

16th September 2009

Ms Selena Liu
Mergers Branch
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

Dear Ms Liu,

Re: Caltex proposed acquisition of Mobil's retail assets

Thank you for providing SSA with the opportunity to make a further submission on this proposal. The list of issues prepared by the Commission is indeed extensive and appropriate, and captures many of the concerns we raised in our earlier submission. Accordingly, we are pleased to make the following comments:

1. Wholesale Markets

It is the opinion of the SSA that the wholesale supply sector is a vital ingredient in the downstream petroleum sector and it is therefore appropriate that the Commission devote significant resources to this issue when considering the Caltex/Mobil proposal. As the Commission points out, the four oil refiner marketers import virtually all refined product into Australia and therefore the behaviour of these four entities is critical to the ability of the retail sector to be fully competitive.

It is worth noting that all refiner marketers operate their refineries at maximum capacity and that significant imports are required to meet Australia's total demand. Therefore, the Australian refiners are not faced with a need to find off takers for refinery output given that it is all allocated to base load business. Accordingly, the way the four refiner/marketer/importers view the independent or non-captured segment of the market defines the extent to which they are individually prepared to compete for that business. It is therefore appropriate for the Commission to examine this issue in great detail.

If the presence of a critical mass of independent service station is considered essential for ongoing competition at the retail level, then the ability of this sector to gain access to competitively priced supply is paramount.

The information that SSA is receiving from its members very clearly states that, in the current market, Mobil is a key supplier to the independent sector. Ample supply volumes are available virtually at all locations in the eastern and south-eastern part of the country and the prices being offered are generally the most attractive compared to others. It is certainly our understanding that Mobil's current offerings are significantly more attractive than the current Caltex offerings. BP and Shell, we understand, are also willing to supply, and at prices somewhere between the two. Obviously, these comments are a generalisation and there will be variations from location to location, but, there is universal disquiet in the independent sector about the future of Mobil continuing to be an interested wholesale supplier were this proposal to proceed.

In regional Australia, Mobil distributors play a very important role in supplying the independent sector. It is our understanding that there remains a great deal of uncertainty about their future, particularly as all distributors operate as a competitor to Caltex and therefore Caltex has no interest in absorbing their businesses. Competitive supply to independents then becomes jeopardised.

There is certainly unease in the independent sector at the prospect of Caltex replacing Mobil as the main supplier to it.

SSA therefore contends that the Commission needs to satisfy itself that this proposal will not adversely affect Mobil's stance or behaviour in the supply of product to the independent sector. We believe that whatever the incentive that Mobil has for being active in this sector must be preserved. It is our view that any replacement of Mobil imports by Caltex imports would be harmful and should therefore be a barrier to the proposal being accepted.

2. Retail Markets

SSA shares the Commissions' views about those sites that have been identified as presenting likely competition concerns. We contend that these sites should be sold, as going concerns, to the independent sector as a condition of accepting the proposal.

3. Mobilcard

SSA remains concerned with the possible extinction of Mobilcard and the impact it will have on regional Mobil businesses. The loss of Mobilcard will severely diminish the value of these businesses and also reduce their customer base. We believe that the need for a fuel card for many businesses that operate in regional Australia will force existing Mobilcard customers to the remaining fuel card operators with an accompanying concentration of market power and loss of competition. Further loss of competition will occur if current

regional operators, both distributors and service stations, are forced out of the industry.

SSA contends that the commission needs to be satisfied that a viable business proposition will be available for Mobilcard businesses and customers, going forward.

4. Current Mobil and Caltex Dealers

SSA remains concerned about the future arrangements for current Mobil dealers and for those current Caltex dealers who occupy sites that may fall into a “duplicate” site scenario. We note that this has not been raised in the Commission’s issues paper; yet we firmly believe it requires proper consideration.

We believe that it is appropriate for Caltex to honour existing tenure arrangements for a minimum of two years after acquisition and that if a site is to be divested, then the current dealer be given the first option to purchase. This is a reasonable proposition given the many years that most of these dealers have committed to their landlord’s brand during their tenure.

We trust you find our comments of benefit and would be more than happy to discuss them with you at your convenience.

Yours sincerely,

Ron Bowden
Chief Executive Officer