

**BRIEF FOR ADDITIONAL ESTIMATES FEBRUARY 2012
BRANCHES: FUEL GROUP AND E&C DIVISION EXECUTIVE OFFICE**

Matters raised by the AAA re. shopper dockets

Issue

The Australian Automobile Association has issued a report titled *Impact of Supermarket Fuel Discount – Market Analysis*. The report proposes that clubs lobby the ACCC Petrol Commissioner to assess whether the last 8cpl supermarket discount provided public benefit. The report has received media and political attention.

Key points

- AAA claim that fuel prices and margins (ie the difference between retail prices and wholesale prices) have been higher since November 2011 following the recent 8.0 cpl shopper docket discount schemes by the supermarkets.
- The AAA suggests that some of the savings promoted by the relevant fuel retailers may therefore be illusory.
- The ACCC will carefully consider the contents of the AAA report but there are some early comments that can be made about some of their arguments.
- Petrol retail margins are volatile and vary significantly on a weekly and monthly basis. On the information currently available to the ACCC, there does not appear to be an obvious correlation between higher margin periods and the offer of the 8cpl discount.
- 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 7.8 cpl in July and 6.7 in August, which was the lowest for the year).
- Having analysed gross indicative margins for each price cycle in the five largest cities from the beginning of 2011, we note that in all cities, the price cycles with the highest margins occurred prior to the period in which the 8cpl shopper docket scheme was operating.
- In addition, in January 2012 the margin decreased by 1.9 cpl to 7.0 cpl despite there being an 8.0 cpl discount.

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- The ACCC experience is that prices in the cycle are generally led up by Caltex and 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 query 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.
- The AAA also note 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.



