

Deformation of albanian fuel retail market

The albanian fuel retail market plays a very significant role in the albanian economy with an annual turnover of hundred billion lek. But this market, like most of the economy branches in the country, has some problems where the most important are:

1. Gas stations, like mushrooms after the rain

Albania has a extraordinary number of gas stations that are approximately 1,200 in whole country. This number becomes higher if compared to our population number where are 2,667 inhabitants/gas station and to our country surface where are 4.17 gas stations/100 km² while these data in the region and in EU are very lower (EU average is 4,000 inhabitants/gas stations and 3.2 gas stations/100 km²). Also the average distributed fuel quantity per one gas station is very lower than european average.

The concentration of a very high number of gas stations in the area Tirane-Durres is also an other problem. Only in the highway Tirane-Durres are counted 39, almost equally split in the two parts of this highway. Also in the city of Durres are approximately 80 gas stations where in whole Montenegro with approximately 700,000 inhabitants are only 75.

The main companies in the albanian fuel retail market are:

- Alpet + Exen, approximately 80 gas stations
- Kastrati, approximately 50 gas stations
- Taçi Oil, approximately 45 gas stations
- Eurodrin, approximately 35 gas stations
- Eida, approximately 30 gas stations
- Jet Oil, approximately 30 gas stations
- Anoil, approximately 25 gas stations
- Rompetrol, 12 gas stations
- Uldedaj, approximately 10 gas stations
- EKO, 10 gas stations
- Braka, 10 gas stations

White stations

According to the albanian law, white stations are called those gas stations with activity based not on an exclusive trade agreement with a wholesale company. Albania, in contrast with EU countries, has an extraordinary number of white stations, approximately 70% (in EU this number is not more than 10-15%), reflecting no market concentration, as required to develop scale economies with final scope the cost decrease.

2. Colossal investments

In the fuel retail market the last years are observed colossal investments in the construction of modern gas stations. Most of these investments is done without having a clear vision and the pay back is unknown.

3. Distances disrespect and lack of permissions

In the albanian fuel retail market are observed flagrant violations of the criterion related to the distance between gas stations, where come up very small differences, up to 2 km distance, in national roads and also inside urban areas. The paradox culminates in the highway Tirane-Durres, Fllaka overpass near Durres city where in 900 m are situated 3 gas stations!!! This problem aroused due to non correct issuance of licenses from the local authorities as the law requires.

Also, many gas stations have important lack of technical-legal documentation that makes their activity illegal and damage the competition in the market. This phenomenon is observed more at the gas stations constructed in the inhabited areas inside the cities and the regions away from Tirana.

4. Retail prices, unjustifiable to high

The albanian fuel retail market is characterized by very high profit margins. It is enough to stress that unleaded gasoline is sold 115 lek/litre in wholesale market and up to 145 lek/litre in retail market and Eurodiesel respectively 124 lek/litre and up to 140 lek/litre. Also this market has shown that don't react quickly and in direct proportion toward the decrease of oil international prices (although when international price decreases, the retail price normally reacts later since only approximately 50% of this price is composed from the international price and the rest from the albanian state taxes, thus the international price affects the retail price at only 50%).

5. Fiscal evasion

Point 2, article 15 of the law 8450, date 24.02.1999 "For the processing, trade and transportation of fuels and their by-products" forces the gas stations to be supplied from the wholesale companies only based on contracts between parties. Few gas stations comply to this legal requirement. Also in many cases the price stated in totem is different from the real one and the supply of most gas stations is done at a high level of informality. Finally, the absence of the recording cashboxes at the gas stations makes more difficult their efficient control.

6. Fuel quantity and quality abuse

a) Quantity

The continuous controls made from the Directorate of Calibration and Metrology have shown that constantly some of the gas stations provide less fuel, approximately 50 – 100 ml in 10 litres, while the maximum allowed deviation is up to 0.2% (20 ml in 10 litres). Despite the considerable number of controls done and the penalties imposed (up to 500,000 lek), some retail traders reprogramme the pump pistons after the controls are made decreasing thereby the real sold quantity. In this way, the price paid by the consumers is becoming higher.

b) Quality

Also problems exist with the fuels quality where the main is trade of gasoil D2 instead of Eurodiesel. According to sources from the Central Technical Inspectorate (responsible for the fuels quality control), the problems with the fuels quality are grown further to Tirana city. Also problems are observed to the mixing of domestic gasoil with imported one.

7. Uncontrolled fuel transportation

Despite all controls, the situation in the fuels transportation sector remains chaotic where most of the transportations are made without invoices and most of the truck drivers have not the special driving license called ADR for the transportation of dangerous goods. Also most of the trucks have not all the required by law licenses.

Proposals for the situation normalization

- To be suspended all the construction permits for the new gas stations and only after a detailed study of the specified area to be issued as many permits as required.
- To be closed those gas stations with important lack of technical - legal documentation. Also the albanian state has to draft a plan to reduce the gas stations number through subsidizing gas stations closure having as main criterion the disrespect of the technical-legal standards (Plan nr 9773 date 22 August 2001 for the rationalism of gas stations in Italy, drafted by Unione Petrolifera and Authority Guaranty for Competition and Markets, realized the closure of 3,200 gas stations during the years 2001-2003. Together with the closure of many gas stations based on “Voluntary plans” proposed by the Italian Ministry of Industry, the number of closed gas stations during the period 1998-2003 went approximately to 7,000 in total. From 40,000 gas stations during the years 1970 now Italy has only 22,400, that anyhow is a very higher number than european average).
- To stimulate the entry of the foreign strategic investors in the albanian fuels market which will develop modern chains of gas stations.
- To define urgently the distance at which the new gas stations should be build where the main factor will be their density and the socio-economical level of the area.

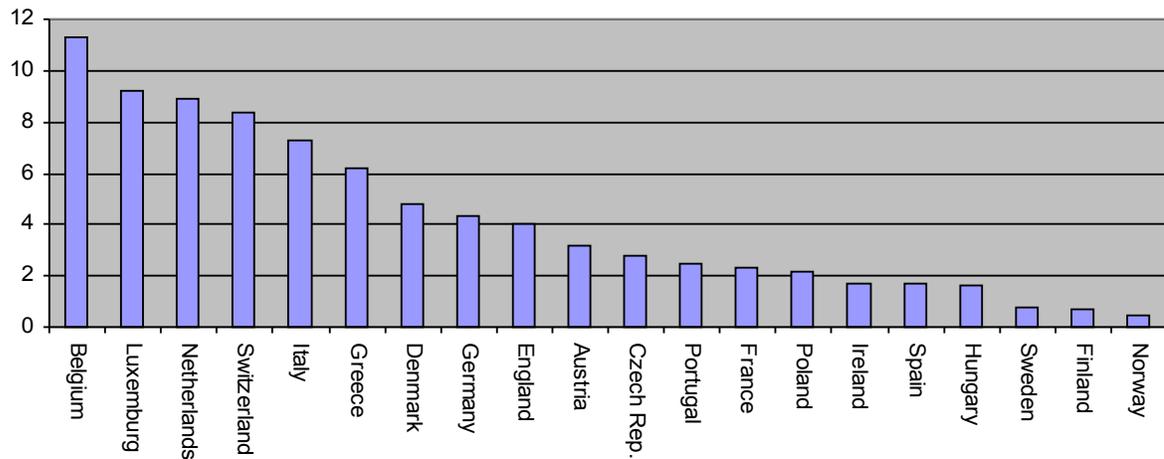
- Permit issuance procedures for the gas stations to be carry out through competitive procedures with bids (as in Italy). Also to be clearly defined the local authorities' competences for the issuance of these permits.
- The price investigation from the tax authorities to the gas stations should be real and hyperbolic profits should be super taxed.
- To be checked the phenomenon of some gas stations at some suburban areas in Albania that sell fuel at very low prices in an inexplicable way.
- Price discounts, compared to prices stated in totem, to be allowed only based on contractual agreement between seller and buyer.
- To be urgently placed recording cashboxes in all gas stations and for all products like unique way to control sales.
- The controls about fuels quality and quantity should be intensified and the consumers should increase their awareness to be supplied only at gas stations with sealed pistols from the Directorate of Calibration and Metrology.
- The chaotic situation in fuel transportation sector should be eliminated and all trucks without licenses should be highly penalized.
- The gas stations verticalisation should be quickly developed and they should trade not only fuel but also other articles (for example in Bulgaria one gas station has more than 2,000 different articles) contributing in this way to reduce of the fuel retail price. The role of the Association of Petroleum Companies in Albania should be reinforced as main factor in the fuel market.

Taxes of fuels in Albania

Taxes	Gasoil D2 and Eurodiesel	Unleaded Gasoline
Custom due	0	0
Excise duty	75%, but not more than 37 lek / litre	37 lek / litre (fixed)
Environmental tax	1 lek / litre	0.5 lek / litre
VAT	20 %	20 %

Source: Ministry of Economy, Trade and Energy

Number of gas stations for every 100 km² on 2006 at EU countries

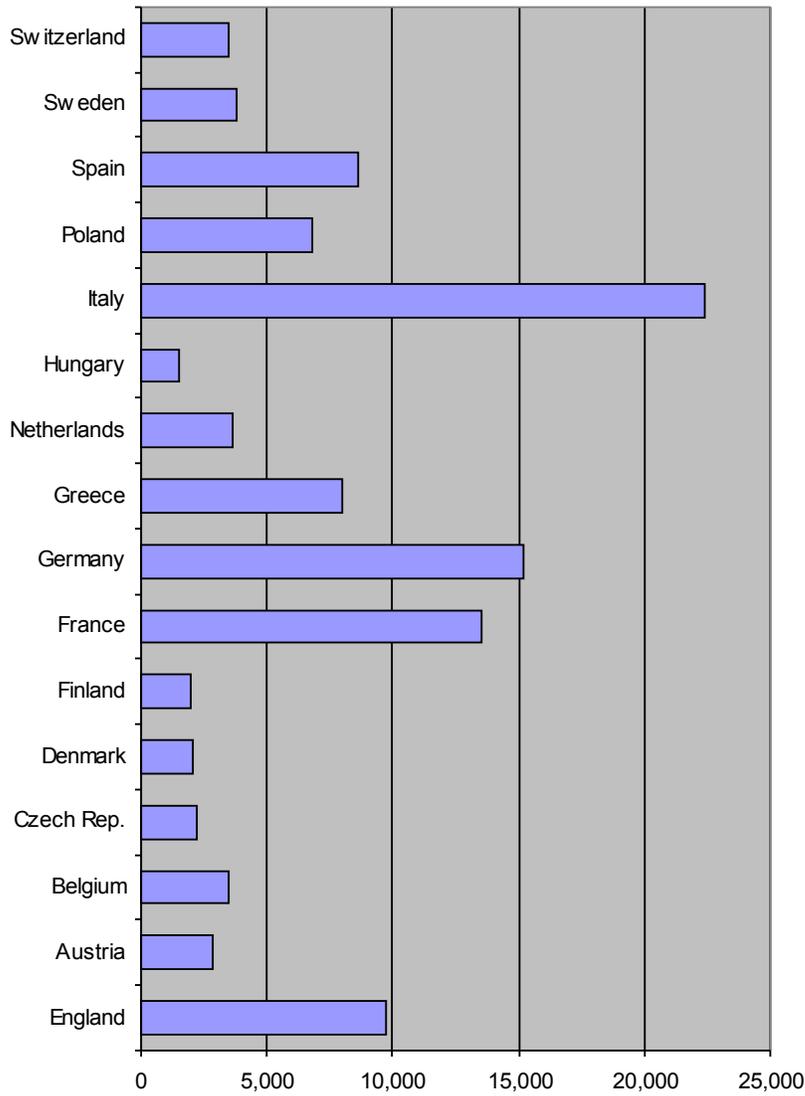


Source: Annual report 2007 of Unione Petrolifera

Number of gas stations on 2007 at some countries in the region

Countries	Number of gas stations	Nr. inhabitants / gas stations	Nr. of gas stations / 100 km ²
Albania	1,200	2,677	4.2
Montenegro	75	9,130	1.85
Kosovo	640	3,437	1.7
Serbia	1,250	6,160	1.41
Fyrom	250	8,000	1
Greece	8,000	1,400	0.16
Italy	22,400	2678	0.13

Number of gas stations on 2006 at EU countries



Source: European Petroleum Industries Association

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