



Australian Service Station and Convenience Store Association (ASSCSA): Draft strategic plan January 2018

Fostering and promoting a professional, sustainable and profitable Australian service station and convenience store industry

ASSCSA is a National Industry Sector Committee of the Motor Trades Association Of Australia

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Key considerations

ARE WE READY TO DISRUPT THE CHANGING MARKET ENVIRONMENT?

WHAT DOES THIS MARKET LOOK LIKE NOW AND IN 1, 2 AND 5 YEARS TIME?

WHAT VALUE ADDING SERVICES SHOULD WE PROVIDE AND WHY SHOULD WE PROVIDE THEM?

HOW WILL WE PROVIDE THEM?

Industry Issues and MTAA Action Items

<i>Industry Issues</i>	<i>MTAA Action Items</i>
<ul style="list-style-type: none"> ● Loss of members to competing industry Associations: There is extreme concern that Business Members are being lost to rival industry associations due to inactivity of NISCs, MTAA and MTAA Members. ● Mandated ethanol requirements. Some Business Members are concerned that service stations are being forced to sell a product that the consumer does not demand. ● Franchising arrangements: Investment costs and reducing profit levels are concerns to Business Members. ● Purchase price guarantee systems: These systems 	<ul style="list-style-type: none"> ● Arrange a national meetings of ASSCSA in early 2018: Identify and circulate an agenda ● Examine the viability of price guarantee systems: <ul style="list-style-type: none"> ○ Undertake research into price guarantee systems (i.e. the 7-Eleven fuel app) and how they impact the industry. ○ In conjunction with states, develop a position and advocate for action on issues such as the implementation of a MTAA Member sponsored fuel app. ● Examine petrol station EPA requirements: Develop

Industry Issues	MTAA Action Items
<p>are highlighted as a potential business and revenue opportunity.</p> <ul style="list-style-type: none"> • Electric vehicle charging requirements: Future power requirements of electric propulsion systems and the need for current service station business models to evolve to maximize revenue opportunities. • Business consolidation and the power of large service station chains: The impact of increased business consolidation within the sector and the ongoing viability of independently owned service stations. • The impact of fuel watch programs: The industry impact of the introduction of Fuel Watch programs on Business members is unclear. 	<p>a report of EPA requirements across all Australian States and Territories and identify opportunities to advocate on various positions.</p> <ul style="list-style-type: none"> • Examine the impact of mandated ethanol requirements: <ul style="list-style-type: none"> ○ Determine the impact on the mandated sale of ethanol on Business Members across all Australian States and Territories. ○ Identify a national position and advocate for action. • Advocate for franchising reform: Identify how an Automotive Franchising Code would work alongside the Oil Code and within the context of petroleum retail. • Develop a Franchising education package: Develop information kits that inform Business Members of franchisee and franchisor rights, responsibilities and obligations. Include Commonwealth Government assistance and seek feedback on State and Territory regulation / legislation. • Examine the impact of business consolidation: Examine how the newly introduced 'Effects Test' (Section 46: of the <i>Competition and Consumer Act 2010</i>) can benefit Business Members in terms of misuse of market power by consolidated chains of



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Industry Issues	MTAA Action Items
	<p>service stations.</p> <ul style="list-style-type: none">• Monitor the impact of Fuel watch programs: Develop a report on the impact of Fuel Watch programs for Business Members in each State and Territory advocate for an agreed MTAA position.

Financial considerations

The costs associated with the implementation of most actions and activities contained in this Strategic Plan can largely be accommodated within the existing MTAA budget.



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Appendices

ASSCSA's Mission

Proactively, effectively and efficiently represent and protect the interests of Australian service station and convenience store association industry members of Motor Trades Associations and Automobile Chambers of Commerce and through them the Australian Service Station and Convenience Store Association (ASSCSA).

ASSCSA in context

The Australian fuel retaining industry (service station and convenience store industry) is an important part of the Australian automotive sector, the nation's largest small business sector and is responsible for the professional supply of fuel and retailing services and in accordance with required laws and regulations. Thousands of Australian's are employed within the industry and the issue of competition within the retail fuel sector is of critical importance to independent retailers and consumers alike. ASSCSA and MTAA have played (and continue to do so) a critical role addressing the dominance of the supermarket giants and other market players to ensure independent fuel retailers survive.

Key Stakeholders

Automotive service station and convenience store business owners and members, petroleum product manufacturers and wholesalers, other convenience store product suppliers, State and Federal Government (i.e. ACCC, Small business and family Enterprise Ombudsman etc.), supermarket chains and consumers (automotive owners)

(The above is always under review. Please feel free to add your thoughts concerning the above)

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Strategic priorities.

<p>1. Industry driven solutions</p> <ul style="list-style-type: none"> • Self-Regulation: Identify, develop, gain endorsement, and implement industry national standards to respond to change and to contribute to sustainability. • Industry policy responses to key issues: Identify, develop, gain endorsement, and implement national policy responses on issues impacting industry. • Strengthened industry-wide collaboration and unity: Identify, develop, gain endorsement and implement processes and actions to unite and strengthen industry collaboration and commitment. • Develop and implement specific tools, processes, actions and initiatives to assist industry adapt to change: Provision of specific tools to support members changing business requirements. 	<p>2. Government partnership</p> <ul style="list-style-type: none"> • Training and skills development: Advocate for government support of national uniform skills and training requirements and specialist business proficiency programs. • Industry Adjustment / Restructure: Development of industry specific adjustment / restructure packages that provide advice and assistance to industry. • Ongoing Representation: MTAA / ASSCSA will continue to provide advocacy and representation on issues as they arise.
<p>3. Awareness and advocacy</p> <ul style="list-style-type: none"> • Industry awareness campaign: Rebrand the industry image to promote a more social, environmental, business and consumer friendly industry. • Political and bureaucracy awareness program: Target positive messaging to key government officials to create political action and ensure affiliated members are key representatives to government on industry issues. 	<p>4. Networking and promotion</p> <ul style="list-style-type: none"> • Collaboration and networking activities: Sponsor events that raise the profile of members and increase their sense of worth, collaboration and fulfillment. • Membership campaign: Undertake a membership campaign that highlights the value of membership for industry.

Disruption and competition



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The following industry analysis shows that the Australian fuel retailing industry is going through a period of upheaval as chains of service stations are changing ownership, the industry is being monitored by the ACCC for breaches of Australian consumer and competition law and labour laws, and that automotive vehicles with alternative propulsion systems are entering the market in increasing numbers.

How ASSCSA reacts to market change and evolution is *key* to developing successful business strategy. ASSCSA must accept market disruption so it can develop a strategy that ensures it is relevant to members and industry going forward. New and innovative ways of approaching the market and potential members requires consideration.

Industry snapshot: the Australian fuel retailing industry

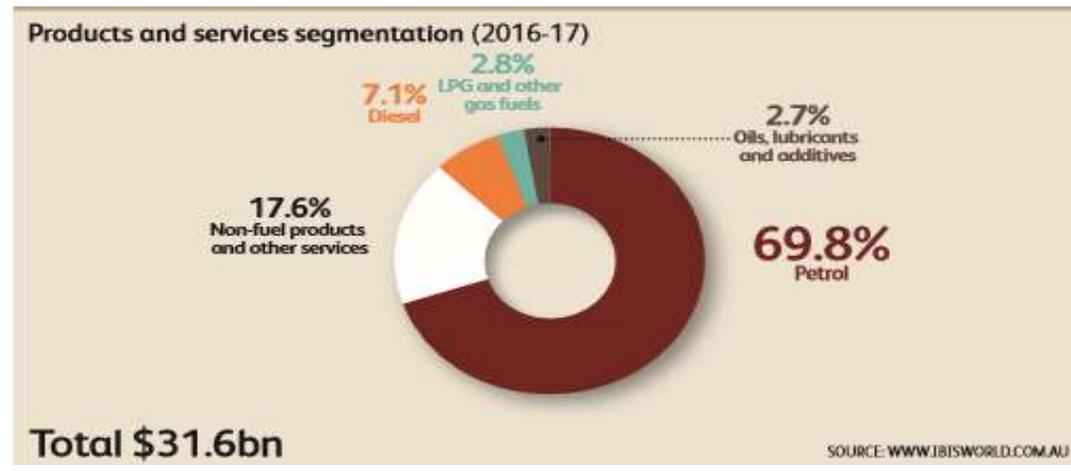
The IBIS sourced information below is based on the following definition of the fuel retailing industry: Fuel retailers sell automotive fuel and / or lubricating oils, typically at a service station. Often fuel retailers also retail convenience store goods and provide services such as car washing (Magner, L. IBISWorld. Feb 2017)

Please note: IBIS figures do not always align other industry research (i.e. the Direction’s report). As a result, the information may not be an accurate representation of the automotive fuel retailing industry or particular industry businesses. Additionally, information used by IBIS world to base conclusions is unknown and may be contradicted by other sources. Consequently, the information presented may have limited accuracy and presents only one version of truth. However, the information presented is useful to show industry trends.

Revenue: \$31.6bn	Annual growth 2012-17: -5.1%	Predicted annual growth 2017-
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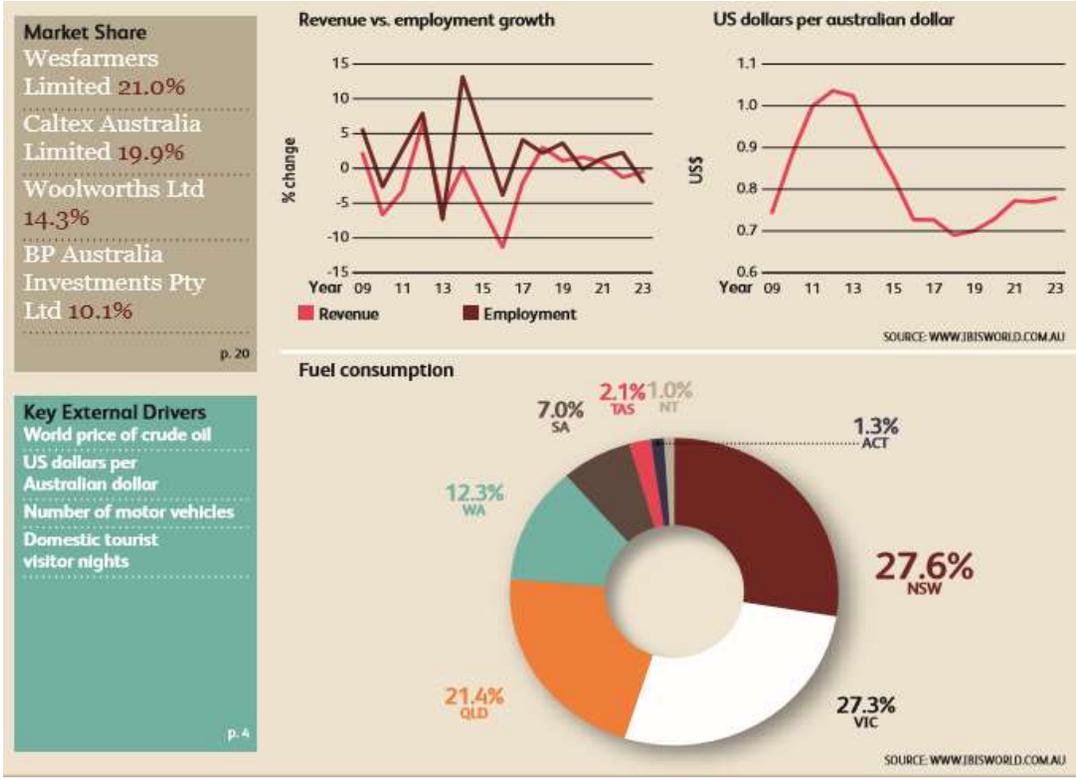
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		22: 1.1%
Profit: \$759.6m	Wages: \$1.3bn	Businesses: 4,224



(Source: Magner, L. IBISWorld. Feb 2017)

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(Source: Magner, L. IBISWorld. Feb 2017)

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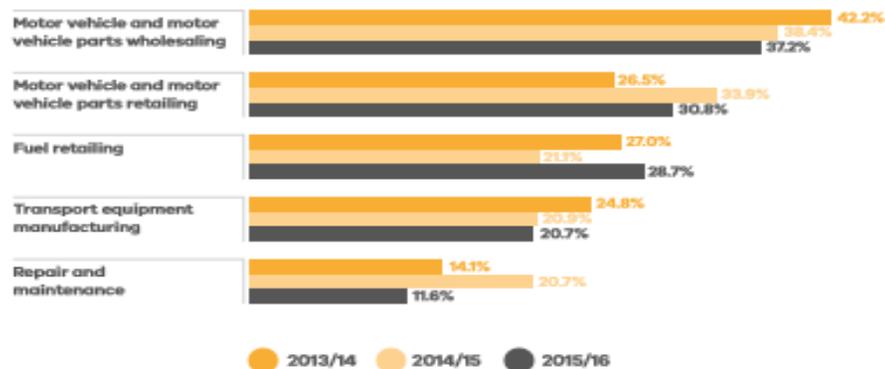
Table 1: Australian Automotive Industry Profile, post October 2017

Automotive sector	Major activities	Per cent of industry business population
Automotive Repair and Maintenance	Light and heavy vehicle mechanical service and repair; vehicle body, paint and interior repair; automotive electrical services; mining machinery service and repair; mobile plant and equipment service and repairs.	54.0%
Motor Vehicle Retailing	New and used car, motorcycle, truck, trailer and other motor vehicle retail sales.	8.3%
Motor Vehicle and Parts Wholesaling	Car, commercial vehicle, trailer and other motor vehicle wholesale sales; motor vehicle dismantling, recycling and used part wholesaling.	7.6%
Motor Vehicle Parts and Tyre Retailing	Original equipment and aftermarket retail sales of vehicle parts and tyres.	6.2%
Fuel Retailing	Retailing of petrol, LPG & CNG, oils and service station operation.	6.0%
Motor Vehicle and Parts Manufacturing	Specialist vehicles; bus and truck manufacturing; vehicle body and trailer manufacturing; automotive electrical components and other vehicle parts manufacturing.	4.4%

(Source: Directions in Australia's automotive industry: An industry report 2017)

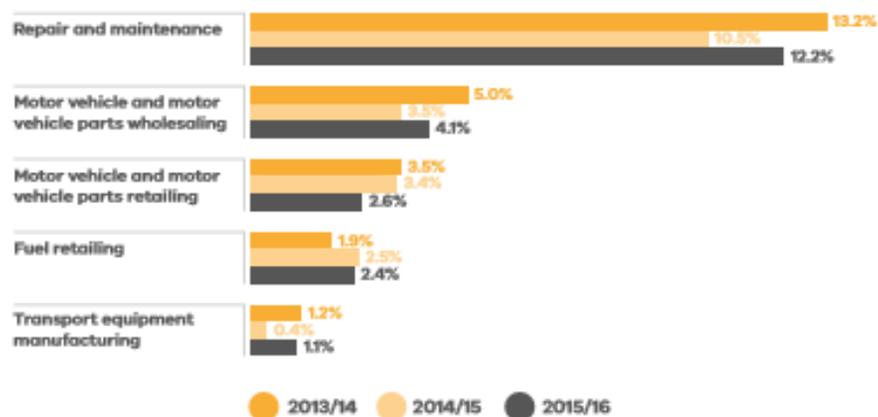
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Chart 3: Percentage of Automotive Businesses that made a Loss, by Sector and Year



Source: ABS data

Chart 4: Profit Margins by Automotive Sector and Year



Source: ABS data

(Source: Directions in Australia's automotive industry: An industry report 2017)

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Industry summary

- Revenue from fuel retailing over the last five years was volatile, primarily due to fluctuating fuel prices.
- Plunging oil prices in 2014-16 has reduced the pump price of fuel. It has also reduced profitability for fuel retailers regardless of consumer inelasticity of demand for fuel (Magner, L. IBISWorld. Feb 2017).
- Crude prices are projected to remain low and revenue is expected to contract by an annualised 5.1% over the five years through 2016-17, to \$31.6 billion. This is regardless of an annualized 1.3% increase in the volume of fuel sold over the same five years. (Magner, L. IBISWorld. Feb 2017).
- Diesel and petrol are the main fuel products sold and diesel sales are growing faster than petrol. Of the 1,178,133 new cars sold in 2016, new car sales largely consisted of petrol vehicles (67.1%) followed by diesel vehicles (31.7%) (Directions in Australia's automotive industry: An industry report 2017).
- The fuel retailing industry's structure has changed significantly over the past five years. Shell has sold its fuel retail operation to Viva energy (Shell branding will continue) and Mobil have reduced fuel retail operations (Mobil branding remains at some 7-Eleven service stations). Both companies are focusing on the more profitable oil and gas sector (Magner, L. IBISWorld. Feb 2017).
- Supermarket chains have moved into the fuel retail sector and initially subsidised petrol prices through discount docket schemes. The Australian Competition and Consumer Commission (ACCC) have since legislated against this practice.
- Structural adjustment in the industry will continue over the next five years with Woolworths selling its fuel retail business to BP for almost \$1.8 billion subject to ACCC approval (Magner, L. IBISWorld. Feb 2017).
- Industry revenue is projected to rebound by an annualised 1.1% over the five years through 2021-22, reaching \$33.3 billion. This projection is due to a forecast increase in the world price of crude oil (Magner, L. IBISWorld. Feb 2017)
- The impact of alternative transport solutions such as hybrid cars and public transport, will negatively affect demand for current industry products and will likely result in further industry restructure.



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Strategic analysis of the industry: market forces

Threat of new entrants and the competitive environment

- Fuel retailers have a competitive advantage if they are close to markets, have a loyal customer base, have support from their petroleum / oil providers and monitor and match the prices of their competitors.
- The entry of supermarket chains that used unfair tactics (predatory pricing, shopper docket schemes) made the market highly competitive and discourages market entry for non-affiliated retailers.
- The ACCC have taken action to provide a more level and fair competitive market by legislating against predatory pricing, shopper docket schemes and introduced the oil code of conduct.

Bargaining power of buyers

- Key buying industries include road freight companies, taxis and limousine services and household consumers.
- The demand for fuel is relatively inelastic and largely depends on factors such as price, the number of motor vehicle domestic trips taken and availability of substitutes.
- If high fuel prices prevail over a sustained period of time, consumers will likely use alternative forms of transport, i.e. public transport.
- Holiday makers are increasingly using air travel rather than road trips.

Bargaining power of suppliers

- Principal suppliers include Australian petroleum refining and manufacturers, petroleum product wholesalers, oil and gas extraction companies and providers of retail products within the store.
- Fixed costs are high including real estate and wage costs and retailers aligned to a recognised brand are financially impacted by franchising agreements with fuel suppliers.



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Threat of substitute products and services

- Barriers to exist are high considering fuel tank removal and site cleaning.
- New vehicles with alternate propulsion systems are increasingly common with government potentially mandating their introduction.



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ASSCSA review: Strengths, weaknesses, opportunities and threats

<p>Strengths:</p> <ul style="list-style-type: none"> • Peak national fuel retailing industry body (exception is QLD) with potentially consistent views and positions to take to government on particular issues. • Fuel retailing industry knowledge and experience of key members. • Key member political connections. • Members representing a multitude of service station and convenience stores with various business objectives. • Passion for the service station and convenience store industry. • Knowledge and links to other industry sectors through MTAA and affiliated member associations. • Strength and standing within the industry of individual state affiliated members. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • No QLD representatives prevent a complete unified national view and united effort on fuel retailing related issues. • Individual state bodies with individual priorities and agendas restrict ASSCSA's ability to act quickly and decisively and to implement and deliver value adding services to members. • Limited resources. • Chasing unattainable objectives that are not linked to strategic priorities. • Different members addressing issues in a non-coherent fashion resulting in too much noise to policy makers and thus, diminishing the impact of communication. • Diversity of priorities in relation to state and federal government policy. • Failure to seize opportunities to engage with industry, government and internal association stakeholders. • Failure to use opportunities for improved B2B and industry to industry relationships as a means of addressing common issues. • Resistance from government, departments and bureaucrats to working in partnership to address impacts and industry adjustment. • Lack of awareness, understanding, willingness and support for actions designed to enable businesses to adapt to changing market conditions.
<p>Opportunities</p>	<p>Threats</p>



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| <ul style="list-style-type: none">• Ability to use collective power for political initiatives and commercial activities e.g. franchising agreements, environmental activities and requirements.• Be the single national authority of the fuel retailing industry including future fuel requirements.• Harness Australia's automotive interest and impact of fuel on consumer budgets.• Improving awareness and knowledge of stakeholder and member base on broader issues, change and its impacts.• Increase government awareness of the fuel retailing industry and relevance to individual state and electorates.• Develop linked initiatives with other automotive sectors.• Sponsor particular events and increase networking and research opportunities with other automotive stakeholders.• Provide targeted information and promotional campaigns e.g. provide advice anti-competitive behavior, franchising agreements and fuel theft.• Support industry skills development e.g. mentoring programs.• Redefine relationships and facilitate communications with manufacturers, wholesalers and suppliers.• Research industry needs and target corresponding services.• Take advantage of emerging fuel / energy technology. | <ul style="list-style-type: none">• Emergence of other industry associations that offer services and representation perceived as more valuable and more responsive to market changes and member's needs.• New and existing business not perceiving value in ASSCSA activities and not joining.• Diminishing membership.• Taking on unattainable issues. |
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(The above is always under review. Please feel free to add your thoughts concerning any of the above)