

Analysis of supermarket RULP prices – November 2010 to February 2012

Background

The Australian Automobile Association (AAA) report entitled *Impact of Supermarket Fuel Discount – Market Analysis* has recently received media and political attention. The AAA claim that petrol prices and margins (i.e. the difference between retail prices and wholesale prices) have been higher since October 2011 following the recent 8.0 cpl shopper docket discount schemes by the supermarkets.

In this context, this note examines three elements of retail RULP brand average prices in the five largest cities (Sydney, Melbourne, Brisbane, Adelaide and Perth) and for E10 in Sydney:

- the relative pricing of the major brands (ie generally brands with 10 or more sites) by city;¹
- the relative prices of the two supermarkets (Coles Express and Caltex/Woolworths) compared with market average prices in each city; and
- the gross indicative retail margins (GIRMs) for the two supermarkets in each city. (This analysis is indicative only as it uses the relevant refiner-marketer posted TGP's rather than actual wholesale prices).

The analysis is based on daily brand average price data from Informed Sources over the 16 month period 1 November 2010 to 29 February 2012.

Charts and data are provided in [Annex A](#).

This note updates earlier analysis on this issue which was presented to the Fuel Group Strategic Meeting on 4 February 2011. A copy of that paper is at [Annex B](#).

¹ The exceptions to this rule are Coles Express in Sydney (which has been included in the RULP analysis even though it currently only has around 7 sites selling RULP) and United and Liberty in Melbourne (which were both included in the previous analysis).

Shopper docket periods

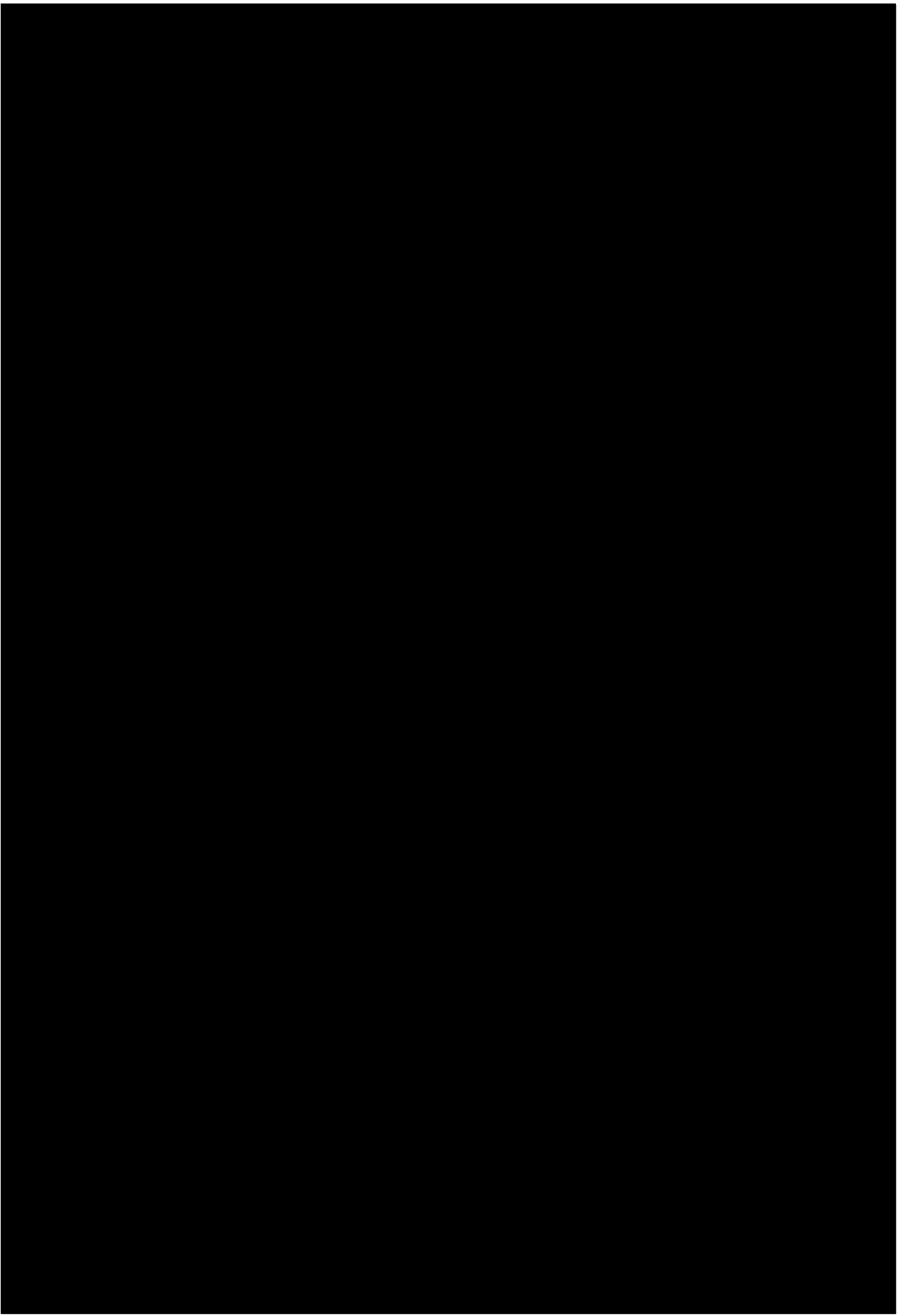
- We have analysed GIRMs during periods with and without 8.0 cpl shopper dockets.
- In both Perth and Melbourne GIRMs were lower in periods when there were shopper docket arrangements than in periods without.
- In all of the other cities (and for E10 in Sydney) GIRMs were higher in periods where there were shopper dockets.

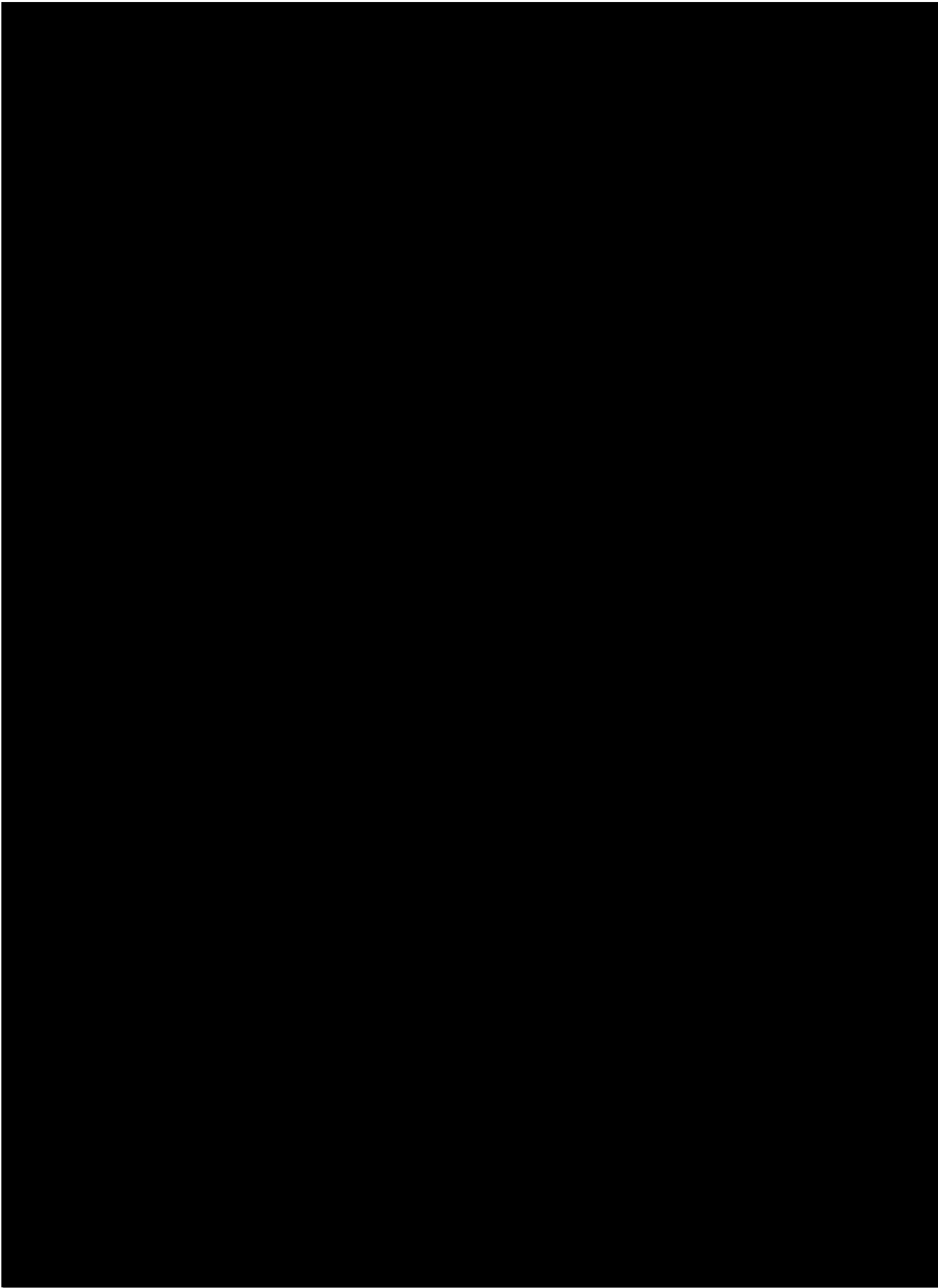
Fuel Prices and Market Analysis Section
15 March 2012

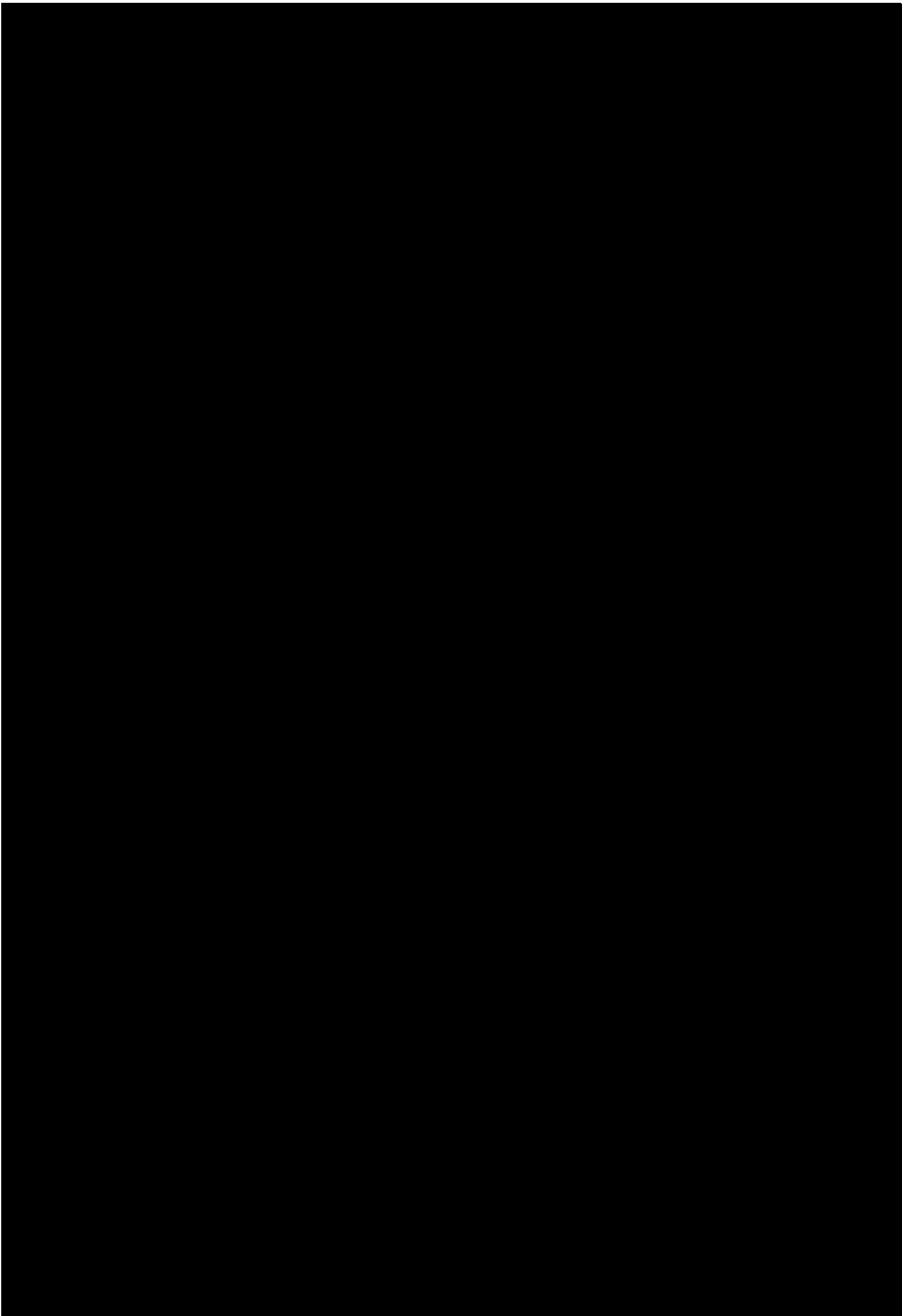


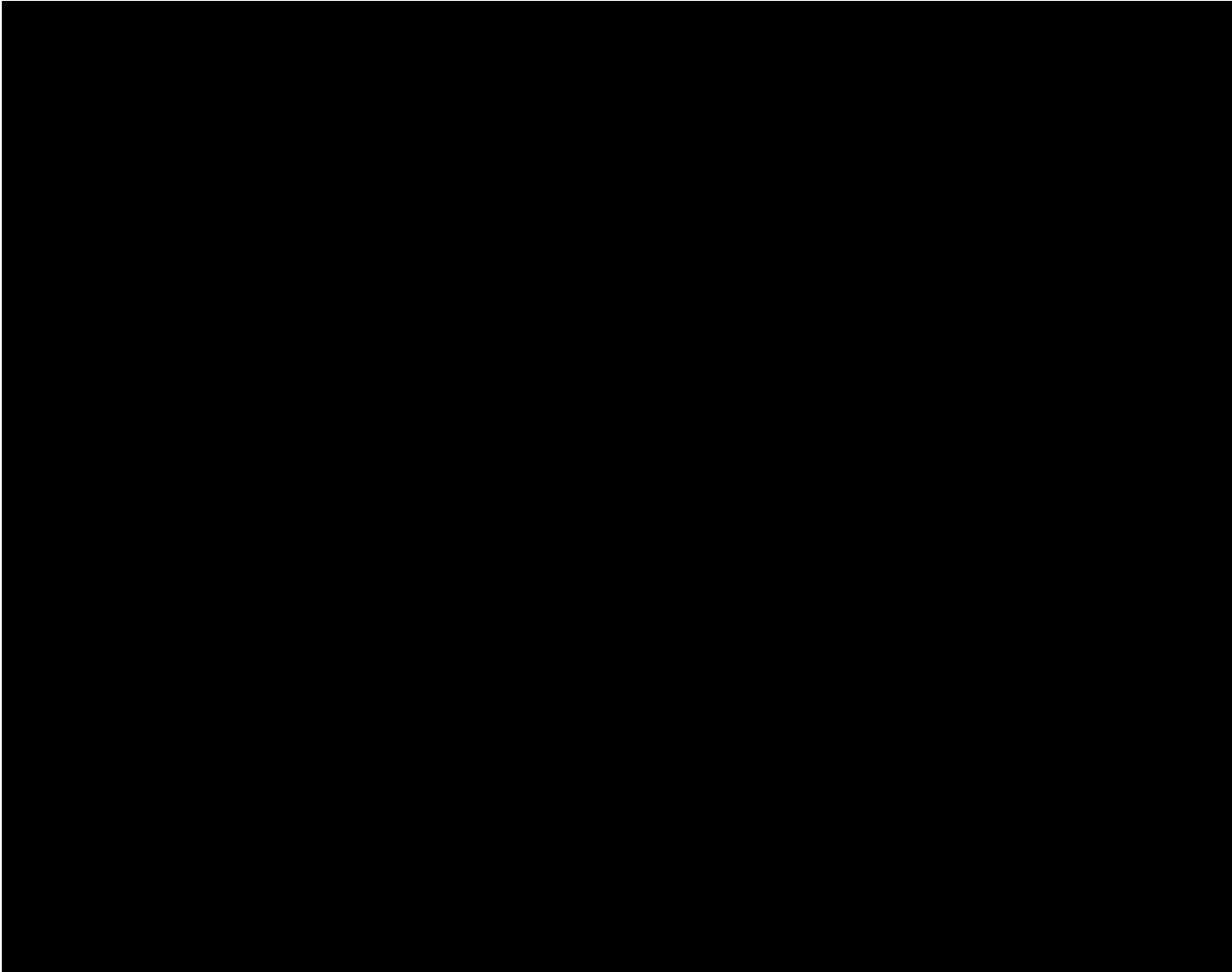
5

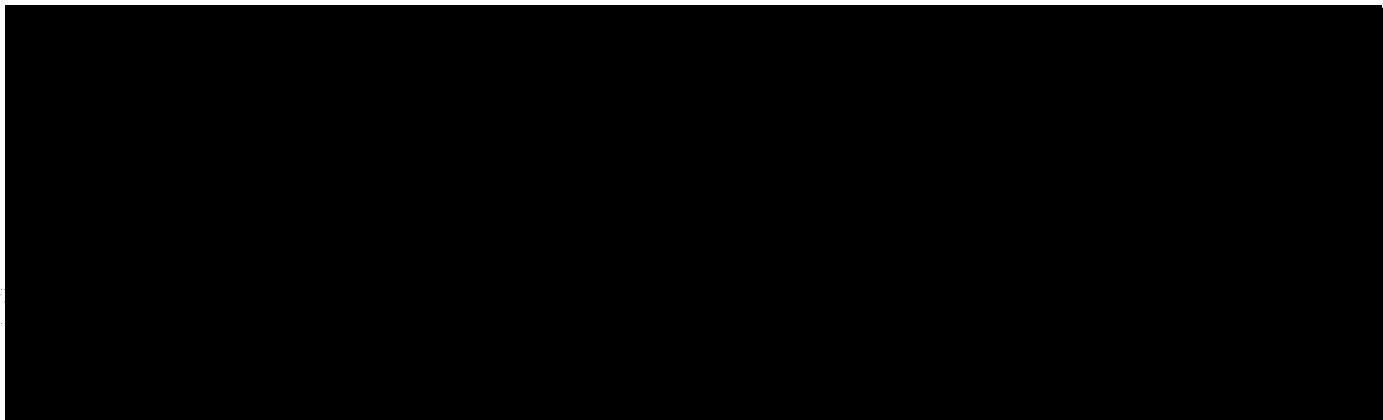
5











Analysis of supermarket RULP prices over the last two years

Background

This week there has been some media commentary suggesting that the supermarket petrol chains - Coles Express and Woolworths - have been “slugging motorists to subsidise their milk and bread war” (see *Australian Financial Review*, 1 February 2011). These reports were based on comments by Geoff Trotter, General Manager FUELTrac. Trotter also said “the “extraordinary” rise in price was unexplainable” and suggested that Coles Express were leading the price rises in Brisbane, the Gold Coast and the Sunshine Coast (see article from the *Sunshine Coast Daily*).

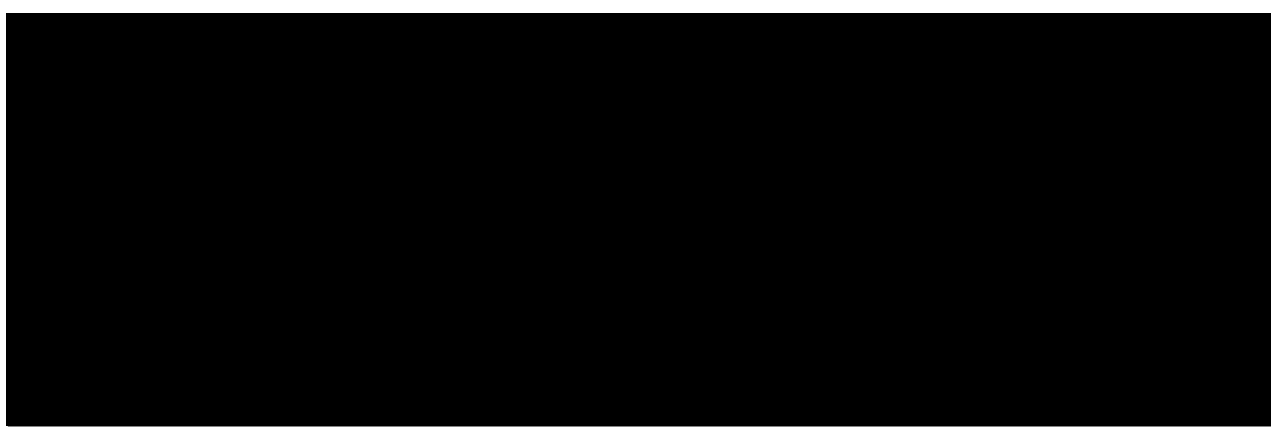
- Copies of these reports are at Attachment A.

In the context of these media reports, this note examines three elements of retail RULP brand average prices in the four eastern capital cities (Sydney, Melbourne, Brisbane and Adelaide). These are:

- The relative pricing of the major brands (ie brands with 10 or more sites in the city) by city.
 - This work extends on analysis that was presented to the Fuel Group strategic meeting on 6 August 2010, which examined the 18 month period to June 2010;
- The gross indicative retail margins (GIRMs) by brand, by city, using company posted terminal gate prices (TGPs); and
- The relative prices of the two supermarkets (Coles Express and Caltex/Woolworths) compared with market average prices in each city.

The analysis is based on daily brand average price data from Informed Sources over the 25 month period 1 January 2009 to 31 January 2011.

Charts and data are provided in Attachment B.



Motorists 'pay the price'

Major supermarkets are slugging motorists to subsidise their milk and bread war, a fuel monitor said. FUELtrac general manager Geoff Trotter said petrol prices rose by up to 15S a litre to \$1439 over the weekend. "In what appears to be a pretty coordinated move, it appears that Shell Coles express decided to move their service stations' [prices] up in Brisbane, the Gold Coast and the Sunshine Coast," Mr Trotter told AAP yesterday. They moved up to a price of 143.9S a litre and this was at a time the Shell wholesale price had actually come down. The effective Shell wholesale price was 124.37, which meant they were making a retail margin of over 19\$ a litre, which is extraordinarily high." AAP

FBA 010

Copyright Agency Ltd (CAL) licenced copy

Petrol could be subsidising milk

Kieran Campbell | 31st January 2011

PETROL bowsers had Sunshine Coast motorists baffled at the weekend when prices skyrocketed by 9c/litre without warning.

Anyone looking at 133c/litre for fuel on Friday night would have been shocked to see the price shoot up to 144c/litre at some service stations on Saturday morning.

By yesterday most service stations had followed suit.

General manager of petrol watchdog Fueltrac, Geoff Trotter, said the "extraordinary" rise in price was unexplainable.

The jump was lead primarily by Coles- and Woolworths-owned service stations and happened over a 24-hour period on the Sunshine Coast, Gold Coast, Brisbane, Melbourne, Sydney and Adelaide.

In some places petrol jumped by 15c/litre in one fell swoop.

Fueltrac monitors the margins between wholesale costs and retail prices of fuel.

Mr Trotter said the profit margin for some service stations following Saturday's giant jump was almost 20c/litre – four times the normal margin.

"It is extraordinarily high," he said.

"Usually at the top of the price cycle (the service stations) might be getting two or three times the normal margin, but I've never seen four times."

Mr Trotter said a price cut for milk, announced by some major supermarkets recently, might be resulting in the costs being rescued at the bowser for the major companies.

"Is it an attempt by them to subsidise their milk discount? I'm not sure.

"Is this Coles and Woolworths' contribution to the flood relief? Is this the biggest thing they can do to help Queensland?"

Buderim Shell service station manager Murtaza Asif said he could understand motorists being frustrated.

"We don't follow the market so we will stay around 133c/litre for a while," Mr Asif said.

"People have a right to be upset because they don't know what's going on.

"It's all run by the big market leaders."

Mr Trotter said the jump at the weekend was close to the record prices motorists had paid in 2008.

The difference this time was that the price of oil was much lower than three years ago.

"The ACCC's petrol price commissioner ... may well want to have a look at how they moved to these prices in the course of 24 hours. It's beyond coincidence," he said.

Mr Trotter expected independent service stations to follow the price rise because the profit margins were too attractive.

Based on the falling price of crude oil, he said there should be no rise in petrol prices in the next few weeks.

FUEL FURORE

Petrol prices from Saturday to Sunday:

Coles Express, Nicklin Way, Aroona: 133.5c/litre to 142.9c/litre

Caltex, David Low Way, Bli Bli: 131.7c/litre to 141.4c/litre

Caltex, Nicklin Way, Currimundi: 131.7c/litre to 141.5c/litre

Caltex Woolworths, Aerodrome Road, Maroochydore: 143.9c/litre to 141.5c/litre

7 Eleven, Aerodrome Road, Maroochydore : 143.9c/litre to 141.5c/litre

7 Eleven, Bli Bli Road, Nambour: 129.9c/litre to 141.5c/litre

Coles Express, Nambour Connection Road, Nambour: 143.9c/litre to 142.9c/litre

