



MEDIA RELEASE

DR CRAIG EMERSON

Minister for Small Business, Independent Contractors and the Service Economy
Minister for Competition Policy and Consumer Affairs
Minister Assisting the Finance Minister on Deregulation

2 December 2009

Government asks competition watchdog to investigate possible anti-competitive petrol pricing practices

Today I have written to the Australian Competition and Consumer Commission (ACCC) requesting it to investigate possible anti-competitive behaviour in the setting of petrol prices in the weekly price cycle.

The Government, aware that the weekly price cycle does not occur in other countries, has been concerned for some time about possible coordinated conduct by petrol companies.

In its decision on the proposed merger between Caltex and Mobil, the ACCC has indicated that it believes there is deliberate coordinated conduct by the major oil companies during the price hiking phase of the petrol price cycle.

The ACCC considers that the speed with which petrol pricing information is exchanged between competitors, via the industry website Informed Sources, makes it more likely that price rises stick during the hiking phase.

The ACCC has observed that firms discount heavily, including below cost during the discounting phase of the petrol price cycle, confident of being able to restore profit during the hiking phase.

Industry subscribers to Informed Sources are provided with changing prices at every station, for every type of fuel in a geographic area, up to every 15 minutes.

The risk of leading up the price is lessened where the oil company can watch, in almost real time, for price-matching responses and return to the previous price level if competitors do not follow.

The Government has asked the ACCC to assess whether coordinated activity among major oil companies is affecting the pattern and height of the regular price cycle to the detriment of motorists.

The Government has asked for initial advice to be provided before Christmas.

Since coming to office, the Government has legislated to toughen the predatory pricing laws and has criminalised serious cartel conduct.

In addition, the Government has funded the ACCC to prepare regular petrol price monitoring reports as a basis for better understanding commercial behaviour in the industry.

Media Contact: Chris Ward 0418 424 654