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MAJOR OIL STILL TRYING TO PERSIST WITH PATERNALISTIC AGREEMENTS

Our major Australian oil refiner/marketers are still trying to cling to paternalistic agreements within their wholesale networks, failing to comprehend that they are a relic of a bygone era.

Over the years, Australia's oil industry has progressively changed from total vertical integration ('cradle to the grave') marketing philosophy, to networks of wholesalers (distributors) that are much larger, financially independent corporate entities requiring a different supply agreement model.

In the past, major oil generally owned the storage depots, provided most of the dispensing equipment, issued consignment stocks of fuels and lubricants and even carried the credit on oil company accounts. Regional Service Stations were provided with dispensing equipment and storage tanks by the majors which were supplied with their fuels by the wholesalers – who were called and still mistakenly are called – 'distributors' - distributing petroleum product on behalf of the majors. Company controlled retail outlets were invariably held under agreement directly with the major oil company whose banner they flew.

Also too, oil majors provided the field representation to assist in the development of the wholesalers' business. Under those commercial relationships it was appropriate that paternalistic agreements were in place. The wholesaler business being totally dependent on its parent major oil company that supplied the support, infrastructure and general facilities. Goodwill within the wholesaler agreements was not usually recognised as major oil regarded the wholesale business as their own.

However, a major paradigm shift has occurred within the wholesale sector.

A shift that has not been universally accepted or understood by major oil within their wholesaler supply agreements.

Wholesalers, in today's Australian market generally own their own infrastructure, gradually buying out storage depots from the majors, operating their own independent network of service stations, supply their own dispensing and storage equipment, and provide their own credit facilities.

In today's regional petroleum market place – wholesalers have become large corporate entities working on small business principles.

However, major oil are still trying to persist with agreements that have paternalistic clauses that include: pre-emptive rights on the sale of the business; limiting marketing areas to those defined by the majors; refusing to provide branding rights to those wholesalers who market outside of the imposed defined areas; imposing 'franchise' conditions in circumstances where there is no real franchise offering (where all of the facilities, equipment, depots and retail networks are owned by the wholesaler); imposing intrusion clauses seeking rights of inspection of books and financials; restrictive issues relative to any sale and or assignment of the wholesaler business; etc.

In our view, in today's wholesale market place, major oil supplier agreements should simply cover issues such as: supply of product (take or pay); protection of brand and intellectual property; property rights-tenancy, where they are owned by major oil; credit & price supply terms; and not much more.

In addition, the majors have largely ignored the requirements of Oilcode.

Mandated temperature correction with two of the majors is applied ambiguously, transparency with wholesale pricing not being universally adopted through the terminal gate (TGP) and wholly owned major oil subsidiaries escaping the 'wholesale supplier' requirements of the code.

The majors that persist with inappropriate agreements will eventually lose market share to those that adopt a more realistic agreement that adopts the paradigm change and profits from it.



MICHAEL DELANEY RESIGNS AS CEO OF MTAA SUPERANNUATION

Michael Delaney as CEO of the MTAA Superannuation Fund has resigned following a motion of 'no confidence' being passed in him by the MTAA Directors of the shareholder group around a month ago. He will step down in November this year.

MTAA (Motor Trades Association of Australia) has had a troubled time for a number of years when queries were regularly raised about concerns surrounding corporate governance and conflict of interest issues, which culminated in its various member State associations to withdraw and form their own breakaway group, the Australian Motor Industry Federation (AMIF), but still retaining their shareholding in the MTAA Superannuation Fund.

The MTAA Super Fund which has some \$5.8billion under management appointed former Victorian Premier Mr John Brumby to assume the role of Chairman in April of this year.

Mr Brumby said the changes were aimed at improving transparency, accountability and governance and included lifting the number of independent directors from one to three on the fund's nine member board of directors.



CALTEX PROFIT REMAINS DEPRESSED IN SPITE OF STRONG MARKETING PERFORMANCE.

Australia's largest refiner marketer has returned a first (6) month **RCOP profit of \$113million** compared to \$163million a year earlier.