APPENDIX B.3: MTAA paper, *Principles of a Terminal Gate Pricing Arrangement*.

PRINCIPLES OF A TERMINAL GATE PRICING ARRANGEMENT

MTAA believe that the principles of a terminal gate pricing (TGP) arrangement should be as follows:

> "The ability of all wholesale purchasers to access petroleum products at an oil company terminal. The prices posted at individual terminals (terminal prices) would be applicable to all buyers purchasing directly from that terminal and would form the basis of all wholesale transaction prices. The posted price would be publicly posted and available to all wholesale buyers; whether buying on a spot or contract basis.
>
> This terminal price would be posted daily and that price would apply only to sales at the terminal gate. The terminal gate price would be comprised of the refiner's cost of producing the fuel, delivering it to the terminal and an element of profit to allow for a return on investment.
>
> The minimum purchase under a TGP arrangement would be 35,000L. All fuel would be sold on a temperature corrected basis (to 15°C).
>
> In relation to costs incurred past the terminal gate, such as the cost of transport, any credit costs and any other costs (including branding) incurred by the wholesaler in respect of the sale of the fuel they would be charged to the purchaser where (and only if) those costs are incurred. Those costs would be transparent and would be charged on a cents per litre basis.
>
> However, the successful introduction of a terminal gate pricing arrangement is dependent upon the following also occurring:
>
> * a commitment by the oil companies, to allow access to terminals for all wholesale purchasers if required by the buyer - subject to the satisfaction of requirements under dangerous goods

legislation, health, environmental and Australian Standards safety conditions (including driver and truck accreditation to the extent necessary only to meet those occupational health safety and environmental obligations) being met;

* a commitment by oil companies and other wholesalers to recover the full costs of operation from directly operated sites within their retail margin. This commitment could be enforced under a mandated OilCode; and

* recognition by the oil companies that the elimination by them of conditional margin and/or price support schemes or price discrimination including voluntary discounts or rebates or any other allowance within different classes of buyer is essential before any terminal gate pricing arrangement could be introduced."

MTAA also believes that in relation to fuel purchased on oil company credit cards, the amount reimbursed by the company to the retailer should reflect all of the costs incurred by the retailer in supplying that fuel to the consumer. Oil companies should not be allowed to use their fuel cards to have a form of retail price control or to enable further erosion of service station operator retail margins. In addition MTAA believes that resellers should be able to recover from customers the cost of providing the service – that is resellers should have the ability to charge a service fee where fuel is purchased on a fuel card.

MTAA suggests that the only exception to this terminal gate pricing arrangement should be for high volume sales by the refiner/marketers to wholesale companies where it can be demonstrated that there is a legitimate saving to the refiner. However, those prices should also be publicly available.

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