

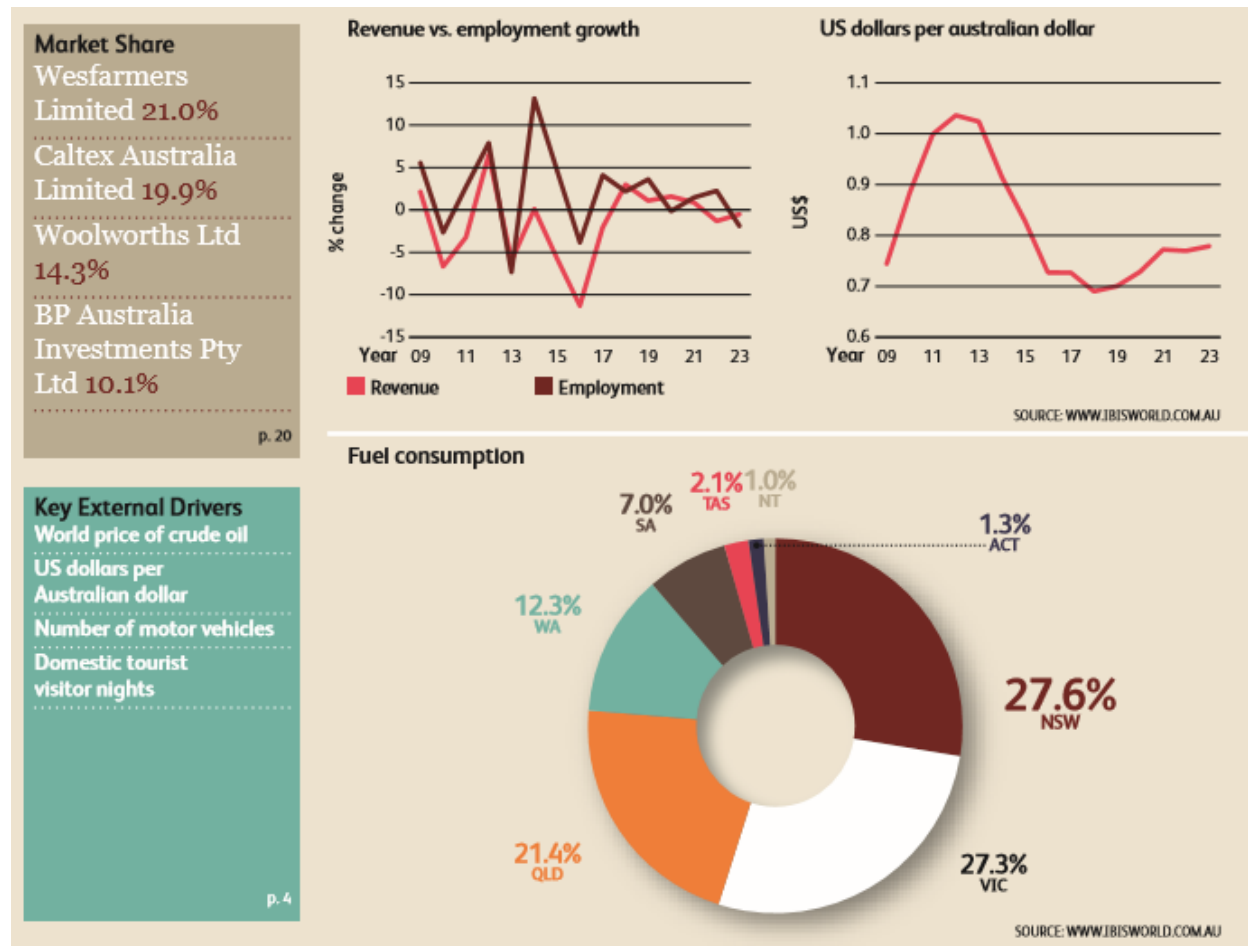
## 2016-17 Industry snapshot: Fuel retailing in Australia

### Industry definition

Fuel retailers sell automotive fuel and/or lubricating oils, typically at a service station. Often fuel retailers also retail convenience store goods and provide services such as car washing (Magner, L. IBISWorld. Feb 2017)

<b>Revenue:</b> \$31.6bn	<b>Annual growth 2012-17:</b> -5.1%	<b>Predicted annual growth 2017-22:</b> 1.1%
<b>Profit:</b> \$759.6m	<b>Wages:</b> \$1.3bn	<b>Businesses:</b> 4,224

(Magner, L. IBISWorld. Feb 2017)



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### Industry summary

- Revenue from fuel retailing over the last five years was volatile, primarily due to fluctuating fuel prices.

- Plunging oil prices in 2014-16 has reduced the pump price of fuel. It has also reduced profitability for fuel retailers regardless of consumer inelasticity of demand for fuel (Magner, L. IBISWorld. Feb 2017).
- Crude prices are projected to remain low and revenue is expected to contract by an annualised 5.1% over the five years through 2016-17, to \$31.6 billion. This is regardless of an annualized 1.3% increase in the volume of fuel sold over the same five years. (Magner, L. IBISWorld. Feb 2017).
- Diesel and petrol are the main fuel products sold and diesel sales are growing faster than petrol. Of the 1,178,133 new cars sold in 2016, new car sales largely consisted of petrol vehicles (67.1%) followed by diesel vehicles (31.7%) (VACC 2017).
- The fuel retailing industry's structure has changed significantly over the past five years. Shell has sold its fuel retail operation to Viva energy (Shell branding will continue) and Mobil have reduced fuel retail operations (Mobil branding remains at some 7-Eleven service stations). Both companies are focusing on the more profitable oil and gas sector (Magner, L. IBISWorld. Feb 2017).
- Supermarket chains have moved into the fuel retail sector and initially subsidised petrol prices through discount docket schemes. The Australian Competition and Consumer Commission (ACCC) have since legislated against this practice.
- Structural adjustment in the industry will continue over the next five years with Woolworths selling its fuel retail business to BP for almost \$1.8 billion subject to ACCC approval (Magner, L. IBISWorld. Feb 2017).
- Industry revenue is projected to rebound by an annualised 1.1% over the five years through 2021-22, reaching \$33.3 billion. This projection is due to a forecast increase in the world price of crude oil (Magner, L. IBISWorld. Feb 2017)
- The impact of alternative transport solutions such as hybrid cars and public transport, will negatively affect demand for current industry products and will likely result in further industry restructure.

Sources:

Magner, L (Feb 2017). IBISWorld industry report F4000: Fuel retailing in Australia.

Victorian Automobile Chamber of Commerce (VACC) (2017). Directions in Australia's automotive industry: An industry report 2007.