

7-Eleven Stores Pty. Ltd.

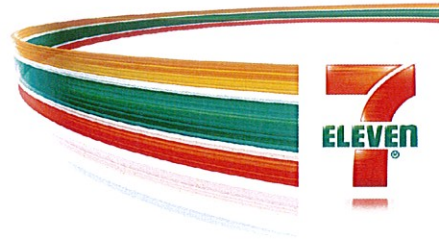
ABN 48 005 399 437

Head Office

357 Ferntree Gully Road
Mount Waverley, Victoria 3149 Australia
Telephone (03) 9541 0711
Fax (03) 9541 0890
Marketing Fax (03) 9541 0825

Head Office Postal Address

Private Bag 43
Mount Waverley, Victoria 3149 Australia



10 November, 2017

Mr David Hatfield,
Australian Competition and Consumer Commission
23 Marcus Clarke Street
Canberra ACT 2601
GPO Box 3131
Canberra ACT 2601

Via e-mail: adjudication@acc.gov.au

Dear David,

Re: BP Australia Pty Ltd (“Applicant”) & Ors applications for authorisation A91580, A91581 & A91582 (“Application”)—interested party consultation

Thank you for your e-mail of 7th November, 2017.

7-Eleven welcomes the opportunity to comment on the particular aspects of the Applicant’s submission of 30th October 2017 which you have referenced.

As will have been apparent from its submission of 31st May and 7th September 2017, 7-Eleven has extreme reservations over the appropriateness (from a competition perspective) of the commercial alliance which is contemplated by the Application.

The purpose of this further submission however is to reiterate and expand upon 7-Eleven’s view that the Commission should adopt a firm stance in relation to shopper docket discounts and in particular as to the level of discounting which can be tolerated under that type of promotional initiative.

It is noted that the ACCC proposes to grant authorisation subject to a condition that Woolworths and the Applicant enter into a Section 87B undertaking which will limit the Woolworths shopper docket and the Woolworths rewards loyalty program discount offers to 4 cents per litre in aggregate for a single fuel purchase.

That intended constraint is acknowledged by the Applicant (at 7.2 (b) and (c) of its submission). However, some inconsistency in its position seems to arise from the Applicant’s assertion (at 3.2 (a) (referring to its First Supplementary Submission) that *‘fuel discounts of greater than 4cpl are not precluded under the proposed conduct’...“but also not currently proposed”*.

7-Eleven views this observation (along with other comments in the Applicant’s submission which attempt to play down the impacts of shopper dockets on the competitive landscape) as concerning in the extreme.

The asserted lack of adverse effect on the market evident from a 6.0 cent per litre campaign in Tasmania Australia is, with respect to the Applicant, devoid of any merit whatsoever. Tasmania is

New South Wales

Level 2, 82 Waterloo Road, Macquarie Park NSW 2113
Tel: (02) 9798 1200
PO Box 209 North Ryde NSW 2113

Queensland

Ground Floor, South Tower, John Oxley Centre
339 Coronation Drive, Milton, QLD 4064 Australia
Telephone (07) 3511 7733
Fax (07) 3511 7633

the country's smallest fuel market and not in any way representative of the likely impact of higher shopper docket discounting in the mainland states.

If maintaining fuel discounts in excess of 4.0 cents per litre is sustainable from the perspective of the most efficient standalone operation (without cross subsidisation support) one might well enquire why Woolworths has chosen to exit the fuel market and why Coles Express and the Applicant appear to have adopted a less price competitive position on average than the other major brands.

The ACCC's last published annual report in 2014 highlighted retail unit net profits for Petrol to have been no greater than 2.42 cents per litre over the preceding 9 year period. This, it is suggested, is clearly an indication that discounts of 4.0 cents per litre are unsustainable for stand-alone fuel retailers.

The same report highlights that the market shares of the Applicant and of Mobil (prior to its exit from the retail market) have been impacted significantly since the introduction of shopper dockets.

It is submitted accordingly that any approval of the Application should necessarily be conditioned on a requirement that an undertaking be provided ensuring that shopper docket fuel discounting is capped at 4cpl and that there is no aggregating of that discounting with any Woolworths Rewards based offer.

Yours sincerely,



Angus McKay
Chief Executive Officer
7-Eleven Stores Pty. Ltd.