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17th August 2020

Gennady Kleiner
Director, Adjudication
ACCC
Level 17, 2 Lonsdale Street
Melbourne Vic 3000

Dear Mr Kleiner

RE: Australian Institute of Petroleum application for authorisation AA1000488

Thank you for the opportunity to provide a submission on this draft determination.

RACQ is concerned about the potential implications on competition and consumer welfare arising from this draft determination.

We are cognisant the global restrictions on personal movement in response to the COVID-19 pandemic, and the subsequent reduction in travel and fuel use, presents an unprecedented environment, and that the fuel industry requires special and unusual considerations at this time.

We have reviewed the terms of the draft determination and it is the view of RACQ that they are reasonable and sufficient to address any immediate competition, pricing and consumer welfare concerns.

However, we are keen to ensure that these arrangements are in place for as brief a period as possible and are curtailed at the earliest opportunity.

We are also aware that the automotive and aviation fuel markets are affected to a greater or lesser extent and would like these different markets to be considered separately. For example, the impact of COVID-19 restrictions automotive fuel market is different to the impact on the aviation fuel market, and we foresee a situation where ongoing coordination may be appropriate for aviation fuels, but not for automotive fuels. As such we ask that the draft determination addresses the automotive and aviation fuel markets separately.

RACQ would like to see clear and measurable targets for the curtailing of these arrangements. We suggest that the arrangements should end when unleaded petrol and diesel demand (as reported in the Australian Petroleum Statistics, published by the Department of Industry, Science, Energy and Resources) returns to close to pre-COVID levels.

RACQ notes that the June 2020 edition of the Australian Petroleum Statistics shows that combined retail sales of unleaded petrol and diesel fuel Australia-wide, at 1,787 million litres, were 94% of pre-COVID consumption (of 1,904 million litres, observed for June 2019). However, we are aware that the recent lockdown in Victoria and other travel restrictions imposed by other states will impact retail fuel sales, and reported sales are likely to fall in the July and August data.



We are aware that demand aviation fuel has fallen substantially greater than demand for automotive fuels. However, as reported in the Australian Petroleum Statistics demand of aviation fuel in now exceeds Australian production. In June 2020, 184 million litres of aviation fuel were consumed, and 22 million litres were produced, suggesting that Australian fuel industry has already compensated for the fall in demand by curtailing production. Thus, limiting the need to coordinate supply.

To conclude, RACQ supports the draft determination as an interim measure, and the on-going application of the draft determination for as brief a period as possible.

It is RACQ's strong opinion that this arrangement should be as brief as possible. The arrangement in the automotive fuel market should be curtailed as soon as sales volumes return to 90% of pre-COVID levels. We accept that on-going coordination may be required for the supply of aviation fuels and suggest this be addressed in separate determination.

Please feel free to contact me, or Dr Ian Jeffreys, Principal Policy Advisor on [REDACTED] or [REDACTED], if you require any further information.

Yours sincerely

[REDACTED]

Dr Rebecca Michael
Head of Public Policy

[REDACTED]
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