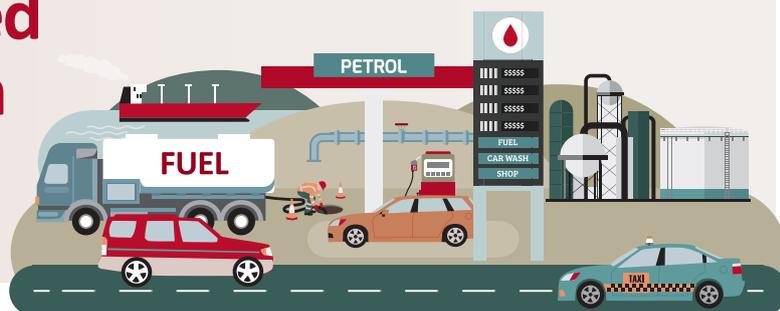


Impact of new unstaffed retail petrol stations on fuel prices



Entry of new unstaffed retail petrol stations reduces prices at existing stations within local areas

The Commerce Commission’s analysis indicates that when a new ‘independent’ unstaffed (fuel only) retail petrol station opens up, existing petrol stations within a five-minute drive reduce their retail prices for Regular 91 by an average of 2 to 3 cents per litre (cpl) for at least two months.¹

More broadly, we observe that in local markets where there is at least one unstaffed petrol station within a five-minute drive of other staffed petrol stations, retail prices for Regular 91 are an average of 6 cpl lower than in local markets without any unstaffed petrol stations.

We consider the benefit to consumers of competition from unstaffed petrol stations will be of interest to local authorities when assessing applications for resource consents for new retail petrol stations.

Background

The Commission conducted empirical analysis to assess the impact on competition within local markets, particularly on petrol prices, when a new unstaffed petrol station opens. This work complements our analysis of the data we receive from fuel sector participants under the Fuel Industry Act, and uses data from Gaspy, other publicly available information from the Ministry of Business, Innovation and Employment, and fuel retailers’ websites.

This analysis accompanies our *Retail Fuel Price Variation* report and helps inform the understanding of how differences in competitive conditions are a driver of the variation in retail prices outlined in our Quarterly Fuel Monitoring Reports.²

Analysis

Our analysis consists of two aspects:³

1. A ‘panel event study’ – this compared the retail prices of Regular 91 in local markets over time, particularly before and after the entry of an unstaffed petrol station. This provides insights into the impact of new entry, including assessing how existing petrol stations respond, and how this response differs by station type and location/distance;
2. A ‘cross-sectional analysis’ – this compared the retail prices of Regular 91 at a given point in time across many local markets, some with and some without unstaffed retail petrol stations.⁴ This provides insights into the likely ongoing impacts of unstaffed retail petrol stations on prices in local markets.



- 1 By ‘independent’ we refer to the likes of Waitomo, Gull, NPD, etc, that are not directly tied to any of the major fuel importers (Z, BP, and Mobil). We also distinguish between unstaffed, self-service only stations that sell only fuel to retail consumers, and staffed retail stations that offer non-fuel products and services.
- 2 <https://comcom.govt.nz/regulated-industries/fuel/quarterly-monitoring-reports>
- 3 Technical detail of our analysis is provided in Technical attachment – Analysis of impact of new unstaffed retail petrol stations on fuel prices – see Focus reports [here](#).
- 4 This comparison between staffed and unstaffed retail petrol stations also excludes unstaffed petrol stations operated by, and co-located with, supermarkets.

Panel event study: Main findings

We identified instances where fuel companies opened new unstaffed retail petrol stations during the two-year period from October 2021 to October 2023. We assessed the pricing response of existing petrol stations within both a 5-minute and 10-minute drive from the new unstaffed station. We considered these pricing responses over a period from eight weeks before to eight weeks after the new unstaffed station opened.

There were 27 instances of new unstaffed stations that opened within a five-minute drive of 152 existing stations. Existing stations reduced their prices by 2 to 3.1 cpl in the eight weeks after new unstaffed station entry. We found that existing unstaffed stations typically responded more aggressively to new entry, reducing their prices by up to 3.8 cpl, whereas the existing staffed stations lowered their prices by up to 2.9 cpl.

We also examined price responses to new unstaffed stations by existing stations that were further away, in particular those within 5–10 minutes' drive time. There were 27 instances of new stations that opened within a 5–10 minutes' drive of 264 existing stations. Prices at these stations did not appear to be affected by the entry of new unstaffed stations. We consider that this is consistent with the localised nature of competition in the retail fuel sector. It suggests that many consumers do not tend to drive far to seek out cheaper fuel.

Cross-sectional analysis: Main findings

The cross-sectional analysis involved a snapshot of retail prices at a point in time and comparing prices in local markets with only staffed petrol stations with local markets with at least one unstaffed retail station. We considered a local market as an area within a 5-minute drive from each petrol station, building on our insights from the panel event study.

We found that, on average, the presence of at least one (non-supermarket) unstaffed retail petrol station in a local market is associated with a lower average price of 6.1 cpl for Regular 91. Both maximum and minimum prices are also lower in local markets that contain unstaffed petrol stations, by 4.1 cpl and 9.4 cpl respectively.

We found no statistically significant differences between prices in local markets in which the only unstaffed petrol stations were operated by supermarkets and local markets that contained only staffed retail petrol stations. We consider this indicates that, unlike non-supermarket unstaffed petrol stations, unstaffed supermarket stations have no greater influence on local fuel prices than staffed petrol stations.

Conclusion

These results provide empirical evidence of the positive competitive impacts that unstaffed (non-supermarket) retail petrol stations have on prices in local markets. This aligns with anecdotal evidence on the importance of unstaffed retail petrol stations, including that reported in the media, as well as previous analysis undertaken by the Commission.⁵

We consider that these results are also consistent with our findings on retail fuel price variation, and support the notion that much of the variation in retail prices either within or between cities is driven by differences in competitive conditions.⁶

Furthermore, given that these results provide evidence of the benefits to consumers from greater competition from unstaffed retail petrol stations in local market, we expect these benefits would be of interest to local authorities when assessing consent applications for new retail fuel stations.

5 See: <https://www.rnz.co.nz/news/national/504571/whangarei-petrol-prices-drop-as-companies-forced-to-match-competition>; and Commerce Commission, *Market study into the retail fuel sector*, Attachment H.

6 Commerce Commission *Retail Fuel Price Variation* – see Focus reports [here](#).

This fact sheet provides guidance only. It is not intended to be definitive and should not be used in place of legal advice. You are responsible for staying up to date with legislative changes. You can subscribe for information updates at www.comcom.govt.nz/subscribe.

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