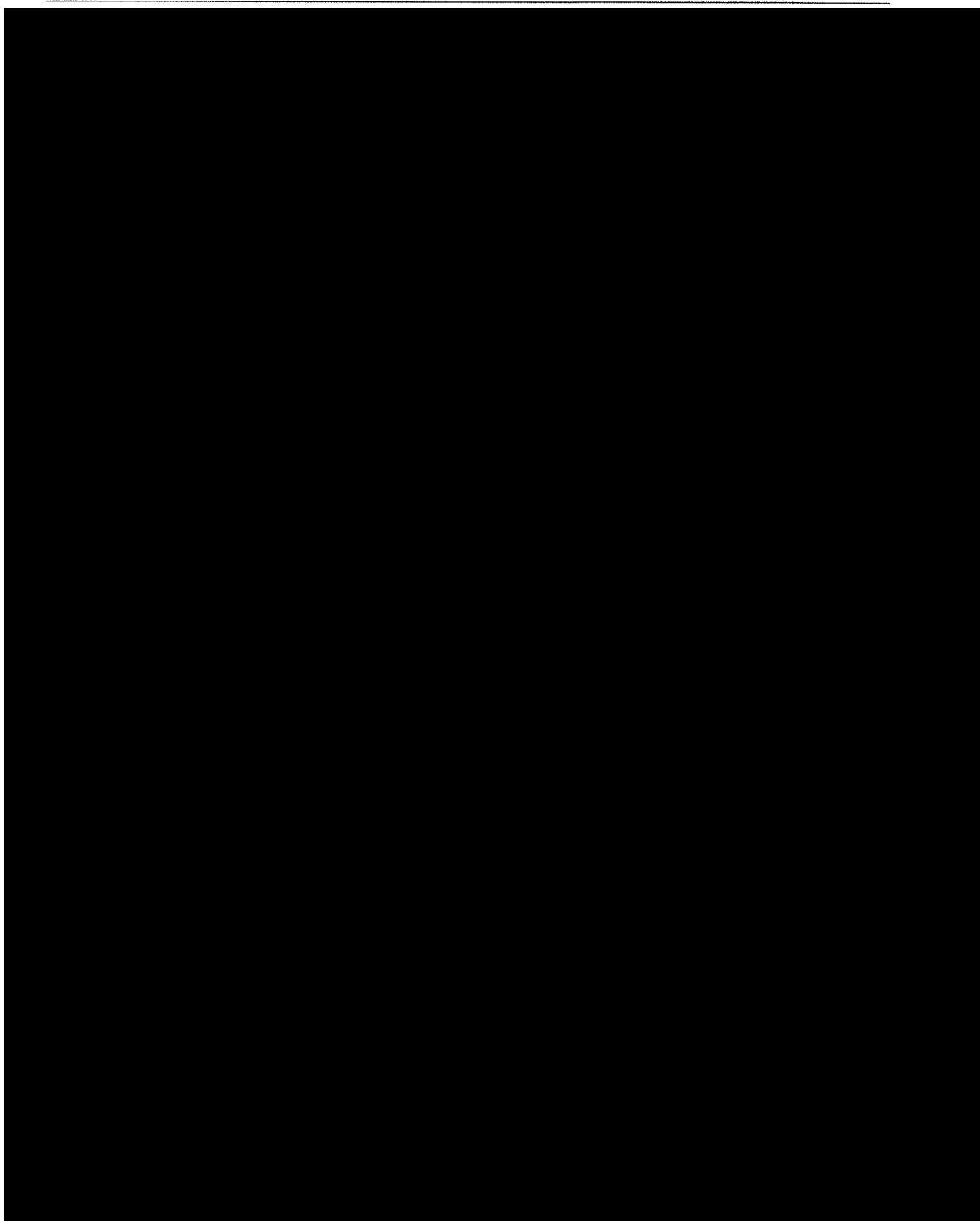
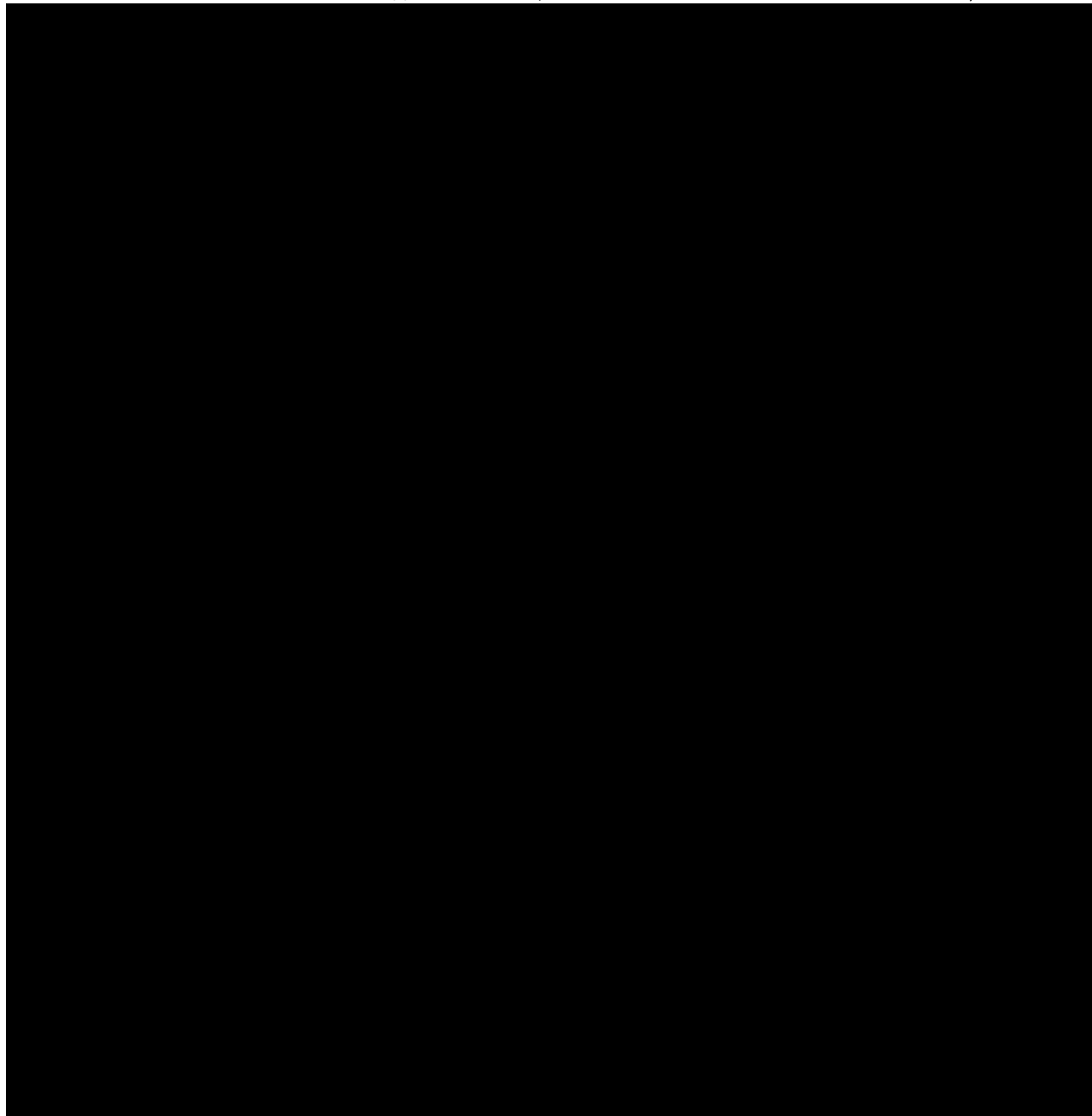




Australian
Competition &
Consumer
Commission

Enforcement Committee Submission





Australian Automobile Association Report

- 4.24 The ACCC received a copy of the draft AAA report titled "Impact of Supermarket Fuel Discount – Market Analysis" on 10 February 2012, through the media. The report claims that fuel prices and margins (i.e. the difference between retail prices and wholesale prices) have been higher by up to 2 cpl since late October 2011 following the introduction of 8 cpl shopper docket discount schemes by Coles Express and Woolworths. A copy of the final report, substantially unchanged from the draft, was subsequently provided to the ACCC directly by the AAA.
- 4.25 The AAA claim that fuel prices and margins (i.e. the difference between retail prices and wholesale prices) have been higher since November 2011 following the recent 8 cpl shopper docket discount schemes by the supermarkets. They suggest that some of the savings promoted by the relevant fuel retailers may therefore be illusory.
- 4.26 RAPM considered a paper (1112/68) which provided comments on the AAA report at its meeting on 5 March.

4.27 There are a number of difficulties with the AAA analysis which include the following:

- 4.27.1 Petrol retail margins are volatile and vary significantly on a weekly and monthly basis. On the information currently available to the ACCC, there is no obvious correlation between higher margin periods and the offer of the 8cpl discount.
- 4.27.2 For example, as against the 2010-11 average margin of 7.6cpl, while margins in November and December 2011 were slightly higher (around 10cpl and 9cpl respectively), margins have actually been lower in other periods where the 8cpl discount was also being offered (such as July and August 2011, where margins were 7.8cpl in July and 6.7cpl in August, which was the lowest for the year).
- 4.27.3 The ACCC experience is that prices in the cycle are generally led up by Caltex or BP rather than the supermarkets. Any instance of the supermarket retailers leading price increases to accommodate the increased fuel discounts would be at odds with this experience. The AAA acknowledges this but queries whether things may have changed. A comparison of the retail prices of the supermarkets relative to the market average price in the five largest cities indicates that they have been largely the same before and after November 2011, which suggests this shift has not occurred.
- 4.27.4 The AAA also notes that the duration of price cycles increased from 10 to 11 days on average in late 2011. This is correct. However, the duration of price cycles has been increasing since mid-2010 (when the average duration was seven days) which was noted in the 2010 and 2011 ACCC petrol monitoring reports. It is unlikely to be linked to shopper docket discount increases.

