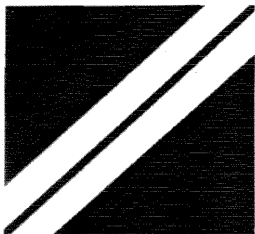


APPENDIX B.4: Letter of 9 May 2002 from Michael Delaney to Minister Macfarlane.



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No. of Pages: 2

To: <i>Minister Macfarlane</i>	From: <i>M. Dolaney</i>
Date: <i>9/5/02</i>	Fax No: 02 6273 2738
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Motor Trades Association of Australia

The Hon Ian Macfarlane MP
Minister for Industry, Tourism and Resources
Parliament House
CANBERRA ACT 2600

COPY

Dear Minister

Thank you for meeting with my colleagues and I on Tuesday. We very much appreciated the opportunity to discuss our various issues with you.

In relation to petrol, I would just like reiterate the point that MTAA made at the Forum which is that we welcomed the opportunity to participate and we are hopeful that there is a general desire on the part of all of the industry participants to work together to resolve the challenges all in the industry are facing. MTAA believes that it should be possible to provide all parties with the flexibility that they seek in the market and at the same time to ensure that competition at all levels, but particularly at retail, is maximised by providing for diversity of ownership and operation at the retail level.

You asked at our meeting if we would advise you of any concerns that MTAA had about the terminal gate pricing policy which had then just been announced by Caltex. In the information that it released about the new arrangements, Caltex states that *"The TGP will be available to any customer not covered by a current supply contract"* and that *"At this time, the TGPs for petrol and diesel will not apply to franchised service station dealers or franchised distributors, who are covered by franchise agreements"*. The TGP arrangements will, for various reasons, also not apply in Victoria or Western Australia.

Given that only a very limited number of wholesale sales will be transacted under the new arrangements I do not believe that Caltex's claim that its terminal gate prices *'are a major advance in price transparency'* can be sustained. I believe that this move by Caltex (and the earlier one by Shell) can be characterised only as an attempt by the company to increase its share of that portion of the wholesale market which is currently not under a long-term supply contract. We estimate that portion of the wholesale market to be less than 10 per cent by volume. It follows therefore that only a small proportion of motorists, if any, will benefit from the increased price transparency purported to be offered by Caltex.

MTAA supports the introduction of a true terminal gate pricing arrangement. Under that arrangement all costs incurred by the supplier to the terminal would be included in the terminal gate price and all costs incurred past the terminal would be separately identified and charged. Thus, if say, transport costs or brand costs were not incurred by a retailer they would not be charged to the retailer. In addition all wholesale sales would be made under the TGP arrangements; not just those where a supply contract was not involved. By this means

all buyers, both wholesale and retail, especially those in rural and regional Australia would be able to see margins and mark ups transparently and make judgements about price justification.

MTAA thus believes that the introduction of a terminal gate pricing regime under which all buyers can purchase at the terminal gate price and where physical access to terminals and fuel is guaranteed (provided of course that appropriate health, safety and environmental requirements are met) will provide real transparency in the pricing system and benefits to motorists.

In our view, neither the Shell nor the Caltex so-called terminal gate pricing systems meet the requirements of a true terminal gate pricing regime and thus MTAA will continue to advocate for reform of the wholesale pricing system, among other matters, to ensure a greater level of competition at wholesale and greater transparency in the pricing arrangements.

Yours sincerely



MICHAEL DELANEY
Executive Director

9 May 2002