



MEDIA RELEASE

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Government to consider petrol report

A petrol industry monitoring report prepared by the Australian Competition and Consumer Commission (ACCC) finds that the weekly fuel price cycle is getting bigger and more regular.

The *Report of the ACCC into the prices, costs and profits of unleaded petrol in Australia*, and a separate confidential report to me, raise concerns about price signalling among major petrol retailers during the price-hiking phase of the price cycle.

However, it could be that some price-sensitive motorists buy their petrol mainly on the heavy discounting days of the cycle when petrol is supplied at or below cost.

According to the ACCC, the oil majors (BP, Caltex, Mobil), supermarket retailers (Coles Express and Woolworths) and large independent retailers (including 7-Eleven) then seek to recover losses during the price-hiking phase of the cycle.

The ACCC's evidence suggests that in each capital city one of the major petrol retailers usually leads the market up sharply after the bottom of the price cycle and the other major retailers follow in the knowledge they won't be undercut by rivals.

Vital real-time price information is transmitted through the Informed Sources website, to which the major petrol retailers subscribe.

The report suggests this enables major petrol retailers to know what price each other is charging within minutes of the first weekly price rises occurring.

The majority of independent retailers are not subscribers to Informed Sources, making their pricing decisions harder to observe.

According to the ACCC, it is usually the independent retailers and Woolworths that lead the market down each week.

In markets where independent retailers are more prevalent the fuel price cycle is far less pronounced.

This is not a criticism of Informed Sources. In its absence alternative vehicles for conveying real-time price movements could be relied upon.

The ACCC finds that in 2008-09 petrol companies actually made a net loss but that in profitable years they typically make a net profit of 2 to 6 cents per litre.

The Government will carefully consider the ACCC's evidence on petrol price cycles.

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