

Fuel retailers unhappy with new margin

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There is no end in sight to the stand-off between the minerals and energy department and fuel retailers over the retail margin after the department on Friday announced a 2,6c/l increase in the margin — a move deemed inadequate by the industry.

The increase takes effect on Wednesday, 1 October.

Fuel retailers have said the low retail margin was putting a financial strain on their operations and have been lobbying the department for a larger increase in the retail margin, through their representative body, the Fuel Retailers' Association.

The retail margin, which is set by the department after considering factors such as fuel stations' costs — rent, labour and overheads — is meant to help retailers cover these costs.

“During our discussions with the department, we were told that our requested figure was close to that which the department was considering. So we were taken by surprise by the 2,6c/l increase because our proposal was not close to that. We do not know how they got to the 2,6c/l,” Fuel Retailers' Association CEO Peter Morgan said.

He said the association would write a letter to the department next week to “seek answers”.

Minerals and Energy Minister Buyelwa Sonjica increased the margin by 5c/l earlier this year when the retailers had asked for 11,94c/l.

Discussions between the association and the department resolved that a new margin determination for service stations and the oil companies be developed. Morgan said that this process had not been completed. The retailers had asked the department for an increase “much higher than the 2,6c/l granted,” he said.

Minerals and Energy Department spokesman Bheki Khumalo said the department would continue to discuss the matter with the industry.

“We have to balance the need for a higher retail margin with the interests of motorists.

“We are mindful of the plight of retailers. That is why earlier this year we increased the retail margin by 5c/l,” Khumalo said.

The increase was the highest the department could allow, “given the global outlook”.

“It is important to be mindful of the effect that the situation has on the rand.”

The rand weakened against the US dollar between 29 August and this past Thursday from R7,68 to R8,01.

The department announced that the retail price of petrol would decrease by up to 29c/l this week. The wholesale price of the 0,05% sulphur diesel and the 0,005% sulphur variety would decrease by 56c/l and 55c/l, respectively.

The wholesale price of illuminating paraffin would be cut by 65c/l, the department said.

Source: Business Day

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