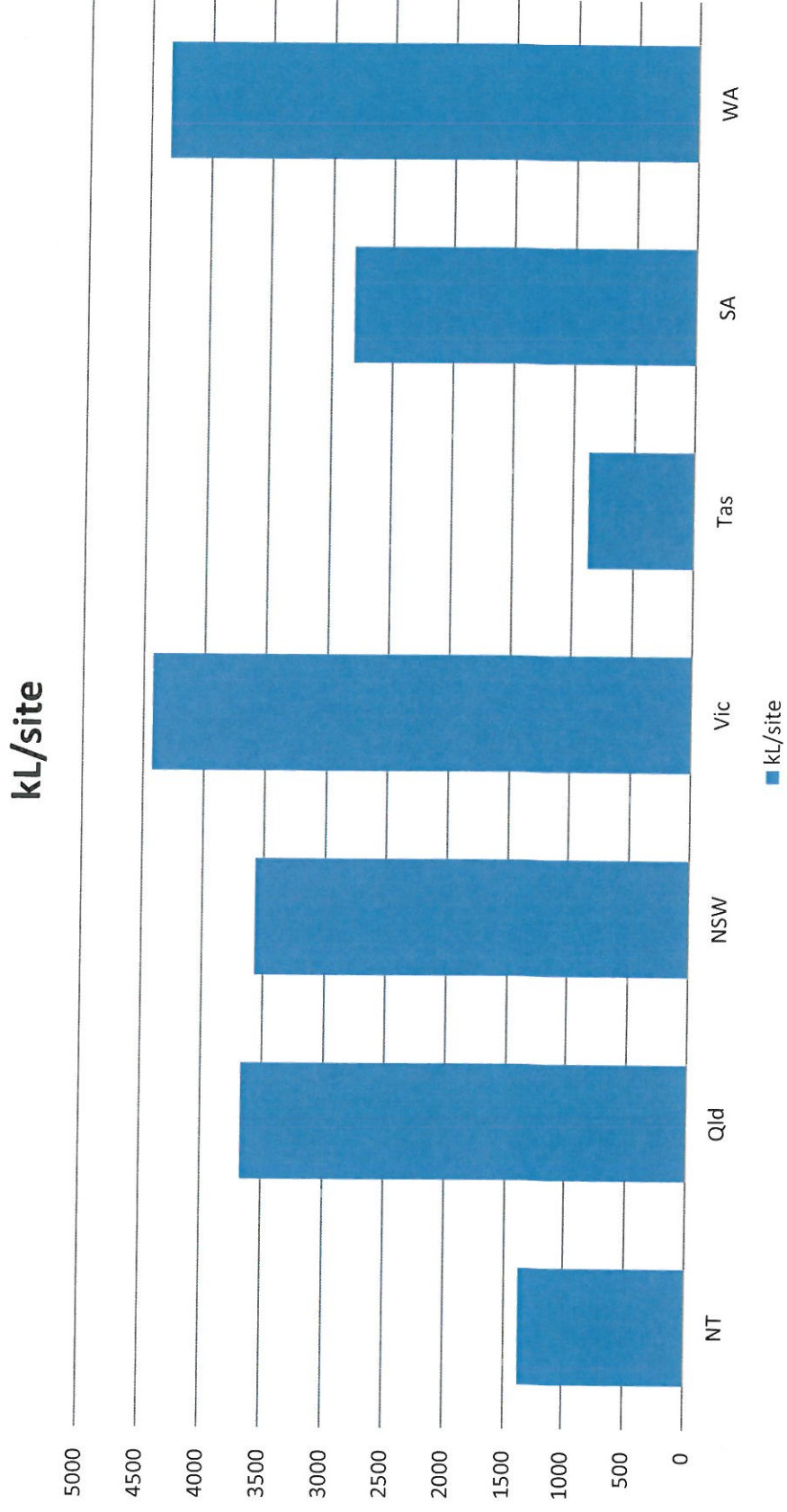
Petrol price structure, Darwin

Singapore petrol price USD/barrel	110 USD/B
Convert to Acpl (159 L/barrel)	76 Acpl
Freight, insurance, port charges, quality premium	6
Terminal charge	2
Notional wholesale margin	5
Excise	38
GST (on TGP only)	13
Average terminal gate price (NB CRP 146)	140
Retail margin	30
GST on retail margin	3
Average retail price	173

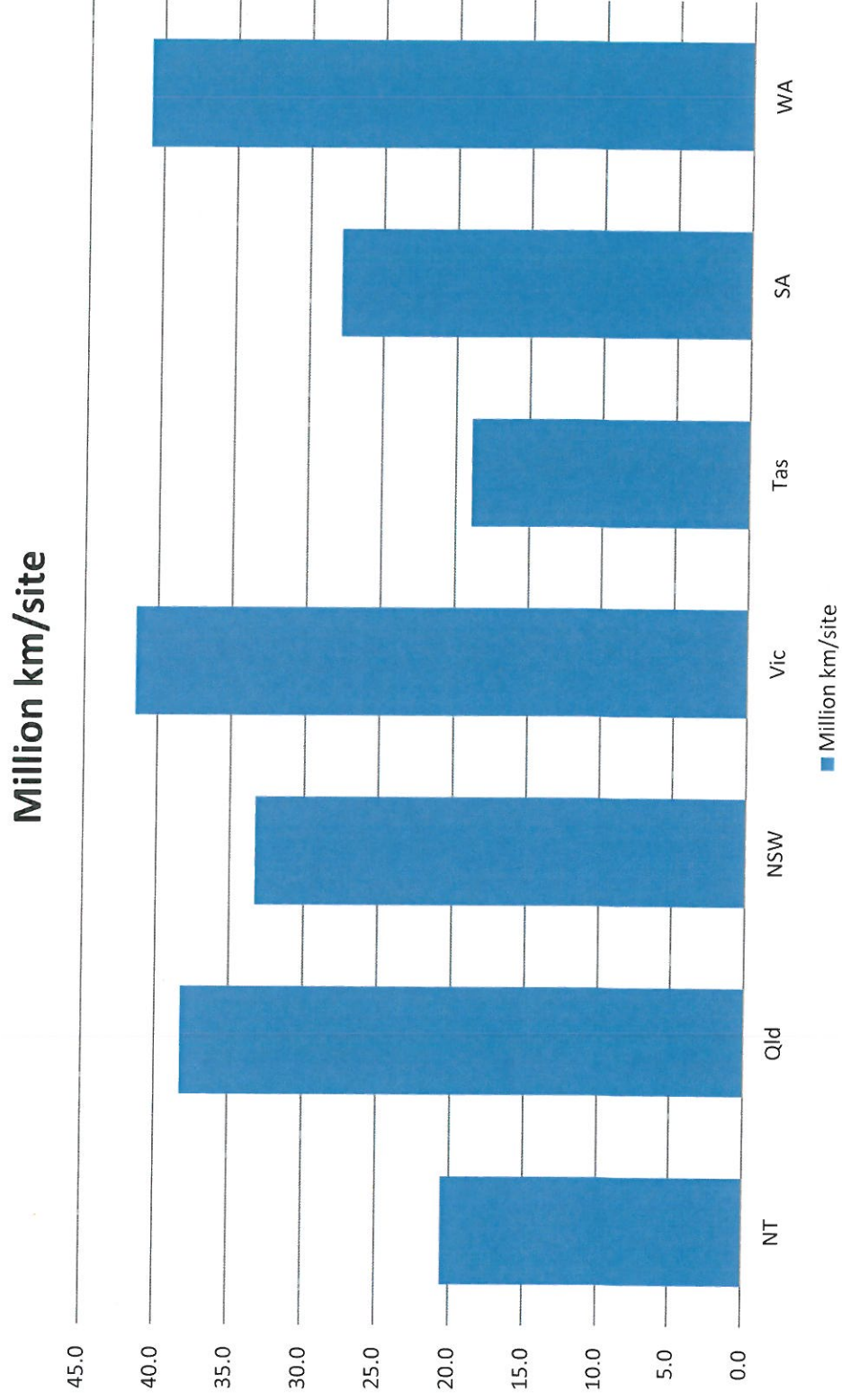
Darwin ULP retail price, TGP and CRP



Average site fuel volume in NT



NT sites service fewer travel km



Darwin ULP retail, TGP and CRP

	2013 Acpl	3 quarters 2014 Acpl
Darwin market average ULP	164.7	173.0
Darwin Caltex average ULP	165.2	173.2
Darwin Caltex average CRP	147.6	152.3
Darwin Caltex average TGP	144.0	148.8
Darwin market average TGP	141.6	146.2
National average TGP	138.1	142.6

Supplementary notes to slide pack

Slide 1

Title slide

Slide 2 – NT service stations by brand

The motorist sees major oil company brands and probably assumes these companies set prices.

The data is from NetWatch, which is a service station network planning tool owned by Informed Sources Pty Ltd, which Caltex subscribes to. NetWatch has information on 90 sites in the NT, including 43 in Darwin.

Slide 3 – NT sites by retail price control

This is the reality of who sets retail prices. The pricing assumptions are from our knowledge of the industry and would be fairly accurate.

Caltex currently prices only two sites in Darwin, and one site in Katherine.

Slides 4 and 5 – Darwin service stations by brand and price control

The Puma role in setting prices is very clear.

Caltex prices only two sites in Darwin (Yarrowonga and Wishart diesel truck stop).

Slide 6 – TGP tracks Singapore price

The purpose of this chart is to establish the close correlation of Darwin and national average terminal gate prices (TGPs) with the Singapore petrol pricing benchmark price (known as MOPS95). MOPS95 data is not publically available except on subscription from Platts.

The Australian Institute of Petroleum pays Platts a substantial amount for the right to publish a chart with MOPS data each day, but not the numbers (see www.aip.com.au). Caltex data is from AIP. TGP data is from published company data and is downloadable from the above website.

Slide 7 – Darwin tracks national average TGP and TGP tracks MOPS 2006+

This chart uses the same data as Chart 6 but is shown as a difference in prices. It shows that since 2006 the difference between TGPs and MOPS have been constant despite short term variability. In other words, Darwin and national wholesale prices have both tracked international prices, so wholesale prices are not an underlying reason for higher retail margins over the last two years. The Darwin TGP has been about 3 cents per litre (cpl) higher than the national average for many years, not just recently.

Slide 8 – Darwin ULP retail price versus TGP

This slide shows the familiar picture of retail and wholesale prices diverging since 2011. Our retail data is from MotorMouth, as published each week by AIP.

Slide 9 – Darwin ULP retail price minus TGP

This slide is the same as slide 8, but shown as a difference to illustrate the point of divergence from trend.

Slide 10 – Petrol price structure, Darwin (note: based on prices in mid-September 2014)

This chart is based on prices in mid-September. The 'landed price' of 82 cpl (76 plus 6) would vary slightly between competitors according to commercial terms and calculation methodologies but is representative and would be accurate to within 1 to 2 cpl.

The terminal charge of 2 cpl is representative but would vary between competitors because of volume offtakes.

The notional wholesale margin is back-calculated from the average of published TGPs and the landed price build up. It would be representative of the industry average and probably accurate to within a couple of cents per litre.

GST is then shown as part of the TGP build up. The average TGP is as published by AIP.

Finally, the notional retail margin and GST on that margin are back-calculated from the average retail price published by AIP based on MotorMouth data.

CRP is explained below.

Slide 11 – Darwin ULP retail price, TGP and CRP

This shows Informed Sources Oil PriceWatch retail price data for BP, Coles Express, Caltex Woolworths (the co-branded sites) and Caltex-only branded sites. All retail prices are similar.

The chart also shows the Caltex TGP and Caltex reference price (CRP), which are closely correlated. Caltex offers TGP for spot purchases of fuel (ex-terminal for cash, unbranded) but does not price term contracts on this basis. According to public information, at least some of our competitors offer fuel on a TGP basis, but term contracts would add on charges for greater supply security, branding rights, credit terms and other conditions. Caltex offers term contracts including such additional services at the CRP and may offer a discount off this price.

In summary, all wholesale suppliers would offer competitive prices to independent retailers but Caltex's pricing is 'CRP' or 'CRP minus' whereas others are 'TGP plus'. Importantly, CRP is the maximum wholesale price on a full tanker load basis – excluding freight to the site.

Slide 12 – Average site fuel volume in NT

The volumes in this chart are from Australian Petroleum Statistics (published by the Bureau of Resources and Energy Economics), for autogas mix, petrol sales to retailers and diesel sales to retailers, divided by the 90 sites in the NT from NetWatch.

Slide 13 – NT sites service fewer travel km

The distance travelled by all classes of vehicles in the NT is from the ABS Survey of Motor Vehicle Usage. Fuel volume would be closely correlated with this figure, so the chart is a proxy for volume per site. It shows a similar picture to the chart in Slide 12, but uses a different data source.

Slide 14 – Darwin ULP retail, TGP and CRP

This chart quantifies the CRP and TGP relationships for two recent periods. These have been fairly constant for many years. It can be seen the Caltex TGP is about 2.5cpl above the industry average – this is related to the fact that we don't price off TGP, whereas competitors do. The CRP is about 6cpl above the industry average TGP – however, CRP includes brand and other services, whereas TGP includes none of these.