<u>THE PROPOSED ACQUISITION BY CALTEX OF EXXONMOBIL'S AUSTRALIAN RETAIL NETWORK</u>

SSA'S POSITION

The Service Station Association is opposed to the proposal, announced today, for Caltex to acquire ExxonMobil's Australian retail network, comprising 302 service stations as it would lead to a significant lessening of competition.

The SSA has long warned governments and regulators of the dangers of allowing Australia's petrol retailing industry to become concentrated in the hands of a few large players. The proposed Caltex/ExxonMobil deal sends a very clear message to Australia that successive governments' reliance on a policy of four pillars of oil refiner/marketers in Australia has failed. The writing was on the wall when the Sites Act was repealed a few years ago and our dire predictions then for the death of competition that would result are now being played out.

It is a clear example of the enormous market power that the two supermarkets wield in this county. In five short years, the supermarkets have raised the bar for survival to such an extent that not even the giant ExxonMobil Corporation wants to be a player. The slide towards another duopoly market situation in Australia will have taken a giant step forward if the ACCC allows this deal to proceed. Would that mean that BP will be the next to exit, leaving only Woolworths/Caltex and Coles/Shell in the market? What chance of effective competition if that were to happen?

The future of competition demands that this further concentration of market power be blocked and that diversity in the industry be maintained.

The proposed acquisition of the ExxonMobil sites fails to provide guidance as to the future of the very many dealers that currently operate the businesses on many of the 302 service stations. Most of these dealers have been in business and have promoted the Mobil brand for very many years, and they and their family's fortunes are closely tied to the relationships established over that time. Where are the assurances that these dealers will be able to continue to operate their businesses? What are the details of the redundancy packages where an exit takes place?

And finally, where are the assurances that Caltex will not, subsequent to the acquisition, transfer some of these sites to the Woolworths/Caltex joint venture?

So many questions, so few answers!

For these reasons, the SSA believes that the acquisition should be blocked, and appeals to the ACCC to act accordingly. At the very least, the ACCC should ensure that, in the event that it allows the sale to go through, it should insist that all acquired sites be franchised under Oilcode, to ensure diversity of competition is maintained. Finally, the future of existing dealers must be protected.

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