

MEDIA RELEASE



Australian
Competition &
Consumer
Commission

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ACCC RELEASES STATEMENT OF ISSUES ON BP'S PROPOSED ACQUISITION OF WOOLWORTHS' PETROL SITES

The Australian Competition and Consumer Commission has flagged preliminary concerns regarding the proposed acquisition by BP Australia Pty Ltd of Woolworths Limited's (ASX:WOW) network of retail service station sites and is seeking feedback from interested parties.

The ACCC has today outlined its preliminary view that the proposed acquisition may substantially lessen competition for the retail supply of fuel across metropolitan areas.

"The transaction would reduce the number of major rivals in fuel retailing. The transaction could see retailers face less competitive pressure to keep their prices low and as a result, motorists may end up paying more at the pump," ACCC Chairman Rod Sims said.

The ACCC has received submissions from a wide range of interested parties including industry associations, fuel retailers, wholesale fuel suppliers, and both corporate and individual consumers.

"Woolworths appears to influence retail market fuel prices by either leading price reductions, or quickly following other retailers that reduce prices, especially in the downwards phase of metropolitan price cycles," Mr Sims said.

"The proposed acquisition removes Woolworths' influence on metropolitan markets and we are concerned that BP would not follow Woolworths' pricing strategy. Competition may become softer, costing consumers."

"We are investigating this issue from a metropolitan-wide perspective in the major Australian cities."

"The ACCC is also analysing the effect of the proposed acquisition on local markets in the vicinity of individual Woolworths' service stations across Australia. It will publish preliminary views on local market issues in coming weeks. BP has stated publicly that it intends to divest sites in certain local areas," Mr Sims said.

This is a complex transaction. On top of the metropolitan-wide issues, there are hundreds of local areas to consider, each with their own unique competitive dynamics and features.

Another area of concern raised by market participants was the effect of the proposed acquisition on convenience groceries.

"This is another part of the transaction that requires examination to see what the likely impact would be on competition, and prices," Mr Sims said.

Following the proposed acquisition, BP and Woolworths propose to enter into a commercial alliance including a new retail convenience offering, called *Metro@BP*. Woolworths' shopper docket discounts and loyalty programme would also be available at certain BP sites.

The ACCC's final decision is scheduled for 26 October 2017.

Today's Statement of Issues is available on the public register:

Background

BP's business operations include the retail supply of fuel through its BP owned and operated service stations. BP supplies fuel to approximately 1 400 BP-branded service stations throughout Australia. BP also refines and supplies wholesale fuel to a number of independent retailers that own and operate service stations, including those that do so under the BP brand.

Woolworths currently operates 528 sites and has 16 sites in development. Woolworths entered fuel retailing during the late 1990s, establishing service stations that offer fuel discounts to those purchasing groceries at its stores. In August 2003, Woolworths entered into an alliance with Caltex to operate dual-branded service stations. These dual-branded sites are operated by Woolworths and obtain all fuels from Caltex.

Authorisation application

On 28 April 2017, BP lodged applications for authorisation on behalf of itself, Woolworths, and BP Resellers.

In addition to BP's proposed acquisition of Woolworths' network of retail service station sites, the Applicants have applied for authorisation to implement a shopper docket discount scheme and loyalty program at participating BP sites as part of the 'Commercial Alliance.'

The conduct includes third line forcing and exclusivity arrangements between BP and Woolworths, and between BP and BP Resellers.

A draft determination will be released in August 2017.

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