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CHANTICLEER

Woolies a tricky link for Caltex

There's a gnawing concern in some quarters that the Australian Competition and Consumer Commission may extract an additional "price" from Woolworths for approving its entry into the hardware and home improvements industry – by blocking the proposed purchase by Caltex Australia of 302 service stations from rival Mobil Australia.

The problems for Caltex are twofold – a potential level of vertical integration and wholesale market share that poses concerns for the ACCC, and participation in a petrol retailing joint venture with Woolworths. In many people's eyes, the Caltex-Mobil deal has the big retailer as an invisible puppeteer – a perception that does a disservice to Caltex and doesn't reflect what is said to be an uncomfortable relationship between the two partners, one that is due to be renegotiated anyway.

The ACCC has been investigating the proposal since June, and has extended its inquiry for a fourth time. Its continual request for more information is believed to reflect the complexity of the petrol refining and retailing industries. Refining in Australia is an industry of dwindling returns, and the number of operators and plants is shrinking. There are also questions over Mobil's long-term intentions given it simply closed its South Australian refinery and is now rehabilitating the site, and has long underspent on its Victorian one.

Caltex's strategy is to progressively de-emphasise refining by increasing retailing and marketing, hence the Mobil proposal, which would lift its service-station footprint from 1826 petrol canopies to 2128. Prima facie, not a big deal – especially since Caltex (or its commission agents) operates only 333 sites, franchisees operate 258, and 695 carry a Caltex brand but are independents.

Where things start to get hairy is when we add the 540 sites (of which Caltex owns only 133) that are co-branded with, and price-controlled by, Woolworths (which owns the other 407) via an unincorporated joint venture negotiated in 2003 to counter a Coles-Shell alliance. Woolworths had been in the petrol-retailing business for about seven years, but its slow rollout to about 12 per cent of the market hadn't been seen as disruptive.

That all changed when Coles decided it wanted a piece of the action, and Woolworths responded, including by buying the major independent chain, Liberty. The deal with Caltex allowed it to become the exclusive wholesale supplier of petrol and associated products to Woolworths, and the latter's growth has helped propel Caltex to outright leadership of petrol and associated products wholesaling. Its market shares (petrol only) range from 31 per cent in Victoria to 46 per cent in NSW – but with Woolworths taking some 40 per cent of its national volume, it's debatable which partner is dictating to which.

The ACCC has regularly said it sees Woolworths and Coles-Shell as helping to keep a lid on retail petrol prices, a perception that doesn't sit well with the populist view that the retailing duo have far too much market power already. On the ACCC's numbers, if Caltex is allowed to do its deal with Mobil, its share of the wholesale petrol market jumps – to 55 per cent in NSW, 46 per cent in Queensland, 43 per cent in South Australia and 38 per cent in Victoria.

Worse, in the ACCC's eyes, such a deal would give Caltex an uncomfortable degree of vertical integration, especially in NSW where its share of wholesale supply going to sites from which it also receives direct financial returns would jump from about 22 per cent to about 45 per cent. This, in turn, provides it with the ability to increase wholesale prices.

As we know from the hardware issue, that's a no-no.

Much was being made yesterday of the court-enforceable undertakings accepted from Woolworths and its junior partner, US giant Lowe's Companies, to get their deal through. It's not known what, if any, similar

Continued page 60

Woolies a tricky link for Caltex

From back page

undertakings may have been offered by Caltex – or even if such are possible.

Caltex boss Julian Segal, who inherited the Mobil deal when he took over in July, probably hopes the latest extension is the last one and that ACCC chairman Graeme Samuel will deliver him an early Christmas present on December 2. We'll see.

Wesfarmers can now be added to the group of major companies doing their bit to provide women with more management opportunities. The company's sustainability report indicates that women occupy 924 (24 per cent) of the company's 3805 management positions, including 36 (17 per cent) of 210 senior management positions. Three of chief executive Richard Goyder's 19-strong executive committee are women.

This is a commendable trend but unfortunately, as mentioned in relation to Westpac Banking Corporation, Woolworths and Telstra in a column last week, this may give Wesfarmers higher proportionate representation than most companies, but still not one that reflects the 57 per cent female component of its workforce.

Meanwhile, Woolworths' human resources director, Kim Schmidt, is one of eight winners of the 2009 business achievement awards handed out by the Equal Opportunity for Women in the Workplace Agency. Schmidt's gong is in recognition of Woolworths' initiatives such as its Women in Management working group, its developing and mentoring of executive women, providing flexible work policies and paid parental leave benefits. Subsequently, 34 per cent of internal executive promotions and 45 per cent of external appointments at Woolworths have been women.

Mercy Health's award recognised that its inclusion of gender diversity as a key performance indicator has resulted in 51 per cent of its employees accessing flexible work arrangements, and women filling 46 per cent of its board positions.

Among the other winners, Cement Australia was recognised for addressing imbalances in remuneration of male and female employees in similar roles. It's sad that even as the debate about excessive executive remuneration rages, something as basic as equal pay for equal work remains in the shadows.

On the other hand, a salient reminder of just how entrenched the habit of drawing directors from the traditional white Anglo-Saxon male club is, LJ Hooker unveiled its new board of directors yesterday showcasing "some of Australia's most experienced individuals in real estate, franchising and mortgage finance". While there's no doubting the property "cred" of Greg Paramor, John Kinghorn, Syd Fischer, Robert McLean, Graham Cooke and Alan Lambert, one wonders if the latest LJ Hooker (Leslie Janusz) even thought about including directors to represent two big chunks of the business's constituency – women and Asian buyers. There's an irony in the fact that the first LJ (Leslie Joseph) changed his surname from Tingyou to Hooker in 1925 to conceal his Chinese heritage because of the White Australia policy.

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