



BP PROPOSED ACQUISITION OF WOOLWORTHS' RETAIL SERVICE STATION SITES



Australian
Automobile
Association

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Introduction

The Australian Automobile Association (AAA) thanks the Australian Competition Consumer Commission (ACCC) for the opportunity to provide feedback in relation to the proposed acquisition of Woolworths Limited's network of retail service station sites by BP Australia Pty Ltd (the proposed acquisition).

The AAA is the peak organisation for Australia's motoring clubs and their eight million members. The AAA advances the interests of all road users across Australia to ensure land transport networks are safe and sustainable, and that the cost and access to transport is fair for all Australians.

On a national level, the AAA and its member clubs are particularly interested in how the proposed acquisition will impact on competition and fuel prices. According to the AAA's December 2016 Transport Affordability Index, a family with two cars spends over \$3,200 per year on fuel. This represents almost 19 per cent of their total transport costs. Further, when motorists were surveyed about road use and transport issues, the price of fuel is nominated as an important concern by 88 per cent of motorists and is the top concern for 15 per cent. These statistics are an important reminder that transport and more importantly, fuel, are significant costs to household budgets across Australia. Given the importance of the price of fuel to the average Australian motorist, the AAA and member clubs have been strong consumer advocates over many decades.

The majority of member motoring clubs have expressed concern about the proposed acquisition with the main concern being the possible effect on fuel prices. Analysis from some member motoring clubs indicates that Woolworths service station sites often have lower prices across the fuel cycle in some localities, while BP tend to have higher prices and often lead increases in price across the cycle. Clubs have also expressed concern regarding the wholesale market effects that may result from the proposed acquisition. However, the exact nature of the impact is unclear at this stage.

The AAA considers that if the proposed acquisition proceeds, BP should be required to on-sell all sites in towns and suburbs where the BP brand would dominate the market. This test should consider all BP branded sites, not just the company-owned BP sites.

This submission provides an overview of consumer fuel buying behaviour in terms of price sensitivity and other factors that are considered when purchasing fuel as well as answering the specific consultation questions that relate to:

- Competition between fuel retailers;
- Local competition;
- Regular retail price cycles;
- Barriers to entry; and
- Other potential competition issues.

All state motoring clubs have been consulted in the development of this submission, however specific feedback from the Royal Automobile Club of Victoria (RACV); the Royal Automobile Association of South Australia (RAA); the Royal Automobile Club of Tasmania (RACT) and the Automobile Association of the Northern Territory (AANT) have been incorporated (see also Appendixes A-D). The National Roads and Motorists' Association (NRMA) and the Royal Automobile Club of Queensland (RACQ) will be providing separate submissions to the ACCC highlighting specific regional effects that may result from the proposed acquisition.

The AAA is aware that there will be further opportunity to provide feedback on the proposed acquisition as the ACCC moves through the merger process. The AAA considers that it is critical that more information on the exact nature of the proposed acquisition, including the specific sites involved and associated sales volumes, is made available to ensure that a more detailed analysis of micro level competition issues can be undertaken. The AAA understands that this information will be made available in the coming weeks and some clubs may wish to make a further supplementary submission following the release of this information.

The AAA and member clubs look forward to working with the ACCC as the merger process progresses.

Consumer fuel buying behaviour

Overview

In 2013, the AAA released the 'Motoring Report 2013' to better understand the views of the modern motorist. Of relevance to the ACCC in the context of the proposed acquisition is the report's analysis around fuel purchasing behaviour and trends¹. The report was the result of extensive qualitative and quantitative research conducted by the AAA, on behalf of member clubs, in order to gauge current and emerging motoring, transport and cost of living trends and concerns. It built on previous research and surveys conducted by the AAA on a regular basis since 1995.

The AAA Motoring Report 2013 found that the cost of keeping a car on the road is significant, with motorists always seeking value for money and shopping around for a better deal. The report confirmed both the breadth of these costs and the iconic nature of fuel costs. Fuel was ranked the top concern in terms of motoring costs at 88 per cent, an increase of seven points since 2007 and has been a consistent feature in subsequent research conducted by the AAA.

Although this section of the submission focuses on the AAA consumer research, state motoring clubs also conduct their own state specific consumer behaviour research, some of which is outlined in Appendixes A-D. The AAA would also encourage the ACCC to review the recent research undertaken by the Australasian Convenience and Petroleum Marketers Association (ACAPMA) in their report National Monitor of Fuel Consumer Attitudes released in 2015².

Similar to the results of the AAA research, the key finding from the ACAPMA research is that price still dominates the purchase decision. Use of supermarket discount vouchers is also widespread and drives the behaviour of many fuel consumers. Other key findings from the ACAPMA research include:

- The majority of consumers always purchase fuel from the same, or one of a few, fuel stations, it seems that many are doing this to take advantage of supermarket discount vouchers.
- Loyalty programs are the most often mentioned reason consumers loyal to Coles and Woolworths give for shopping with the supermarket brand.
- Frequent customers of larger retailers such as BP and Caltex were more likely to indicate location, while consumers who choose less dominant brands, such as United, Costco, Puma and other independent retailers, most often mentioned lower prices as the reason they purchased fuel from their preferred brand.

The following sections highlight several insights into fuel buying behaviour outlined in the AAA 2013 report.

Selection of service stations

Fewer people indicated that they were shopping around at different times of the week for cheaper fuel (33 per cent, down 16 points since 2007) and only 15 per cent reported shopping around at different service stations. Almost half (49 per cent) did not shop around at all.

Where motorists did select a location based on price, 77 per cent used price boards while 25 per cent noted the price at the pump. Other motorists noted that they determined information on price through word of mouth (13 per cent), the media (11 per cent) and websites (5 per cent). Some motorists indicated that they rarely look at prices (6 per cent).

The use of discount vouchers

The report found that the use of supermarket vouchers had plateaued at 78 per cent of motorists, but the frequency of use had increased. 32 per cent of people used supermarket fuel vouchers every time they'd fill up – an increase of 11 points on 2007. Interestingly, only 42 per cent of motorists believed they saved money when they used a supermarket fuel voucher.

Fuel use and reasons for selection

The report found that most people (91 per cent) are still using petrol in their cars but since 2007, there has been a shift from unleaded (down 21 points to 51 per cent) to premium 95 unleaded (up 7 points to 12 per cent) and ethanol blends (up 9 points to 15 per cent).

When motorists were surveyed as to why they use the fuel they do, the majority noted cost (36 per cent), closely followed by car manufacturer recommendations (32 per cent) or a requirement of the vehicle driven (20 per cent). Other factors noted included it being easily available (18 per cent), fuel efficiency (17 per cent), improvement of performance (12 per cent) and better for the environment (10 per cent).

Answers to consultation questions

Competition between fuel retailers

3. Please address the closeness of competition between BP and Woolworths for the retail supply of fuel. Relevant factors may include geographic areas of supply, product ranges, non-fuel offerings, and their response to each other's pricing. Please provide specific examples where possible.

As noted previously, the majority of motoring clubs across Australia have expressed concern in regard to the proposed acquisition, however the impact of the proposed acquisition differs across the states and territories.

For example, in relation to the South Australian market the RAA noted that there is currently no direct competition between BP Australia and Woolworths controlled sites so competition implications are expected to be limited. On the other hand, in Tasmania, the RACT noted that there are a significant number of locations where BP and Woolworths sites currently co-exist with minimal competition. Smaller towns within Tasmania may have no other offer within the town if the merger goes ahead. Larger towns, such as Kingston, are also affected due to the lack of current competition. The AANT noted analysis undertaken in the November 2015 ACCC Report on the Darwin petrol market that found that the market was highly-concentrated due to weak retail competition.

Given the significant variance in possible competition implications across geographical locations the AAA urges the ACCC to analyse individual locations for specific competition implications, rather than taking a national approach. The AAA also notes that the lack of specific site information has limited some further investigation that clubs could undertake to better understand specific competition implications.

4. How important is price compared to other features of the offer of fuel retailers (e.g. brand, location, range of fuels, convenience offering, branded fuel cards, on-site facilities) in driving customer choice of petrol retailer? Do any fuel retailers have the ability to sustain higher fuel prices due to other features of their offer (e.g. the quality of their sites)?

As identified previously, AAA research as well as relevant state research indicates that price is consistently rated as the most important factor when selecting a service station. RAA research indicates that when members were asked to rate out of 10 the reason for choosing a service station the following results were found: price (8/10), location (7.6/10), fuel discounts (5.6/10), brand (4.5/10) while in-store food and drink rated 1.6/10.

The ACAPMA research also found similar results. Almost a third

of motorists always shop with the same fuel retailer, with location, price and loyalty programs the main drivers of consumer loyalty. For example, 48 per cent of consumers indicated that location was the main reason they usually purchase fuel from a particular brand of petrol station, while 44 per cent indicated that price was one of the main reasons.

5. Please comment on whether customers can or do vary their normal fuel buying habits in response to a change in prices. In particular, to what extent are consumers loyal to one or more of the following:

- a. a particular retail service station site (i.e a particular location)?**
- b. a particular operator (e.g. Woolworths)?**
- c. a particular brand of petrol (e.g. BP).**

In your answer, you may wish to comment on the importance of shopper docket schemes or branded fuel cards.

The ACAPMA research found that while price was the most important factor when deciding where to purchase fuel for 60 per cent of consumers, 30 per cent of consumers always purchased petrol from the same service station. Convenience to work or home was the major reason behind loyalty to one or two petrol stations, however the desire to utilise supermarket discount vouchers was just as prevalent.

Research from RACV in Victoria indicated that around 71 per cent of consumers reported that they have purchased fuel immediately after hearing an RACV media or social media comment suggesting an impending price increase. This suggests that although a consumer may be loyal to a particular service station, notification of an impending price increase will prompt them to fill up earlier than they may have planned. Similar responses were also found in research by the RAA in South Australia where 76 per cent of RAA members would follow RAA's advice and fill up to avoid the spiking petrol price. Similarly, 74 per cent of members would follow RAA's advice to hold off filling up for a few days to take advantage of lower fuel prices

Regarding shopper docket schemes, AAA research indicated that 78 per cent of motorists used the docketts and that the frequency of use had increased. Of the respondents that used docketts, 32 per cent of people indicated that they used them every time they'd fill up – an increase of 11 points on 2007. Interestingly, only 42 per cent of motorists believed they saved money when they used a supermarket fuel voucher.

The ACAPMA research found similar results, with 42 per cent of motorists indicating that they use supermarket discount docketts to get the best price. Motorists who choose to shop at the supermarket affiliated service stations are generally more price sensitive as 62 per

Local competition

cent of respondents who shop at Woolworths and 58 per cent who shop at Coles indicated that price was the most important factor in their decision to purchase fuel. Many customers equate using their supermarket discount vouchers as shopping for the best price, however customers also indicated that they were aware that the savings were minimal.

In Tasmania 50 per cent of RACT members have used the RACT United petroleum discount since launch in March (around 90,000 members). This is a significant variation from the purchasing patterns in place previously. The AANT also noted that since an agreement was commenced between AANT and United, AANT members have embraced the discount offer with a subsequent volume shift to United. The AANT also noted that this may have contributed positively to fuel prices with retail margins in Darwin now comparable to interstate.

6. Please provide any comments regarding the likely effect of the proposed acquisition on competition in particular local retail markets. In doing so, please make reference to the extent of competition BP is likely to face from other retail service station sites within each local market in which you consider there may be an issue. In your answer, you may wish to comment on issues such as:

- a. the distance customers travel to buy petrol in the particular local market**
- b. the distance that customers would be prepared to travel to take advantage of lower petrol prices at another location**
- c. the influence of customer travel patterns on which service stations they frequent.**

The AAA and member clubs have limited site specific information to conduct a site-by-site analysis at this stage in the consultation process and would urge the ACCC to conduct this as part of their merger process. However, general information on consumer behaviour can be referred to as noted previously in the submission.

The ACAPMA research indicates that frequent customers of larger retailers such as BP and Caltex were more likely to indicate location as the reason for their loyalty, while consumers who choose less dominant brands and other independent retailers, most often mentioned lower prices as the reason they purchased fuel from their preferred brand. For example, 63 per cent of BP customers, 59 per cent of 7Eleven customers and 53 per cent of Caltex customers indicated that they frequently purchase fuel from the brand due to the location of the petrol station.

RAA research indicates that price closely followed by location were the top two reasons for the selection of a service station. Further, RACV generally recommends not travelling extended distances in the pursuit of cheaper fuel prices as any price benefit may be eroded in extra distances driven.

However, in South Australia, there is anecdotal evidence that one service station (Costco at Kilburn) can have significantly lower prices than the market average. Experienced motorists know this and will travel significant distance to access it (e.g. 20 km), combining the trip with a bundle other activities (i.e. food shopping, appointments etc.). RACT members have also shown a propensity to travel to receive their United discount but there is a significant proportion in rural areas who do not have the ability to do this as there is no other option within close proximity.

Regular retail price cycles

Fuel prices in large Australian cities tend to be cyclical. A typical price cycle involves a sharp increase in retail petrol prices over a relatively small number of days (the price increase phase), followed by a gradual decline in price over a few weeks or more (the discounting phase).

7. In your experience, are the ACCC's observations about price cycles, described above, borne out in practice?

State and territory motoring club experience of price cycles is consistent with the ACCC's analysis in some of the larger markets however, in some of the smaller markets such as Canberra and Tasmania, price cycles are less evident.

8. Please comment on how competition between metropolitan fuel retailers in the price increase and discounting phases might change as a result of the proposed acquisition.

In your answer, you may wish to consider whether BP or Woolworths play a role in leading or supporting the price increase or discounting phases in any metropolitan areas, and which retailers tend to follow quickly and which retailers tend to lag their price increases.

According to analysis by the RACV in Victoria, other fuel retailers exhibit far less desirable pricing strategies when compared to BP. For example, it was found that the cyclic average price of Coles Express was 4.4 to 7.1 cpl greater than local competitors, depending on the locality. Of the localities containing BP stations it was found that BP were typically among the first to initiate the price rise, along with employing less aggressive discounting strategies than their competitors, further, BP sites tended to be 1.5-2.5 cpl higher than that of nearby competitors.

Within a given locality in Victoria, Woolworths branded sites would follow similar price increase strategies, however they were observed to be more aggressive during the discounting phase and as a result were often amongst the lowest of average prices for the duration studied. For example, in Hampton Park, the Woolworths branded Caltex site was 7 cpl cheaper than the Melbourne average. The BP station was 0.7 cpl greater than the Melbourne average creating a large average price differential between BP and Woolworths of 7.7 cpl, for this locality.

The RACQ noted that their main concern about the proposed acquisition is the possible effect on price. In the Brisbane unleaded petrol (ULP) and diesel markets, BP is one of the most expensive brands and Woolworths one of the cheapest. The acquisition will lead to one of the cheapest retailers in Queensland being replaced by one of the most expensive.

According to RAA's analysis of the Adelaide fuel cycle, Woolworths has the lowest price of the major fuel retailers in each phase of the fuel cycle. Prior to BP Australia exiting the Adelaide market, BP Australia often would initiate the price spike and be a higher priced retailer.

As noted previously, the RACT does not believe Tasmania experiences fuel cycles as experienced in other states and territories.

9. Please comment on how customers react to movements in the price cycle. For example, to what extent do customers time their purchases of fuel to acquire it at a lower point in the price cycle?

As noted previously, there is evidence to suggest that consumers respond to price cycles as 71 per cent of consumers reported that they have purchased fuel immediately after hearing an RACV media or social media comment suggesting an impending price increase, while in South Australia 76 per cent of RAA members would follow RAA's advice and fill up to avoid the spiking petrol price.

However, analysis on price and sales volumes completed by RACQ and published in Economic Analysis and Policy³ suggests that consumers do not substantially change their purchasing behaviour in response to the price cycle. During most of the price cycle sales volumes were the same. Only on the most expensive days of the price were sales volumes observed to drop.

Although these findings appear to be inconsistent with the consumer survey work undertaken by RACV and RAA, in reality these surveys highlight consumer intention to purchase fuel at cheaper prices, however, this consumer intention is not always reflected in consumer behaviour.

Barriers to entry

- 10. Please identify potential entrants to the retail supply of fuel in local markets and in large metropolitan areas and/or regional areas. Please address the likelihood of such new entry in response to any attempted increase in prices as a result of the proposed acquisition. In your response, please consider details such as:**
- a. economies of scale and the minimum efficient scale of market entry for a retail fuel chain**
 - b. costs of market entry, and the extent to which these costs would be irrecoverable on market exit**
 - c. timeframe for market entry**
 - d. any regulatory barriers, such as environmental or planning regulations**
 - e. access to key inputs or distribution channels**
 - f. any known potential new entrants (such as new service station sites expected to open)**
 - g. market growth/decline trends, and examples of recent market entry and exit.**

The AAA and member clubs are aware of barriers to entry in the retail fuel supply market in Australia due to regulatory, environmental and planning impediments.

For example, Tasmania has significant barriers to entry as identified in the ACCC Launceston fuel price review due to a lack of available sites to purchase/build in high density areas.

Other potential competition issues

- 11. Do you think that the amalgamation of BP's and Woolworths' retail operations would have any potential impact on other functional levels of the fuel industry (e.g. refining, wholesaling)? Would the proposed acquisition affect barriers to entry in relation to refining or wholesaling?**

The AAA and member clubs have some concern regarding the proposed acquisition's impact on the fuel wholesaling industry, however the exact impact is unclear at this stage due to a lack of information.

The AAA urges the ACCC to carefully consider any implications the proposed acquisition may have on the wholesale fuel market in Australia and in specific states and territories.

- 12. Does the proposed acquisition raise any concerns in relation to the non-fuel offerings ancillary to the supply of fuel? For example, would the proposed acquisition impact competition in the supply of convenience grocery stores?**

The AAA does not have any feedback in relation to this question.

- 13. Please provide any additional information or comments, or identify other competition issues, that you consider relevant to the ACCC's consideration of the proposed acquisition under section 50 of the Act.**

The AAA does not have any feedback in relation to this question.

Appendix A

RACV Feedback

RACV Member Engagement

RACV conducted a fuel price survey which attracted 1187 respondents between September 28, 2016 and November 19, 2016. This survey addressed fuel price availability and highlighted some consumer buying habits:

- 46.3% of respondents would purchase fuel once every 8 to 14 days
- 47.2% of respondents indicated that they would use a fuel price monitoring service every time, or most of the time to find the cheapest price prior to buying fuel.

For those that did not use fuel price monitoring services;

- 1.5% were not interested in the fuel price.
- 25% do not use fuel price monitoring services as they always use the same retailer for filling up.
- 38.1 % responded with open ended answers, the majority of these comments highlighted three key points;
 - Lack of local competition.
 - General awareness of local fuel prices through price board monitoring along regular routes.
 - Live in rural area where price cycle is not necessarily in effect.

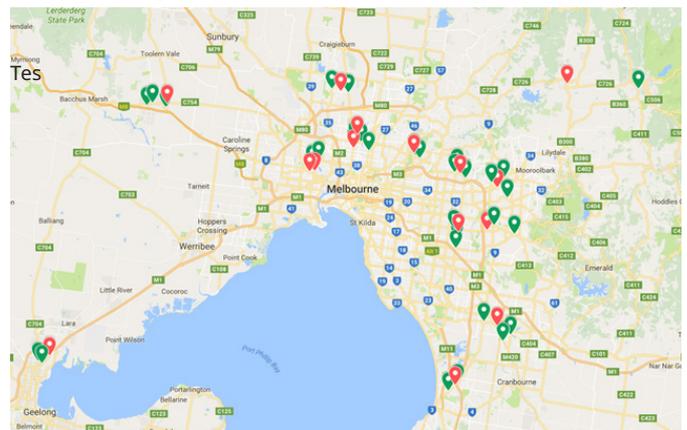
71.3% of respondents reported that they have purchased fuel immediately after hearing an RACV media or social media comment suggesting an impending price increase.

Milemaker Study

RACV recently conducted a study of 42 sites across 13 localities, daily average site prices were taken between 09/01/17 and 06/03/17. Whilst the primary focus was Milemaker sites it holds relevance in that;

- 6 localities contained one BP station.
- 8 Woolworths branded Caltex sites were included.

The broader scope of the study is shown in the map below, results are highlighted in addressing the relevant questions. Red markers were used to highlight Milemaker sites. It must be noted that the study only captures a portion of the broader market and the behaviour of a retailer over one fuel cycle may not be entirely reflected in previous or subsequent cycles.



Answers to ACCC consultation questions

Closeness of competition between BP and Woolworths i.e. geographic areas of supply, convenience offering, range of fuels, branded fuel cards and pricing responses;

No comment

How important is price compared to other offerings of service stations? Can these offerings lead to sustained higher prices?;

No comment

Whether customers vary their buying behaviour in response to price? Customer loyalty in regards to location/operator/brand?;

- 47.2% indicated that they would use a fuel price monitoring service every time, or most of the time to find the cheapest price prior to buying fuel.
- 71.3% reported that they have purchased fuel immediately after hearing an RACV media or social media comment suggesting an impending price increase.
- 25% of those which do not use fuel price monitoring services claim they always use the same retailer for filling up. More savvy consumers have identified the cheapest retailers in their locality and remain loyal to such retailers.

It appears that those who are less sensitive to fuel price are located in areas where competition is very limited.

Customer travel patterns and the impact on buying behaviour i.e. propensity for customers to travel to access cheaper prices;

RACV generally recommends not travelling extended distances in the pursuit of cheaper fuel prices, and members who engage with us tended to be dubious of the idea.

Mixed responses were submitted to the survey question "If you were relying on fuel price boards only and could only find the cheapest fuel by driving around, how would this affect your driving?"

- 33.8% and 43.2% reported that they would drive more and less respectively.

Any observations that relate to price cycles and any impacts the merger may have on these cycles and whether customers react to fuel cycles;

Coles Express was seen to exhibit far less desirable pricing strategies when compared to BP. We found the cyclic average price of Coles Express was 4.4 to 7.1 cpl greater than local competitors, depending on the locality. They were the first to initiate significant price increases with reduced rates of discounting.

Of the localities containing BP stations it was found that BP were typically among the first to initiate the price rise, along with employing less aggressive discounting strategies than their competitors.

Taking the average price across the entire duration analysed, BP sites had a tendency to be 1.5-2.5 cpl higher than that of nearby competitors.

Within a given locality Woolworths branded sites would follow somewhat similar price increase strategies; however they were observed to be more aggressive during the discounting phase and as a result were often amongst the lowest of average prices for the duration studied.

It is worth noting that in Hampton Park, the Woolworths branded Caltex site was 7 cpl cheaper than the Melbourne average for the same time period. The BP station was 0.7 cpl greater than the Melbourne average creating a large average price differential between BP and Woolworths of 7.7 cpl, for this locality.

Known barriers to entry including whether the merger will prompt new market entrants;

No comment

Implications for the wholesaling market in particular regions and the broader convenience store market.

No comment

RAA Feedback

Introduction

BP Australia currently does not own or control retail sites within South Australia having sold its assets to Peregrine Corporation (On The Run) in 2013-14. Therefore based on public commentary and the ACCC's documentation to date, it appears one major retailer will merely substitute another major retailer in South Australia.

Despite this appearance there are issues that the ACCC should consider in South Australia during its review as more information is gathered. It is RAA's experience that often acquisitions within South Australia indirectly involve Peregrine Corporation. Peregrine Corporation is now BP's major licensee, South Australia's largest fuel retailer and BP's fuel distributor within regional South Australia. The ACCC should determine whether BP Australia's acquisition will provide a direct or indirect benefit to Peregrine Corporation which could include the on selling of sites, expansion of their role as a BP's regional distributor, expansion of the BP Fleet Card network and possible inclusion of On The Run within a Woolworths fuel discount scheme.

It is RAA's experience that traditionally Woolworths is the lowest priced major fuel retailer in each phase of Adelaide's fuel cycle. Prior to BP Australia exiting the Adelaide market, BP Australia often would initiate the price spike and be a higher priced retailer when the fuel cycle was at its lowest point.

Member Advocacy Survey

The RAA has **attached** the latest Member Advocacy Survey questions re fuel which we gave the ACCC as part of the On The Run / BP Australia Acquisition.

Price is consistently rated as the most important factor for South Australian motorists when selecting a service station. Most recent research was an RAA Poll (December 2013) with a sample size of 270. When selecting a retail site, members rated the following attributes:

- Price = 8.0 / 10;
- Location = 7.6 / 10;
- Fuel discount = 5.6 / 10;
- Brand = 4.5 / 10;
- In-store food and drink = 1.6 / 10

The same poll also asked whether consumers believed fuel discounts were genuine: Yes = 23%; No = 63%; Unsure = 14%

In relation to price cycles, 76% of RAA members would follow RAA's advice and fill up to avoid the spiking petrol price (January 2016), while 74% of members would follow RAA's advice to hold off filling for a few days to take advantage of lower fuel prices (January 2016).



RAA Member Advocacy Research – Fuel Summary

1. Background

RAA has a long and proud tradition of motoring advocacy on behalf of our nearly 600,000 members. The Advocacy survey was undertaken in January 2013 to gain member’s views and opinions regarding a number of key areas relating to road safety, driver behaviour, transport choice, fuel and credibility of RAA representing the community on various advocacy related activities.

2. Methodology and Sample

3.1 Quantitative Online Survey – RAA conducted an in-house quantitative online survey with RAA Members during the period Friday 25 January 2013 to 8 February 2013.

3.2 Member Sampling Frame:

	Population – Individual Members as at EO February 2013	Sample	Confidence Interval Accuracy at one point-in-time	Confidence Level
Online	575,263	1,097	2.96%	95.0%

3.3 Response Rates

* Note sample does not exclude those who had bounce back email.

Response Rates - Age	Sample (n)*	Respondents	Response Rate %
18 to 24 years	321	20	6.2%
25 to 34 years	1,986	121	6.1%
35 to 44 years	1,900	123	6.5%
45 to 54 years	1,215	275	22.6%
55 to 64 years	1,431	206	14.4%
65 years and over	1,947	352	18.1%
Total	8,800	1,097	12.5%

Response Rates – Gender	Sample (n)* Email sent	Respondents	Response Rate %
Female	4,730	541	11.4%
Male	4,070	556	13.7%
Total	8,800	1,097	6.5%

RAA Member Advocacy Research – Fuel Summary

<i>Response Rates - Region</i>	Sample (n)*	Respondents	Response Rate %
Metro	6,896	885	12.8%
Country	1,904	212	11.1%
Total	8,800	1,097	12.5%

3. Fuel Related Activities – Views and Opinions

3.1. Which type of fuel do you use in the motor vehicle you drive most frequently?

(Condition: Only respondents who have answered that they drive were asked this question)

Fuel type	% response		Sample 2013	
	2011 (n=1,778)	2012 (n=1,488)	n=1,094	% response
Diesel	9.6%	10.6%	136	12.4%
LPG	8.0%	6.9%	56	5.1%
Unleaded	67.3%	67.5%	727	66.5%
Premium Unleaded	14.1%	13.4%	150	13.7%
E10	1.1%	1.5%	15	1.4%

Fuel type by region	% response	
	Metro	Country
Diesel	10.5%	20.3%
LPG	4.9%	6.1%
Unleaded	68.1%	59.4%
Premium Unleaded	13.9%	12.7%
E10	1.4%	1.4%

3.2. Which of the following statements best describes your knowledge of petrol prices?

Knowledge of petrol prices	Sample 2013	
	n=905	% response
I keep a close watch to know exactly the price per litre	347	38.3%
I have a fairly good idea	371	41.0%
I have a rough idea	123	13.6%
I don't pay much attention to the price of petrol	61	6.7%
No idea	3	0.3%

RAA Member Advocacy Research – Fuel Summary

Knowledge of petrol prices by region	% response	
	Metro	Country
I keep a close watch to know exactly the price per litre	40.2%	29.5%
I have a fairly good idea	40.7%	42.3%
I have a rough idea	13.8%	12.8%
I don't pay much attention to the price of petrol	5.1%	14.7%
No idea	0.3%	0.6%

3.3. Are you aware of the metropolitan Adelaide petrol price discount cycle?

(Condition: Only respondents who stated they resided in metropolitan area and used unleaded, premium unleaded or E10 fuels were asked this question)

Discount Cycle	% response		Sample 2013	
	2011 (n=1,486)	2012 (n=1,227)	n=905	% response
Yes	82.8%	76.0%	686	75.8%
No	17.2%	24.0%	219	24.2%

3.4. When you purchase fuel, do you mainly...

Fuel Purchase Behaviour	% response		Sample 2013	
	2011 (n=1,771)	2012 (n=1,488)	n=1,097	% response
Fill up	82.8%	80.5%	842	76.8%
Purchase fuel to a certain \$ value	15.9%	17.5%	125	11.4%
Purchase fuel to a certain volume–litres	1.3%	2.0%	12	1.1%
It varies*	Attribute removed	Attribute removed	114	10.4%
<i>I don't purchase fuel</i>	-	-	4	0.4%

Purchase Behaviour by Region	% response	
	Metro	Country
Fill up	76.9%	75.9%
Purchase fuel to a certain \$ value	12.3%	7.5%
Purchase fuel to a certain volume–litres	0.9%	0.9%
It varies	9.4%	14.6%
I don't purchase fuel	0.5%	0.0%

RAA Member Advocacy Research – Fuel Summary

3.5. How often do you normally purchase fuel?

(Condition: Only those respondents who state that they purchase fuel from 6.8.5 above were asked this question)

Purchase frequency	%	Sample 2013	
	2012	n=1,093	% response
1 to 3 days	2.2%	20	1.8%
4 to 7 days	27.4%	258	23.6%
8 to 11 days	29.2%	307	28.1%
12 to 15 days	24.3%	264	24.2%
16 days or more	16.9%	99	9.1%
<i>Whenever needed</i>	-	145	13.3%

Purchase Frequency by Region	% response	
	Metro	Country
1 to 3 days	1.2%	4.2%
4 to 7 days	21.5%	32.5%
8 to 11 days	28.8%	25.0%
12 to 15 days	25.4%	18.9%
16 days or more	10.2%	4.2%
<i>Whenever needed</i>	12.8%	15.1%

3.6. Do you normally shop around for the cheapest price?

Shop for cheapest price	% response		Total Sample 2013	
	2011 (n=1,771)	2012 (n=1,488)	n=1,093	% response
Yes - all of the time	11.8%	15.1%	134	12.3%
Yes - most of the time	29.4%	26.5%	356	32.6%
Yes - sometimes	26.1%	28.0%	242	22.1%
Yes - rarely	12.7%	13.7%	99	9.1%
No - never	20.0%	16.7%	119	10.9%
Just buy when I need fuel*	-	-	143	13.1%

RAA Member Advocacy Research – Fuel Summary

Shop for Cheapest Price by Region	% response	
	Metro	Country
Yes - all of the time	13.4%	7.5%
Yes - most of the time	34.1%	26.4%
Yes - sometimes	23.0%	18.4%
Yes - rarely	8.6%	10.8%
No - Never	10.2%	13.7%
Just buy when I need fuel	10.7%	23.1%

3.7. Metropolitan Adelaide fuel prices fluctuate in each discount cycle, would you prefer...

(Condition: Only respondents who stated they used unleaded, premium unleaded or E10 fuels were asked this question.)

Preference fuel price cycles	Sample 2013	
	n=1,036	% response
Lower average price with more fluctuations	423	40.8%
Higher average price with less fluctuations	102	9.8%
Not sure – need more information	370	35.7%
None of the above	141	13.6%

3.8. If you were kept informed of the metropolitan Adelaide petrol price cycle and knew roughly when petrol prices would be low, how likely would this alter your existing behaviour?

(Condition: Only respondents who stated they resided in metro Adelaide, used unleaded, premium unleaded or E10 fuels were asked this question)

Likelihood to alter fuel purchase behaviour	Sample 2013	
	n=890	% response
Very likely	321	36.1%
Likely	274	30.8%
Neither likely nor unlikely	132	14.8%
Unlikely	85	9.6%
Very unlikely	50	5.6%
Don't know	28	3.1%

RAA Member Advocacy Research – Fuel Summary

3.9. When purchasing fuel at a service station, on average how often would you...

Fuel purchasing behaviour at service station	% response – 2013 (n=1,093)					
	All of the time	Most of the time	Sometimes	Rarely	Never	Don't know
Use shopper docketts	24.8%	22.1%	19.4%	14.5%	19.2%	0.0%
Use a reward program card	22.7%	15.1%	11.8%	9.2%	40.1%	1.1%
Buy products within the store (e.g. a coffee, newspaper, confectionary)	1.6%	2.7%	22.6%	38.1%	34.9%	0.2%

Fuel purchasing behaviour at service station by Age:

Use shopper docketts	% response					
	18 to 24 yrs*	25 to 30 yrs	31 to 39 yrs	40 to 54 yrs	55 to 64 yrs	65 + yrs
All of the time	30.0%	24.8%	25.6%	20.1%	19.9%	30.8%
Most of the time	15.0%	17.4%	19.0%	23.7%	17.5%	26.8%
Sometimes	25.0%	22.3%	17.4%	21.9%	18.4%	17.4%
Rarely	10.0%	15.7%	14.9%	15.0%	18.0%	11.7%
Never	20.0%	19.8%	23.1%	19.3%	26.2%	13.4%
Don't know	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

*Please use caution when interpreting results due to the small sample size

Use a reward program card	% response					
	18 to 24 yrs*	25 to 30 yrs	31 to 39 yrs	40 to 54 yrs	55 to 64 yrs	65 + yrs
All of the time	15.0%	21.5%	27.3%	20.8%	22.3%	23.6%
Most of the time	5.0%	13.2%	9.9%	16.4%	17.0%	16.0%
Sometimes	30.0%	16.5%	13.2%	13.5%	6.8%	10.3%
Rarely	15.0%	10.7%	12.4%	8.4%	8.7%	8.3%
Never	35.0%	36.4%	34.7%	39.8%	43.7%	41.6%
Don't know	0.0%	1.7%	2.5%	1.1%	1.5%	0.3%

*Please use caution when interpreting results due to the small sample size

Buy products within the store (e.g. a coffee, newspaper, confectionary)	% response					
	18 to 24 yrs*	25 to 30 yrs	31 to 39 yrs	40 to 54 yrs	55 to 64 yrs	65 + yrs
All of the time	0.0%	0.8%	1.7%	1.5%	2.9%	1.4%
Most of the time	10.0%	3.3%	4.1%	4.0%	1.5%	1.1%
Sometimes	25.0%	28.1%	28.9%	31.0%	18.0%	14.5%
Rarely	35.0%	36.4%	41.3%	37.2%	40.8%	36.8%
Never	30.0%	31.4%	24.0%	26.3%	36.4%	45.9%
Don't know	0.0%	0.0%	0.0%	0.0%	0.5%	0.3%

RAA Member Advocacy Research – Fuel Summary

Fuel purchasing behaviour at service station by Region

by Region	Use shopper dockets		Use a reward program card	
	Metro	Country	Metro	Country
All of the time	26.4%	17.9%	23.4%	19.8%
Most of the time	22.5%	20.8%	14.8%	16.5%
Sometimes	19.2%	20.3%	11.2%	14.2%
Rarely	13.7%	17.5%	9.2%	9.4%
Never	18.2%	23.6%	40.4%	38.7%
Don't know	0.0%	0.0%	1.0%	1.4%

by Region	Buy products within the store (e.g. a coffee, newspaper, confectionary)	
	Metro	Country
All of the time	1.8%	0.9%
Most of the time	2.4%	3.8%
Sometimes	20.3%	32.1%
Rarely	37.6%	40.1%
Never	37.8%	22.6%
Don't know	0.1%	0.5%

Answers to ACCC consultation questions

Closeness of competition between BP and Woolworths i.e. geographic areas of supply, convenience offering, range of fuels, branded fuel cards and pricing responses;

There is currently no direct competition between BP Australia and Woolworths controlled sites in South Australia.

How important is price compared to other offerings of service stations? Can these offerings lead to sustained higher prices?;

Price is consistently rated as the most important factor for South Australian motorists when selecting a service station. Most recent research was an RAA Poll (December 2013) with a sample size of 270.

Ratings were as follows:

- Price = 8.0 out of 10;
- Location = 7.6 / 10;
- Fuel discount (5.6 / 10);
- Brand (4.5 / 10);
- In-store food and drink = 1.6 / 10

The same poll also asked whether consumers believed fuel discounts were genuine: Yes = 23%; No = 63%; Unsure = 14%.

Whether customers vary their buying behaviour in response to price? Customer loyalty in regards to location/operator/brand?;

- 76% of RAA members would follow RAA's advice and fill up to avoid the spiking petrol price (January 2016)
- 74% of members would follow RAA's advice to hold off filling for a few days to take advantage of lower fuel prices

Customer travel patterns and the impact on buying behaviour i.e. propensity for customers to travel to access cheaper prices;

Anecdotal evidence indicates that CostCo at Kilburn can be up to 35cpl lower than the market average. As such, experienced motorists know this and will travel significant distance to access it (e.g. 20 km) but often will also alter the location of a bundle of other activities (i.e. food shopping; appointments etc.)

Any observations that relate to price cycles and any impacts the merger may have on these cycles and whether customers react to fuel cycles;

In Adelaide's fuel cycle, traditionally Woolworths is the lowest priced of the major fuel retailers in each phase of the fuel cycle. Prior to BP Australia exiting the Adelaide market, BP Australia often would initiate the price spike and be a higher priced one of the higher priced

Known barriers to entry including whether the merger will prompt new market entrants;

No comment

Implications for the wholesaling market in particular regions and the broader convenience store market.

No comment

Appendix C

RACT Feedback

Introduction

The RACT believes Tasmania will be affected by the merger, particularly in regional areas where there is already a lack of competition. Woolworths has a large footprint and has the largest consumer share for fuel in Tasmania and as you can see from the fuel purchase graph below, BP is the next highest. The ACCC Launceston fuel price review highlighted lack of competition in Launceston and most likely all of Tasmania as a significant factor in high fuel prices.

Pricing

The ACCC has already called out Launceston in Tasmania as a location that requires increased competition to drive down fuel prices. This merger does not assist in driving competition as the Tasmanian market is heavily influenced by the supermarket retailers including Woolworths. In Tasmania, it is likely that in smaller towns, that there may be a Woolworths and a BP in close proximity. For example, Kingston Tasmania (7050) only has a Woolworths, BP and an independent. This area sees consistently high pricing already in comparison with other suburbs. The merger is likely to adversely affect this location.

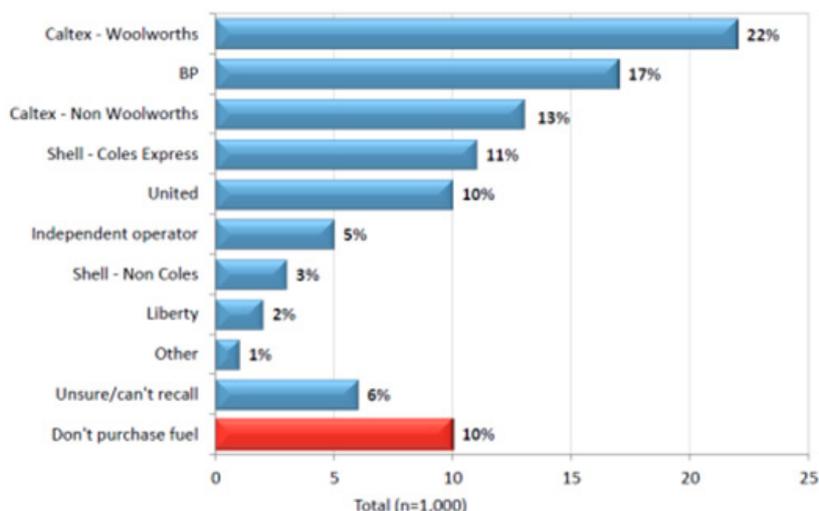
See below outcome from RACT Survey Dec 2015.

Our research also shows that motorists who utilise discounts or shopper docket are also Tasmania's most vulnerable – for example sole parents, separated and windowed persons and those with annual incomes under \$60,000. These people are already paying a higher than average price for fuel in Tasmania and any increase in everyday costs will have a dramatic effect on their livelihood.

Where Respondents Predominantly Purchase Their Fuel



Chart 1 – Where Respondents Predominantly Purchase Their Fuel
(Percentage of respondents)*



* Percentage do not sum to 100 due to rounding.

Q1. Where do you predominantly purchase fuel for your vehicle?

In total, more than one fifth of respondents (22%) indicated that they predominantly purchase their fuel at 'Caltex – Woolworths' petrol stations, while just under one fifth (17%) use 'BP'.

The least used options were "Liberty" (2%), "Shell – non Coles" (3%), or an "independent operator" (5%).

10% of all respondents surveyed stated that they "don't purchase fuel".

Impact on other business and competition in Tasmania

In some smaller locations (for example St Helens Tasmania) you will find a BP site and a Woolworths site. The current BP owner will have signed a contract with BP on the basis of a) access to BP card transactions in that town and b) access to customers who are loyal to the BP brand. The owner has invested considerable money in the site and has paid BP a price for branding. With a second BP in town, affiliated with Woolworths and offering BP fuel, BP card access and the supermarket discount it is perceivable that the non-Woolworths private site will lose significant business and may need to shut down. A possible outcome is one less service station in the town, creating less competition in that marketplace.

ACCC consultation questions

Closeness of competition between BP and Woolworths i.e. geographic areas of supply, convenience offering, range of fuels, branded fuel cards and pricing responses;

There are a significant number of locations in Tasmania where BP and Woolworths currently co-exist with minimal competition. Smaller towns within Tasmania may have no other offer within the town if the merger goes ahead. Larger towns, such as Kingston Tasmania, are also affected due to the lack of current competition.

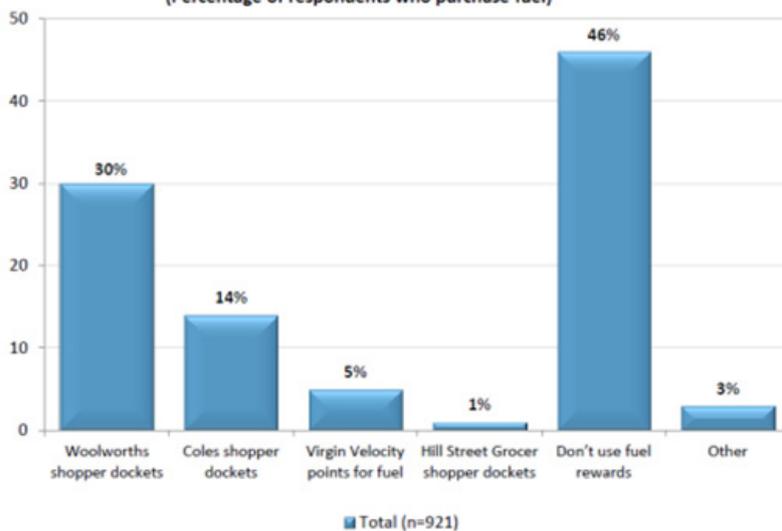
How important is price compared to other offerings of service stations? Can these offerings lead to sustained higher prices?

Price is of significant importance to RACT members and Tasmanians in general with around 50% using discount docket, predominantly Woolworths. This research was undertaken before the introduction of RACT's member discount so these figures may not be an accurate representation of the distribution now. Currently around 50% of RACT members utilise their discount at United.

Use of Fuel Rewards



Chart 2 – Respondents' Use of Fuel Rewards
(Percentage of respondents who purchase fuel)



Just under half of all respondents who purchase fuel (46%) reported that they do not use any fuel rewards.

The most commonly mentioned fuel reward was "Woolworths shopper docket" (30%), while a further 14% use the "Coles shopper docket".

Q2. What type of fuel rewards do you use most often?

Whether customers vary their buying behaviour in response to price? Customer loyalty in regards to location/operator/brand?

50% of RACT members have used RACT United petroleum discount since launch in March (around 90,000 members). As can be seen from the above graph this is a significant variation from the purchasing patterns in place previously. Increased competition and pricing is a significant factor in purchase behaviour.

Customer travel patterns and the impact on buying behaviour i.e. propensity for customers to travel to access cheaper prices;

RACT members have shown a propensity to travel to receive their United discount but there is a significant proportion in rural areas who do not have the ability to do this as there is no other option within close proximity.

Any observations that relate to price cycles and any impacts the merger may have on these cycles and whether customers react to fuel cycles;

Tasmania does not have a price cycle

Known barriers to entry including whether the merger will prompt new market entrants;

Tasmania already has a significant barrier to entry as identified through the ACCC Launceston fuel price review. The ACCC identified lack of competition as a factor for high prices. A lack of available sites to purchase/build in high density areas is also a factor.

Implications for the wholesaling market in particular regions and the broader convenience store market.

Unknown

AANT Feedback

Introduction

The NT is in a unique position in that the territory has benefited from the Darwin ACCC fuel market study released in November 2015. AANT feedback in relation to the BP acquisition is based on previous findings from the ACCC review. The AANT's primary concern is not at the retail level which ACCC is seeking comment, more so at a wholesale level, which requires further insight from the ACCC as to what impact, if any, this acquisition may have on the Darwin market.

The Darwin fuel market was under the spotlight in 2015 after prolonged high retail margins being driven by lack of competition and Puma Energy's dominant position in the market both at retail and wholesale level. At the time, Puma had 8 BP branded sites at which they controlled price setting, however the AANT notes that this position has since changed with all sites now rebranded Puma.

AANT commenced an agreement in 2015 with United that would help stimulate and promote healthy competition in an otherwise stagnant market. AANT members have embraced the discount offer and it is evident that the volume shift to United has contributed positively with retail margins in Darwin now comparable to interstate.

ACCC consultation questions

The ACCC call for submission refers to BP agents and third party site operators who set prices independently. Given prior relationships between Puma and BP and concentration of the Darwin supply chain, AANT is seeking to understand what wholesale arrangements or risks may come about from the acquisition, which could possibly lead to Puma gaining greater leverage or influence of price control in the Darwin market.

Footnotes

¹ AAA Motoring Report 2013 can be accessed from the AAA website: <http://www.aaa.asn.au/storage/AAA%20Motoring%20Report%202013.pdf>

² ACAPMA: National Monitor of Fuel Consumer Attitudes (2015) accessed at <http://acpmag.com.au/wp-content/uploads/2015/10/2015-National-Monitor-of-Fuel-Consumer-Attitudes-Results.pdf>

³ Hashimi H. and Jeffreys I. (2016), The Impact of Lengthening Petrol Price Cycles on Consumer Purchasing Behaviour, Economic Analysis and Policy, vol 51, pp 130-137

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