

Gull New Zealand Limited

submission to the

Commerce Commission New Zealand

on the

Draft market study into the retail fuel sector 11 October 2019

Redacted version

September Submission Stands

Gull New Zealand Limited "Gull" submitted on the draft report in September 2019. Following the Consultation Conference in Wellington and reviewing other parties' submissions Gull does not choose to update that submission. We avoid repeating the full detail here but refer the Commission to that submission. In brief summary:

- Gull supports the Commissions view that a fully functioning wholesale market for liquid fuel has not developed in New Zealand
- Gull believes the establishment of a Terminal Gate Price regime (TGP), would improve the
 competitiveness of the retail fuel market in New Zealand through the improved availability
 of a transparent price for products at all major terminals to new and existing wholesalers,
 distributors and retailers.
- This TGP system should:
 - Be for standard products as per existing NZ fuel specifications.
 - Be published daily, on a publicly accessible website, for each company so it is accessible to prospective customers as well as regulators.
 - o Include payment worthiness of prospective customers and approved terminal access for trucks and truck drivers.
 - Be set by the supplier at a fair market rate, accounting for the reasonable costs for supply of that product at that location.
 - Be published for each product, by every product owner at each location, rather than each terminal/asset owner.

 Gull does not support the compulsory display of Premium (or any) fuel pricing. A service stations main ID sign is limited real estate defined by council consent and the holder of that consent should have the right to advertise what they see as fit provided it does not potentially mislead customers. Gull notes that pricing is clearly displayed on all fuel dispensers of all brands.

Additional Submission Following the Consultation Conference

No interest in the Borrow and Loan System

Prior to the Consultation Conference Gull was unsure of much of the detail of the Borrow and Loan system. The view we have now is that it is intrinsically linked to fuel refined at Refining NZ. Gull's view is that any entry by us to the B&L system would probably negatively impact (for minimal benefit) our product supply through our Tauranga terminal, which is stable, reliable and understood. We would not choose to risk this portion of our business for the potentially minimal gains.

Discounted Retail Price Display

At the Consultation Conference another party likened the display of a discounted price which is subject to presentation of a loyalty card and meeting other terms and conditions on the Main ID Board at service stations to "Bait Advertising". Often these prices apply to only the first X litres sold and discriminate against customers who do not have the card or those who have not registered in the programme. Gull would concur with this position. It does not reflect a universally available price and the Terms and Conditions are not clearly (or safely) visible to a motorist travelling at 50 to 100 kmph.

Term of contracts

We do not have a view to the term of existing long established distributor contracts with their oil company supplier. Gull does note it as odd that these businesses seldom (never?) tender their fuel supply whereas major commercial diesel users do.

When Gull has reviewed the economics of establishing a South Island terminal gaining supply to a major distributor would have been a positive boost to such a venture as there could have been throughput at a significant rate from day one.

Potentially Misleading Comments to the Commission, Media and Public

During the recent Consultation Conference Gull noted that some participants made comments regarding supply of options which are contrary to Gull's experience negotiating supply of wholesale fuel.

 

Conclusion

Gull would reiterate our prior statement that, in principle, Gull agrees with the findings of the report which suggests that retail competition can be improved through targeted market mechanisms.

As per our last submission we note a Terminal Gate Price system similar to that operated in Australia is a simple and effective tool to support wholesale competition.

Following the Consultation Conference Gull has little interest in joining the Borrow and Loan system. Information from the conference notes this system is tied directly to use of Refining NZ; Gull has no want to complicate our existing business to potentially gain additional wholesale supply.

Gull is concerned that there is evidence before us that other parties are potentially misleading the Commission and the public with statements that are in direct conflict with the actions that have been reported to Gull.

Finally, in our private meeting on 25 September Gull noted the availability of our Australian parent company to host representatives of the Commission to give a working overview of the Australian Terminal Gate Pricing system. I am happy to confirm that offer or alternatively we are available to request as a member that the same overview be given by the Australian Institute of Petroleum to the Commission. If either of these options are of interest to the Commission or should your wish to discuss this submission further, please contact Gull staff directly.