

# Draft findings

## Fuel market observations

Pre-tax petrol and diesel prices in New Zealand are among the highest in the OECD.



Many New Zealand fuel companies are highly profitable.



Regional differences in retail fuel prices reflect variation in competition.



Discounting is a poor substitute for price competition.

Premium petrol margins have grown faster than regular petrol.



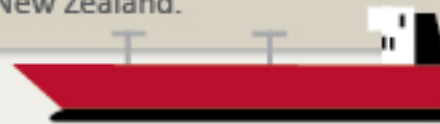
## Core problem is at wholesale level

An active wholesale market for fuel does not exist in New Zealand.



The major fuel companies' joint infrastructure network and supply relationships give them an advantage over potential fuel-importing rivals.

Without access to the wholesale market or the majors' joint infrastructure, any new importer faces significant challenges to enter and compete in New Zealand.



Wholesale prices appear to be higher than we would expect in a competitive market.

This flows through to retail pricing, where competition in many areas occurs only between the majors and the resellers they supply.



Gull and other smaller retailers have had a positive, but limited, impact on retail prices in the areas they operate.

## What could boost competition?

Among the options being considered there are two broad sets of changes we believe could improve competition in the wholesale market with benefits for retail competition and consumers.



Greater contractual freedom to better enable resellers to switch between suppliers.

Enable wider participation in the majors' joint infrastructure, notably shared terminals and supporting logistics involved in the 'borrow-and-loan' system.

