

# **ACCC responses to questions taken on notice at the public hearing of the Senate inquiry into the price of petrol in Australia on 3 August 2006**

At the public hearing of the Senate Economics Legislation Committee inquiry into the price of petrol in Australia in Canberra on 3 August 2006 the ACCC took a number of questions on notice.

## **Ballarat price fixing case**

Senator Brandis asked when the petrol price fixing in Ballarat occurred.

The ACCC media release of 23 May 2002 on this issue is at [Attachment A](#).

It stated:

*The Australian Competition and Consumer Commission has instituted court proceedings against seven companies and seven individuals in the Ballarat region alleging that they entered into and gave effect to arrangements to fix retail petrol prices in breach of the Trade Practices Act 1974....*

*The ACCC alleges the arrangement pre-dated June 1999 and is seeking penalties for 69 occasions from June 1999 until December 2000 when it alleges the companies effected the arrangement.*

## **Repeal of prices surveillance of petrol and diesel by the Treasurer**

Senator O'Brien asked about the instrument that established the current price monitoring arrangements.

On 31 July 1998 the Treasurer by instrument repealed prices surveillance on petrol and diesel with effect from 1 August 1998.

A copy of the instrument is at [Attachment B](#).

## **Impact of Hurricane Katrina**

Senator O'Brien requested further detail about the impact of Hurricane Katrina on prices.

On 31 August 2005 Hurricane Katrina moved from the Gulf of Mexico to the United States mainland creating substantial damage, including to a number of refineries in the region. The subsequent reduction in supply of refined petrol led to a sharp increase in prices. This was reflected in the price of Singapore Mogas 95 Unleaded, which rose significantly.

Chart 1 shows average weekly prices for Tapis crude oil and Singapore Mogas 95 Unleaded in Australian cents per litre for the three month period between the week ending 4 August 2005 and the week ending 27 October 2005.

The increase in the average weekly price of Singapore Mogas 95 Unleaded (and the refiner margin, which is the difference between the price of Singapore Mogas 95 Unleaded and Tapis crude oil) is clearly apparent from the chart. Both increased markedly after Hurricane Katrina in late August 2005 and gradually came down again over the period.

The increase in the price of Singapore Mogas 95 Unleaded was reflected in terminal gate prices in Australia.

This can be seen in chart 2, which shows weekly average Singapore Mogas 95 Unleaded prices and average terminal gate prices in the five largest metropolitan cities (ie Sydney, Melbourne, Brisbane, Adelaide and Perth) for the period between the week ending 4 August 2005 and the week ending 27 October 2005.

Note that in the chart:

- the weekly average Singapore Mogas 95 Unleaded prices have been lagged by one week. This reflects the fact that, as a result of the methodology used by the refiner/marketers to determine their terminal gate prices, it takes around one to two weeks for movements in Singapore Mogas 95 Unleaded prices to be reflected in terminal gate prices.
- the five city average terminal gate prices include adjusted terminal gate prices for Brisbane.<sup>1</sup>
- the left hand axis shows the five city average terminal gate prices and the right hand axis shows the Singapore Mogas 95 Unleaded prices.

A further contributing factor to the increase in terminal gate prices was an increase in freight rates in the Asia–Pacific region following Hurricane Katrina. The freight rates used in the terminal gate pricing formulas of the refiner/marketers increased substantially between July and October 2005. The monthly average of the Platts daily Singapore-Japan rate increased by over 100 per cent between July and October and the monthly average of the Platts daily Australia-Singapore rate increased by around 80 per cent. These rates did not fall to their July 2005 levels until March 2006.

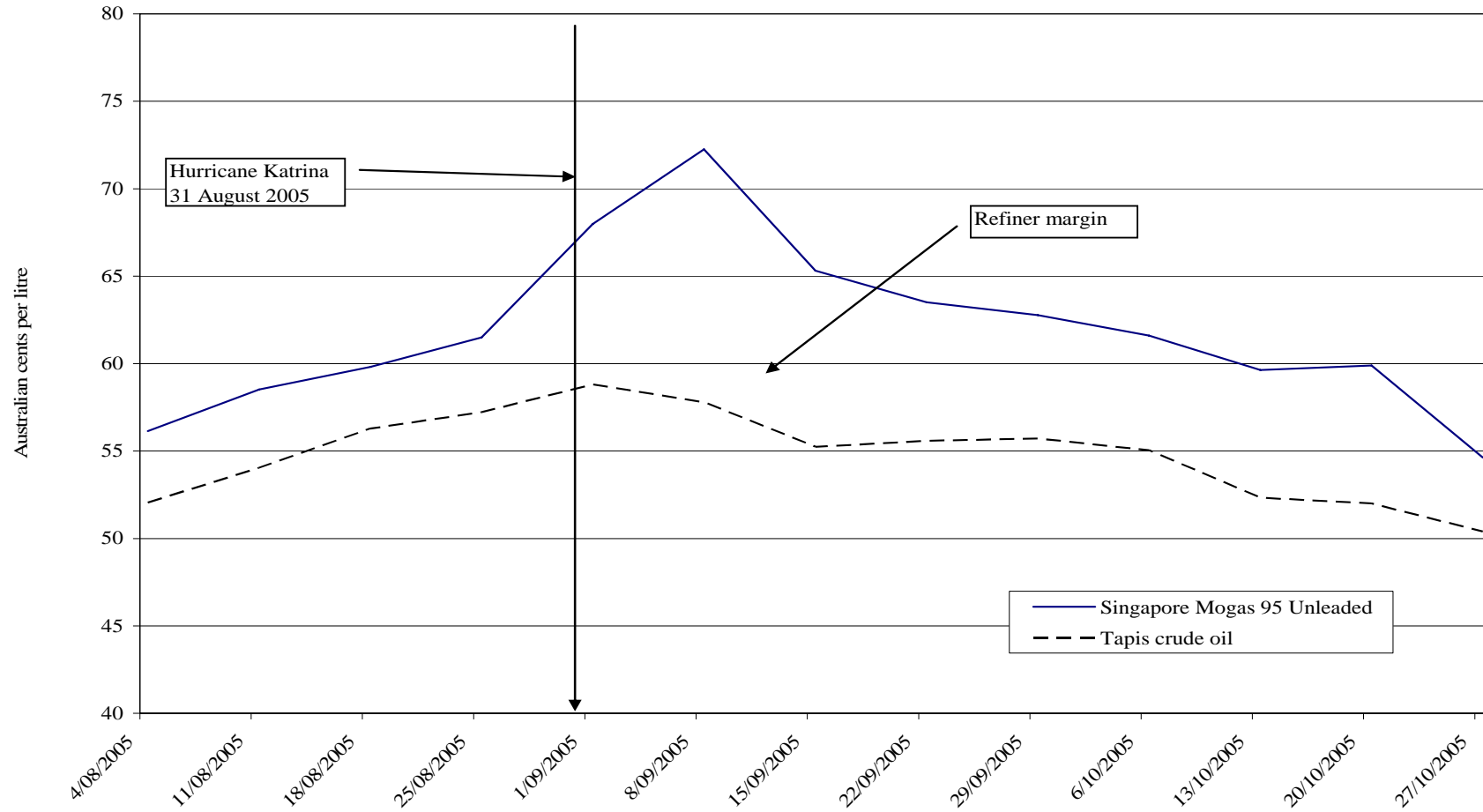
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<sup>1</sup> When comparing retail prices and terminal gate prices in Brisbane, terminal gate prices have been adjusted downwards by 9.2 cpl to place them on a comparable basis with retail prices (where an effective subsidy of 9.2 cpl is provided by the Queensland Government at the retail level). Adjusted terminal gate prices in Brisbane have been used in this document to be consistent with the five city average terminal gate prices used in the ACCC submission and elsewhere in this document.

The effect of the increased freight rates on terminal gate prices in October 2005 was an increase of around 2.0 cents per litre (cpl).

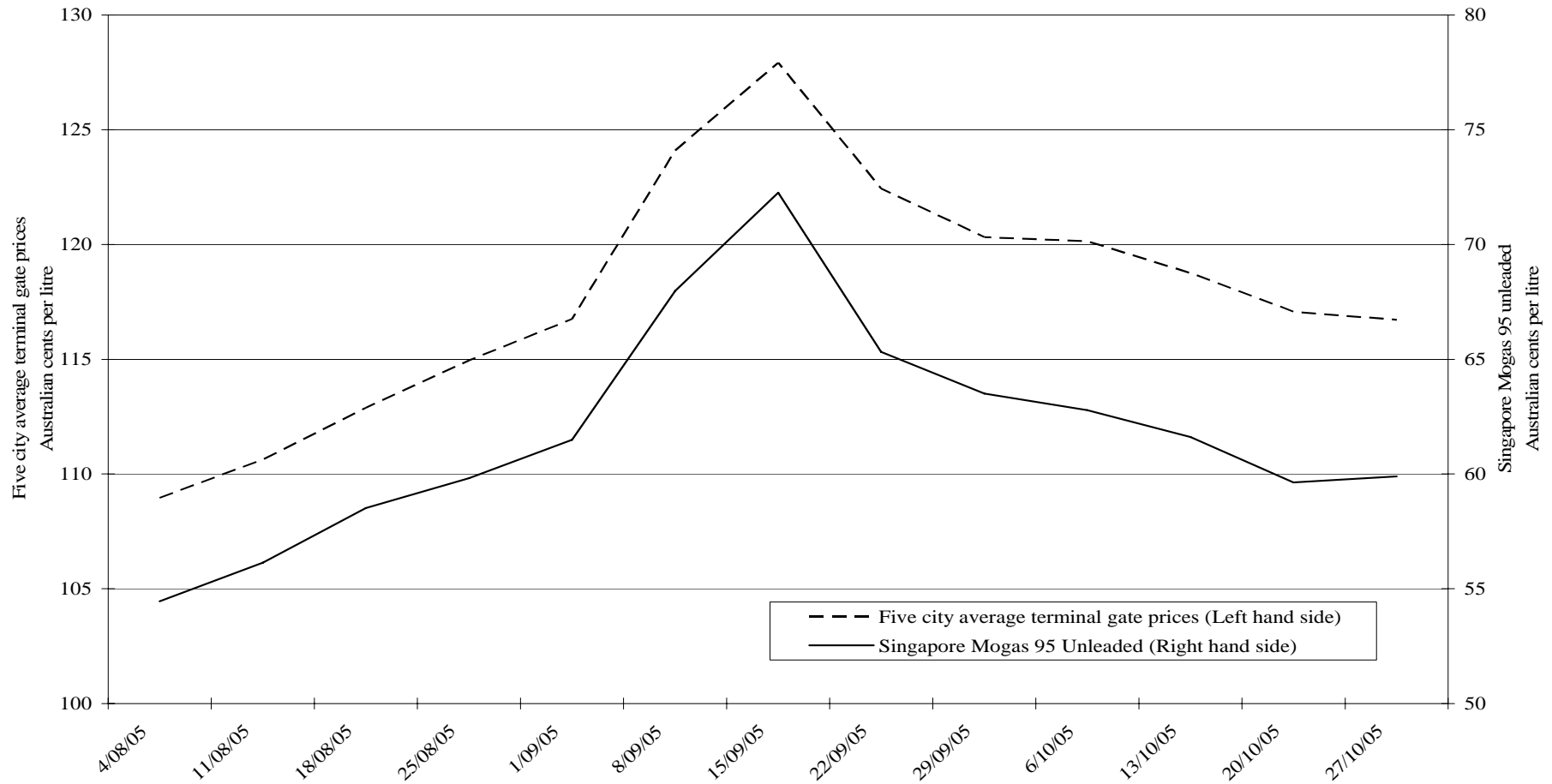
Chart 3 shows weekly average retail petrol prices in the five major metropolitan cities and average terminal gate prices for the period between the week ending 4 August 2005 and the week ending 27 October 2005. It shows that movements in retail prices tended to follow terminal gate prices. However, there was an increase in the margin over time by around 1.4 cpl. This is also shown in the chart on page 40 of the ACCC submission.

**Chart 1 Singapore Mogas 95 Unleaded and Tapis crude oil—average weekly price—week ending 4 August 2005 to week ending 27 October 2005**



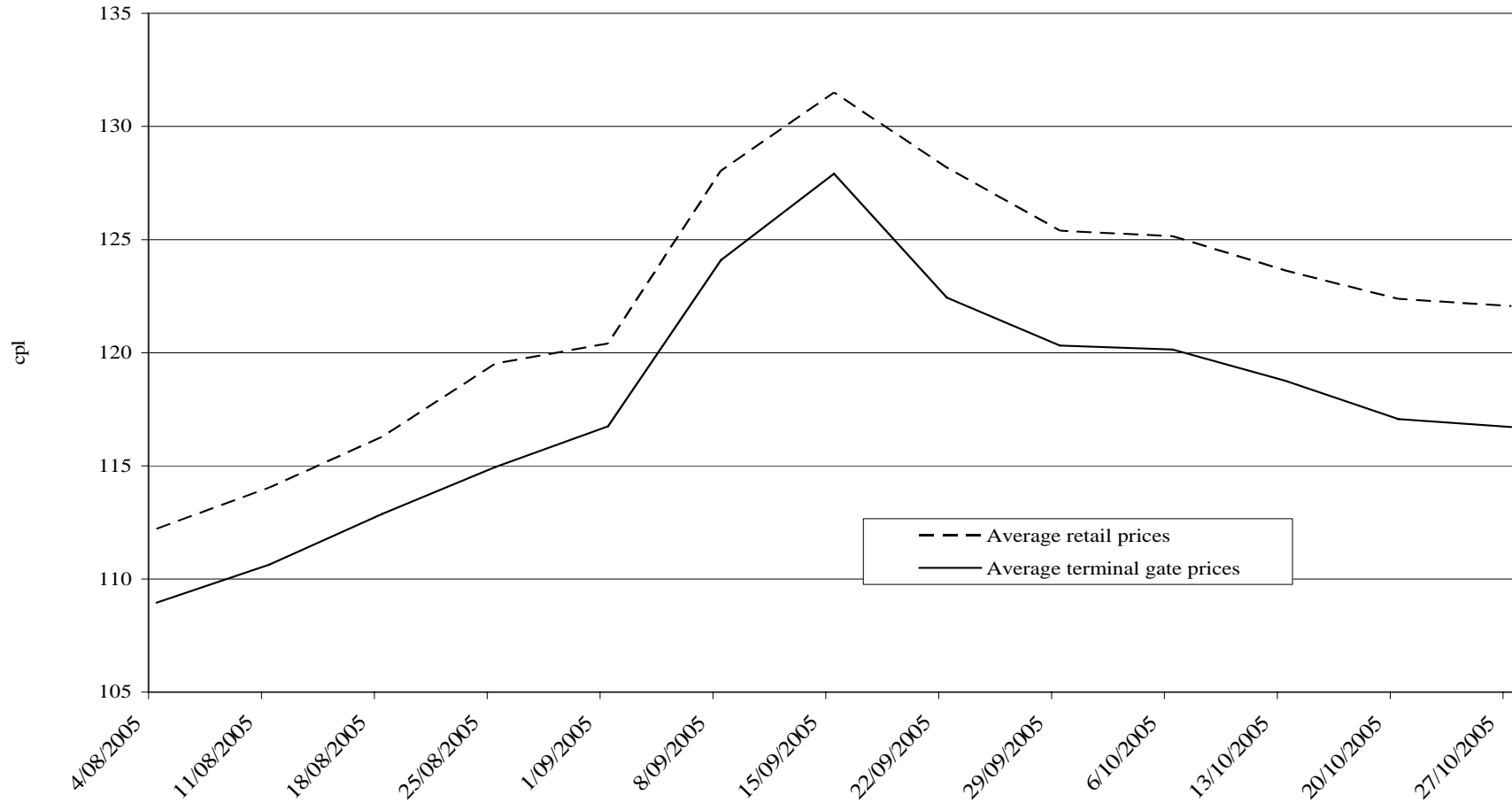
Source: ACCC and Platts, energy information division of McGraw-Hill, Inc.

**Chart 2 Singapore Mogas 95 Unleaded and five city average terminal gate prices—average weekly price—week ending 4 August 2005 to week ending 27 October 2005**



Source: ACCC, BP, Caltex, Mobil, Shell, Trafigura, WA DOCEP and Platts, energy information division of McGraw-Hill, Inc.

**Chart 3 Five city average retail petrol prices and average terminal gate prices—average weekly price—week ending 4 August 2005 to week ending 27 October 2005**



Source: ACCC, Informed Sources, BP, Caltex, Mobil, Shell, Trafigura and WA DOCEP

## **Pre-Easter 2006 price increases**

Senator O'Brien asked for further detail on a comment by the Chairman of the ACCC that the pre-Easter 2006 jump in prices was a result of Coles Express withdrawing from discounting. The Chairman noted at the public hearing that this comment primarily related to the Sydney market.

One indicator of discounting in the market is where retail prices are below terminal gate prices. Another indicator is when prices do not increase at the end of a price cycle by as much as they do normally. Both of these indicators occurred in Sydney in late-March/early-April 2006.

Chart 4 shows daily average retail petrol prices and daily average terminal gate prices in Sydney for the period 1 March 2006 to 30 April 2006.

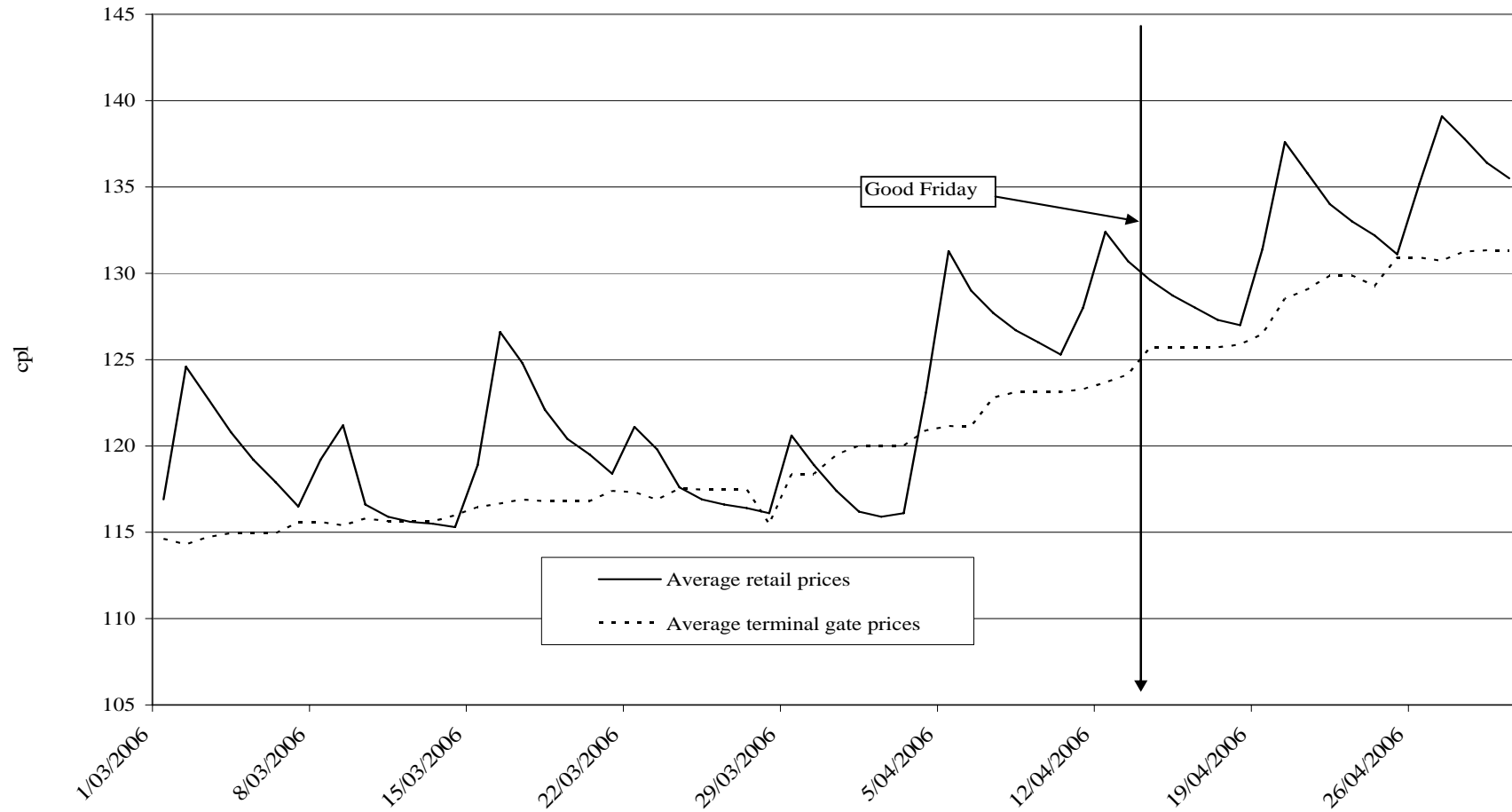
It can be seen that:

- in mid-March and in late-March/early-April 2006 average retail prices were below average terminal gate prices (this is particularly so in early-April 2006);
- the variations of the price cycles in late March 2006 (which were 2.7 cpl and 4.5 cpl) were smaller than the average variations of price cycles in Sydney in the first half of 2006 (7.6 cpl); and
- the increase in prices after these small variations was substantial (15.4 cpl). It was the largest variation in the first six months of 2006.

The ACCC often consults with participants in the market to obtain explanations about particular price movements.

Following discussions with market participants and analysis of available price data, the ACCC formed the view that the discounting in mid-March 2006 and in late-March/early-April 2006 had been due to Coles Express discounting prices and that the subsequent increase in prices after this period was due to Coles Express stopping discounting.

**Chart 4 Sydney average daily retail petrol and terminal gate prices - 1 March 2006 to 30 April 2006**



Source: ACCC, Informed Sources, BP, Caltex, Mobil, Shell and Trafigura



## **Additional charts for Singapore Mogas 95 Unleaded and five-city average terminal gate prices**

At the public hearing on 3 August 2006 the ACCC provided the Senate Economics Legislative Committee with some additional charts.

These are included in the document 'Additional information tabled at public hearing on Thursday, 3 August 2006 from Australian Competition & Consumer Commission' on the Senate petrol inquiry website.

One of those charts showed average monthly prices for Singapore Mogas 95 Unleaded and five-city average terminal gate prices in Australian cents per litre for 2005–06. Senator Joyce asked for additional charts covering the years 2003–04 and 2004–05. These are charts 5 and 6.

Note that in these charts the left hand axis shows the five city average terminal gate prices and the right hand axis shows the Singapore Mogas 95 Unleaded prices.

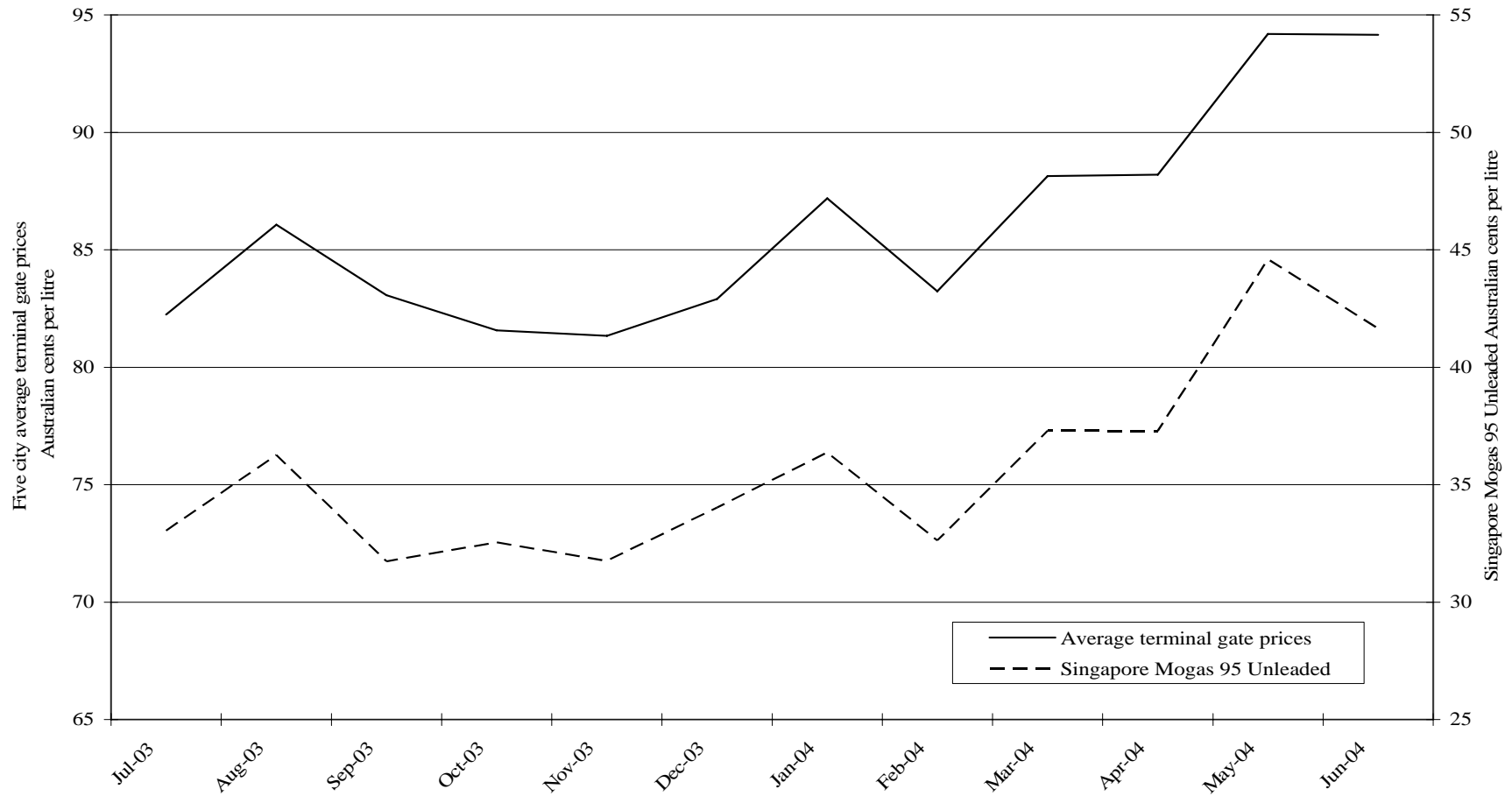
Chart 7 shows the monthly difference between five-city average terminal gate prices and average monthly prices for Singapore Mogas 95 Unleaded in Australian cents per litre for the period July 2003 to June 2006. The average annual differences for the years 2003–04, 2004–05 and 2005–06 are identified in the boxes in the chart.

It can be seen that the annual difference between five-city average terminal gate prices and Singapore Mogas 95 Unleaded prices increased by 5.8 cpl over the three years – from 50.3 cpl in 2003–04 to 56.1 cpl in 2005–06.

Factors contributing to this increase include:

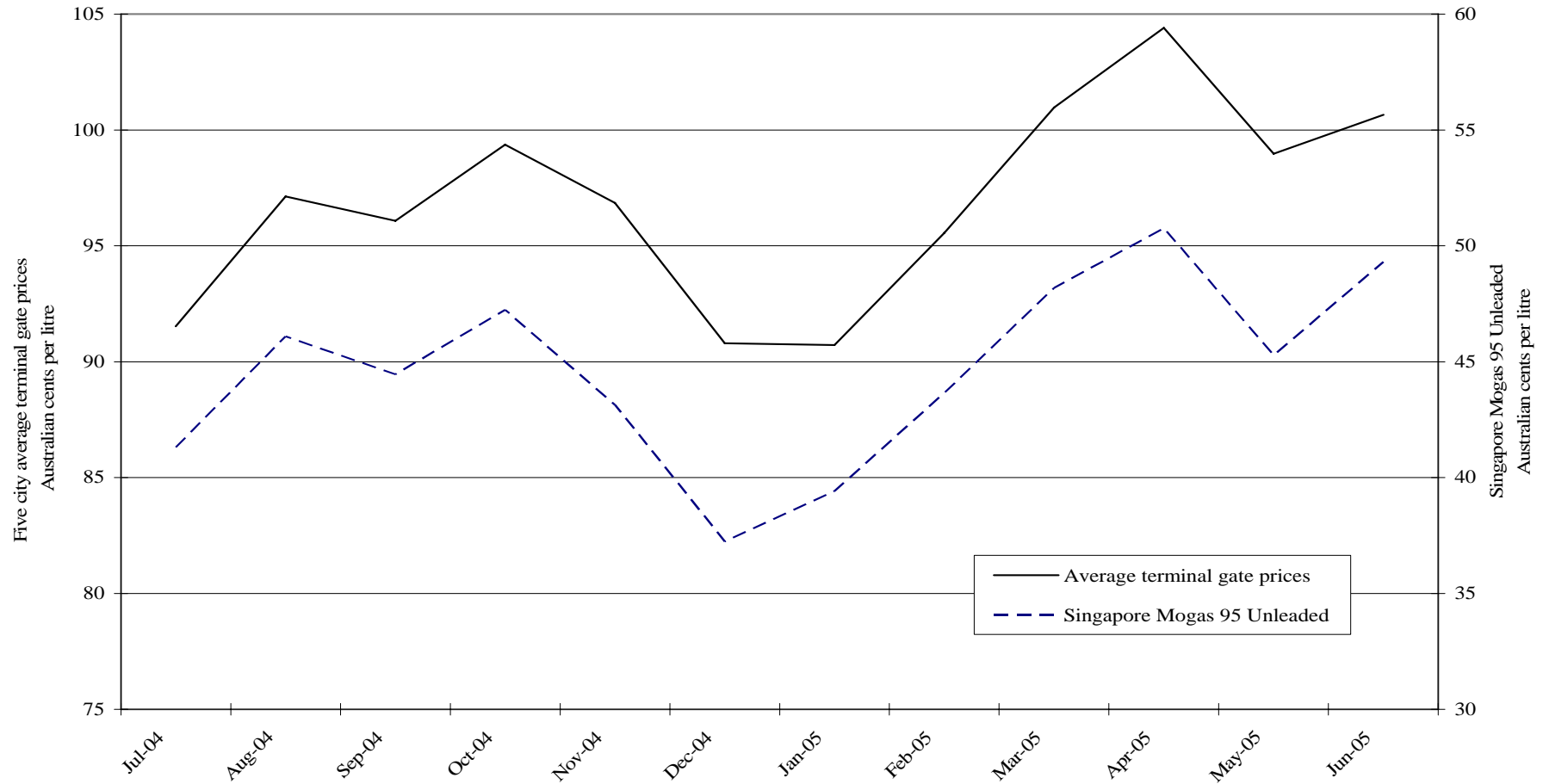
- the tighter Commonwealth fuel standards over this period;
- an increase in the GST component as terminal gate prices increased; and
- the higher freight charges in the middle of 2005-06.

**Chart 5 Singapore Mogas 95 Unleaded and five-city average terminal gate prices—average monthly—July 2003 to June 2004**



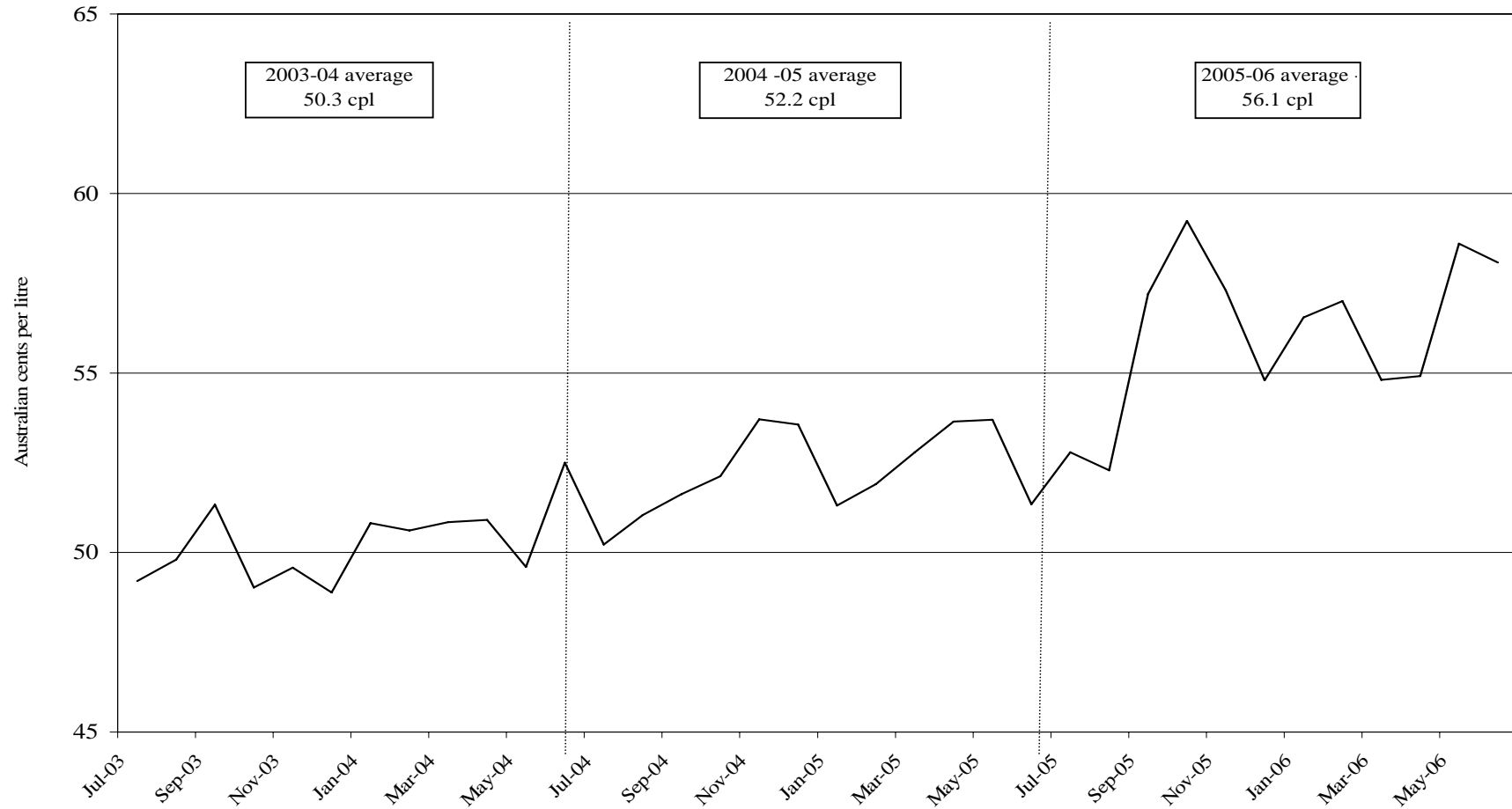
Source: ACCC, BP, Caltex, Mobil, Shell, Trafigura, WA DOCEP and Platts, energy information division of McGraw-Hill, Inc.

**Chart 6 Singapore Mogas 95 Unleaded and five-city average terminal gate prices—average monthly—July 2004 to June 2005**



Source: ACCC, BP, Caltex, Mobil, Shell, Trafigura, WA DOCEP and Platts, energy information division of McGraw-Hill, Inc.

**Chart 7 Difference between five-city average terminal gate prices and Singapore Mogas 95 Unleaded—average monthly—  
July 2003 to June 2006**



Source: ACCC, BP, Caltex, Mobil, Shell, Trafigura, WA DOCEP and Platts, energy information division of McGraw-Hill, Inc.

## Components of petrol prices – 2003–04 to 2005–06

The additional charts provided to the Senate Economics Legislative Committee at the public hearing on 3 August 2006, referred to in the previous answer, aimed to provide information about the various margins included in the price of petrol.

An alternative way of presenting this information is shown in chart 8, which provides an indication of the components of Australian petrol prices in the five major metropolitan cities in the years 2003–04, 2004–05 and 2005–06.

The chart shows that over the last three years:

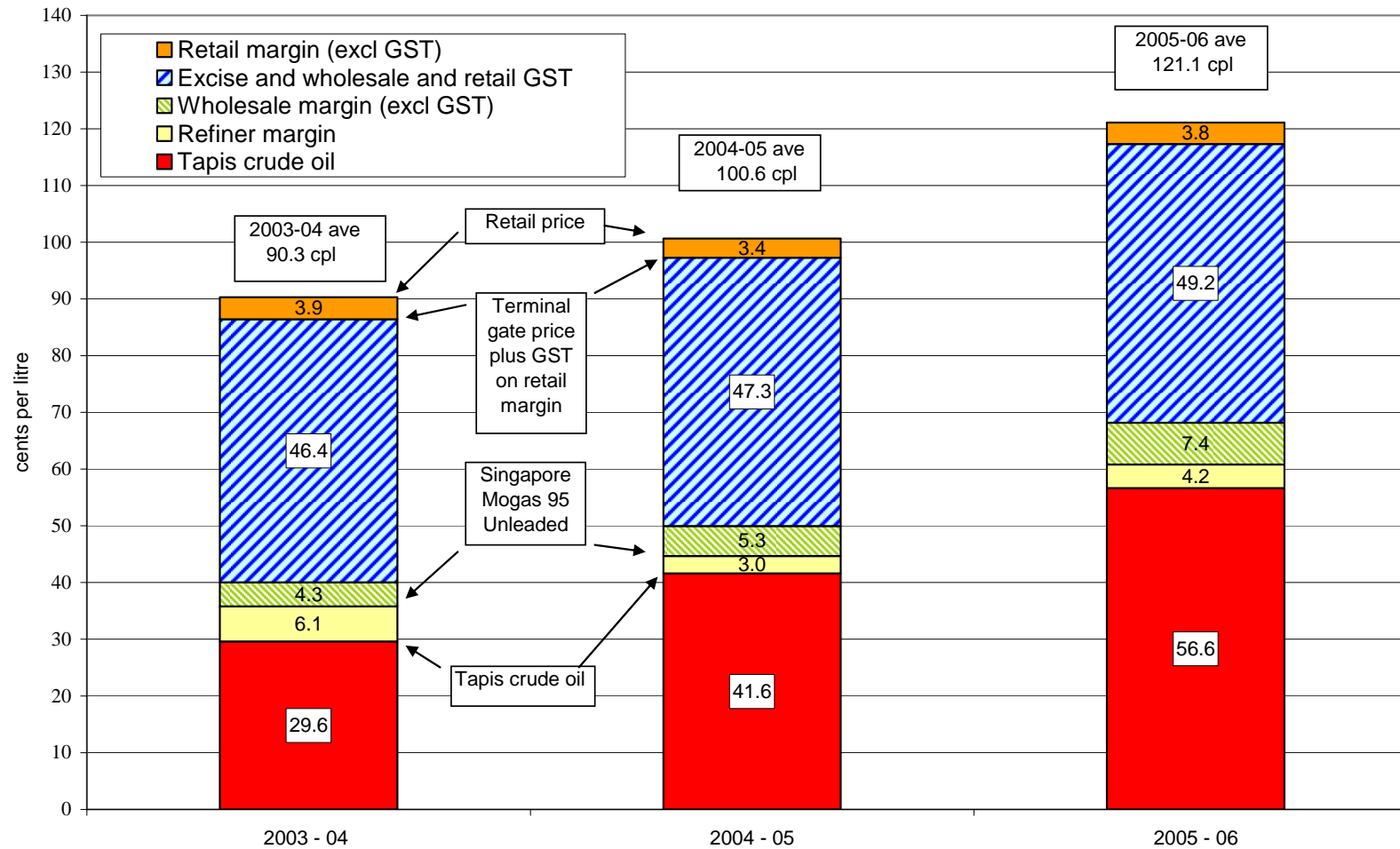
- the main driver of increases in domestic petrol prices has been the increase in the price of Tapis crude oil;
- retail margins have remained broadly constant;
- wholesale margins have increased by around 3.0 cpl (however, the majority of this is likely to have been due to the tighter Commonwealth fuel standards); and
- the second largest component of the price of petrol is excise and the GST.

### Notes to the chart

In chart 8:

- the average annual retail petrol price is indicated above the bar for each year;
- all components are in Australian cents per litre;
- the **refiner margin** is the difference between the price of Singapore Mogas 95 Unleaded and Tapis crude oil;
- the **wholesale margin** is the average terminal gate price in the five cities less Singapore Mogas 95 Unleaded, excise and wholesale GST;
- the **excise and GST** component includes excise (at a constant 38.14 cpl) plus wholesale and retail GST;
- the **retail margin** is the average retail price in the five cities less the average terminal gate price (which includes excise and wholesale GST) and the GST component of the retail margin;
- these calculations are averages and will not represent the actual costs and margins to any particular company.

**Chart 8 Components of Australian retail petrol prices—five-city average—annual average—2003–04 to 2005–06**



Source: ACCC, Informed Sources, BP, Caltex, Mobil, Shell, Trafigura, WA DOCEP and Platts, energy information division of McGraw-Hill, Inc.

## **Provision of Coles and Woolworths petrol prices**

Senator O'Brien asked for a chart showing Coles Express and Woolworths petrol prices over the last 12 months.

This data is provided to the ACCC by Informed Sources for its internal analysis. The ACCC has consulted with Informed Sources about the provision of this data to the Senate Economics Legislative Committee. Informed Sources has responded as follows:

*Informed Sources is restricted by current contract arrangements with the subscribers to our Oil Pricewatch Service from supplying any charts/data comparing the prices of individual brands for release into the public domain.*

*Whilst it is fair to say that these are indeed historical prices, the market positioning of any brand remains commercially sensitive and I regret we are unable to comply with this request.*

## **Newman petrol prices**

Senator Webber commented that on 3 August 2006 “ the lowest price you can get petrol for in Perth is 136.4c, yet you pay 175c in Newman, so it is a differential of 38.4c.”

On the Western Australian Government's FuelWatch website there are three service station sites in Newman for which petrol prices are available. Two of these sites are located in Newman itself and the other site is at the Kumarina Roadhouse, which is around 160 kilometres south of Newman.

On 3 August 2006 the petrol prices at the two service stations in Newman were 160.5 cpl and 161.9 cpl. At the Kumarina Roadhouse the price was 175.4 cpl. It is therefore likely to be the price at the Kumarina Roadhouse to which Senator Webber was referring.

Factors influencing the higher prices in Newman compared with Perth are likely to include population, geographical location, the number of wholesalers and retailers, the lower volume of sales, a lack of competition and additional freight costs.

As noted in the ACCC submission, comparison of monthly data is more appropriate than daily or weekly data because use of monthly data smooths out the effect of price cycles in the major metropolitan cities.

Historical petrol prices are not available on the FuelWatch website for Newman by itself but they are available for the Pilbara region (which includes Newman, Port Hedland, South Hedland, Wedgefield, Karratha and Dampier).

In 2005–06 the differential between average monthly petrol prices in Perth and average monthly petrol prices in the Pilbara region ranged from a low of 16.5 cpl in August 2005 to a high of 23.4 cpl in November 2005. The average differential between Perth prices and prices in the Pilbara region over the year 2005–06 was 20.0 cpl.

## Highest city–country differential

Senator Webber asked about the highest city–country differentials.

The table below shows the highest city–country differential for monthly average petrol prices in each of the states and the Northern Territory in 2005–06. These calculations are based on Informed Sources data.

**Table 1: City–country differential—highest monthly average—2005–06**

State	Town	Month	Differential cpl
New South Wales	Wellington	November 2005	16.4
Victoria	Hamilton	November 2005	16.7
Queensland	Mt. Isa	December 2005	18.5
South Australia	Coober Pedy	October 2005	19.9
Western Australia	Broome	November 2005	22.8
Tasmania	Queenstown	May 2006	6.7
Northern Territory	Tennant Creek	August 2005	11.9

Source: ACCC and Informed Sources

Western Australia has the town with the highest monthly average city–country differential. This was Broome, located in the north-west of the state, where the differential between average monthly petrol prices in Perth and average monthly petrol prices in Broome in November 2005 was 22.8 cpl.

This differential is slightly lower than the highest differential between average monthly petrol prices in Perth and average monthly petrol prices in the Pilbara region (which was 23.4 cpl in November 2005, as noted in the previous answer).

That Western Australia has the town with the highest monthly average city–country differential is consistent with the data provided in the ACCC submission, where Western Australia was the state with the highest city–country differential in all years between 2001–02 and 2005–06.



## **Diesel price movements in 2005–06**

Senator Stephens asked for information on diesel prices.

Charts 9 to 11 show movements in retail diesel prices in Australia in 2005–06. These charts are similar to charts 2.1 to 2.3 for unleaded petrol in the ACCC submission.

It should be noted that, according to the Australian Institute of Petroleum, only 25 per cent of the diesel used in Australia is sold through retail outlets. Much of the balance is sold to commercial and industrial customers (eg to mining and transport companies) on long term contracts.<sup>2</sup>

In 2005–06 total sales of automotive diesel in Australia was 15 803 million litres. Of this, 3 775 million litres was sold by retailers.<sup>3</sup>

The prices in this analysis are the prices of diesel sold at service station sites recorded by Informed Sources.

### **Five largest metropolitan cities**

Chart 9 shows movements in average monthly diesel prices over the period July 2005 to June 2006 for the average of the five largest metropolitan cities (ie Sydney, Melbourne, Brisbane, Adelaide and Perth).

Chart 9 shows that:

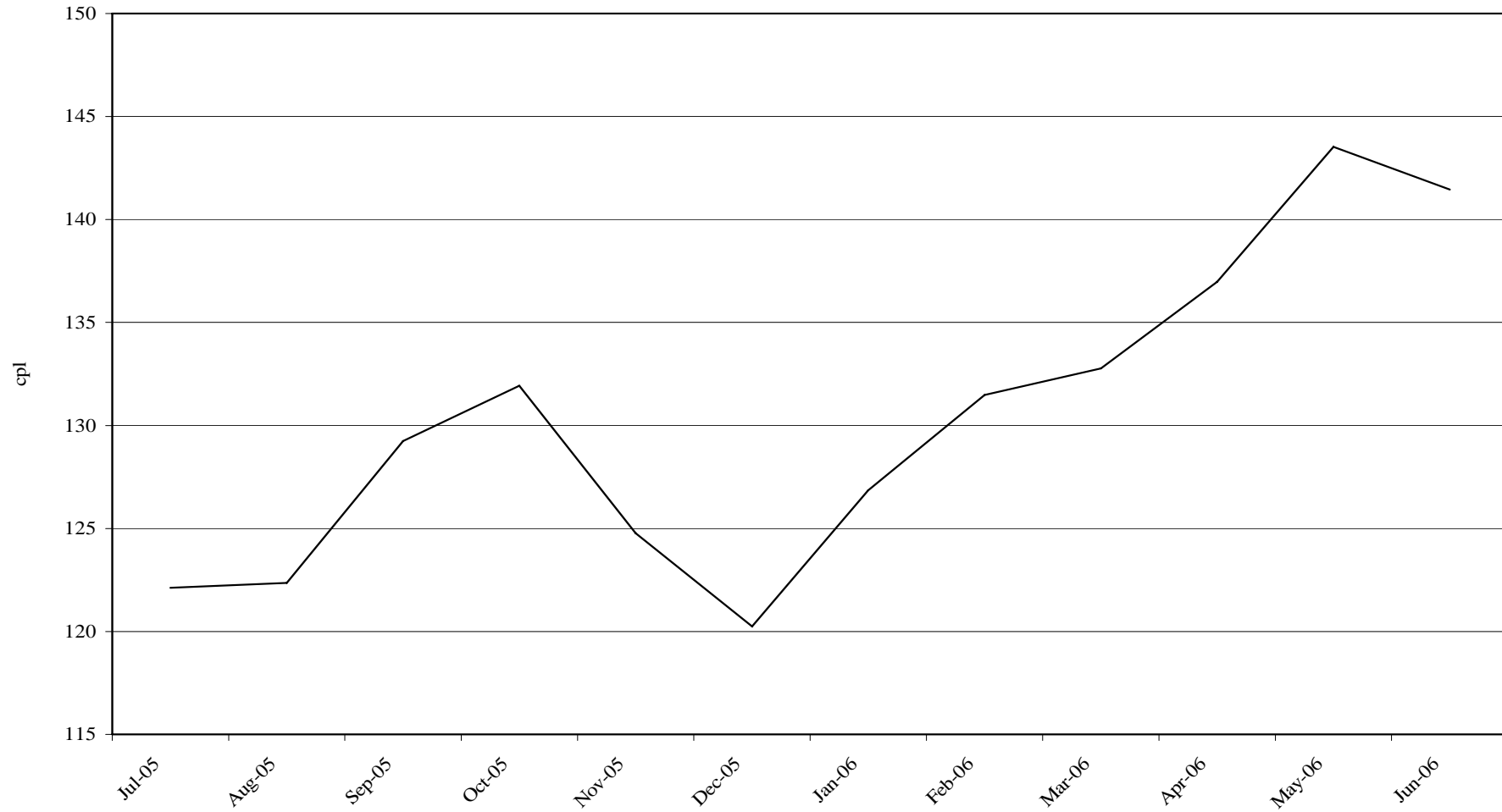
- average monthly prices increased from 122.1 cpl in July 2005 to 131.9 cpl in October 2005—an increase of 9.8 cpl;
- average monthly prices then declined over the next two months to 120.2 cpl in December 2005—a decrease of 11.7 cpl;
- average monthly prices then steadily increased reaching a peak of 143.5 cpl in May 2006. The increase in prices between December 2005 and May 2006 was 23.3 cpl;
- average monthly prices declined in June 2006 to 141.5 cpl—a decrease of 2.0 cpl.

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<sup>2</sup> Australian Institute of Petroleum (AIP), 'Diesel prices explained', AIP website, retrieved 18 August 2006.

<sup>3</sup> Department of Industry, Tourism, and Resources, *Australian Petroleum Statistics*, June 2006, Issue 119, table 3C.

**Chart 9** Five largest metropolitan cities—average monthly diesel retail prices—July 2005 to June 2006



Source: ACCC and Informed Sources

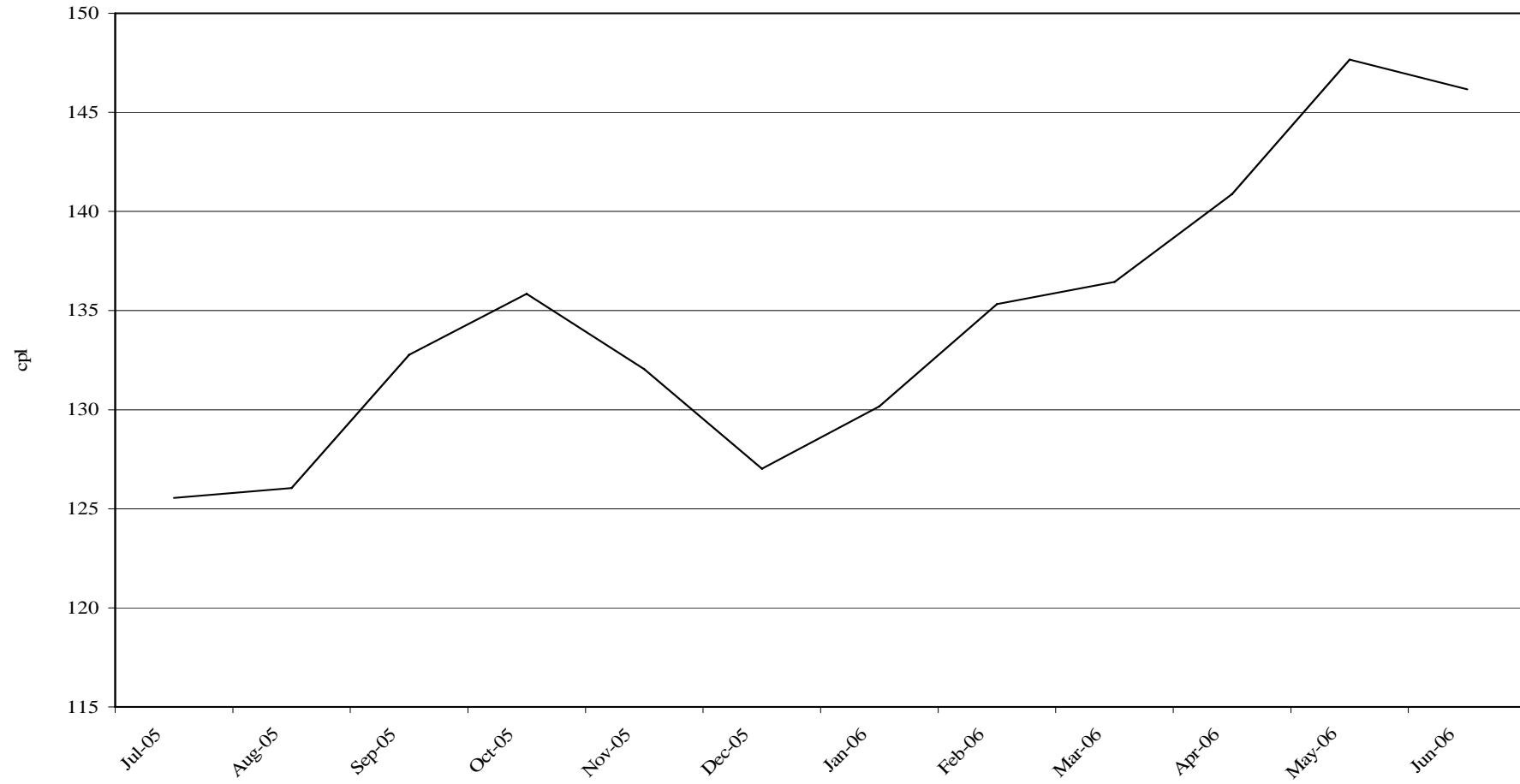
### **Canberra, Darwin and Hobart**

Chart 10 shows movements in average monthly diesel prices over the period July 2005 to June 2006 for the average of the smaller capital cities (ie Canberra, Hobart and Darwin).

It shows that:

- average monthly prices increased from 125.5 cpl in July 2005 to 135.8 cpl in October 2005—an increase of 10.3 cpl;
- average monthly prices then declined over the next two months to 127.0 cpl in December 2005—a decrease of 8.8 cpl;
- after that average monthly prices increased to a peak of 147.7 cpl in May 2006—an increase of 20.7 cpl;
- average monthly prices declined in June 2006 to 146.2 cpl—a decrease of 1.5 cpl.

**Chart 10** Canberra, Darwin and Hobart—average monthly diesel retail prices—July 2005 to June 2006



Source: ACCC and Informed Sources

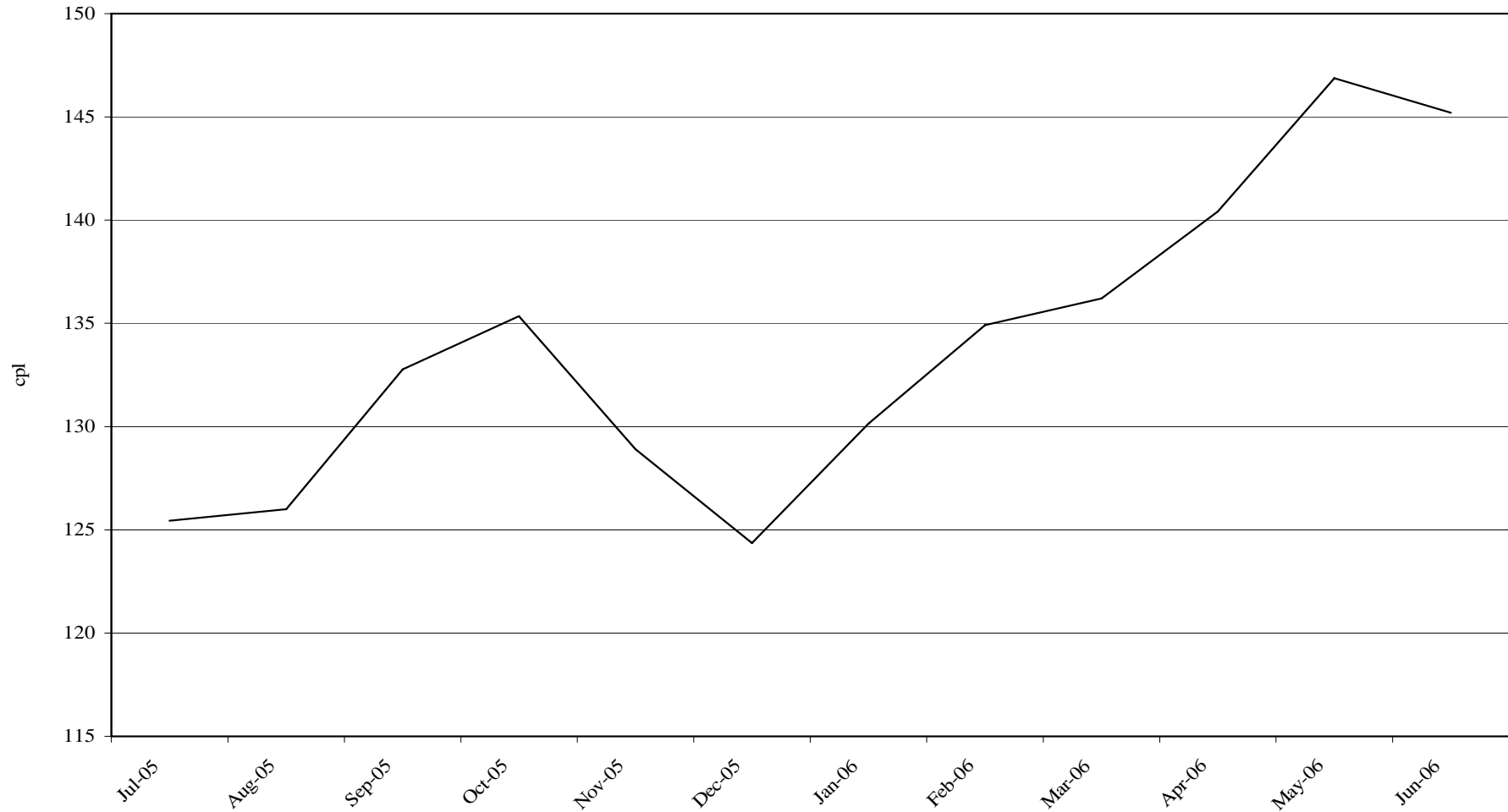
## **Country towns**

Chart 11 shows movements in average monthly diesel prices over the period July 2005 to June 2006 for the average of 110 regional and country towns across Australia.

It shows that:

- average monthly prices increased from 125.4 cpl in July 2005 to 135.4 cpl in October 2005—an increase of 10.0 cpl;
- average monthly prices then declined over the next two months to 124.4 cpl in December 2005—a decrease of 11.0 cpl;
- after that average monthly prices increased to a peak of 146.9 cpl in May 2006—an increase of 22.5 cpl;
- average monthly prices declined in June 2006 to 145.2 cpl —a decrease of 1.7 cpl.

**Chart 11 Country towns—average monthly diesel retail prices—July 2005 to June 2006**



Source: ACCC and Informed Sources

## Diesel price movements between 2001–02 and 2005–06

Chart 12 shows movements in average monthly diesel prices in the five largest metropolitan cities between July 2001 and June 2006.

The chart shows the following:

- For the first three years of the five-year period, diesel prices were broadly stable. They generally moved within a band between 85.0 cpl and 95.0 cpl;
- Since July 2003 diesel prices have been trending upwards;
- The first month in which diesel prices were over \$1.00 per litre was March 2003; 4
- Diesel prices have been consistently over \$1.00 per litre since August 2004 and have been consistently over \$1.20 cpl since July 2005;
  - In May and June 2006 diesel prices were over \$1.40 per litre.

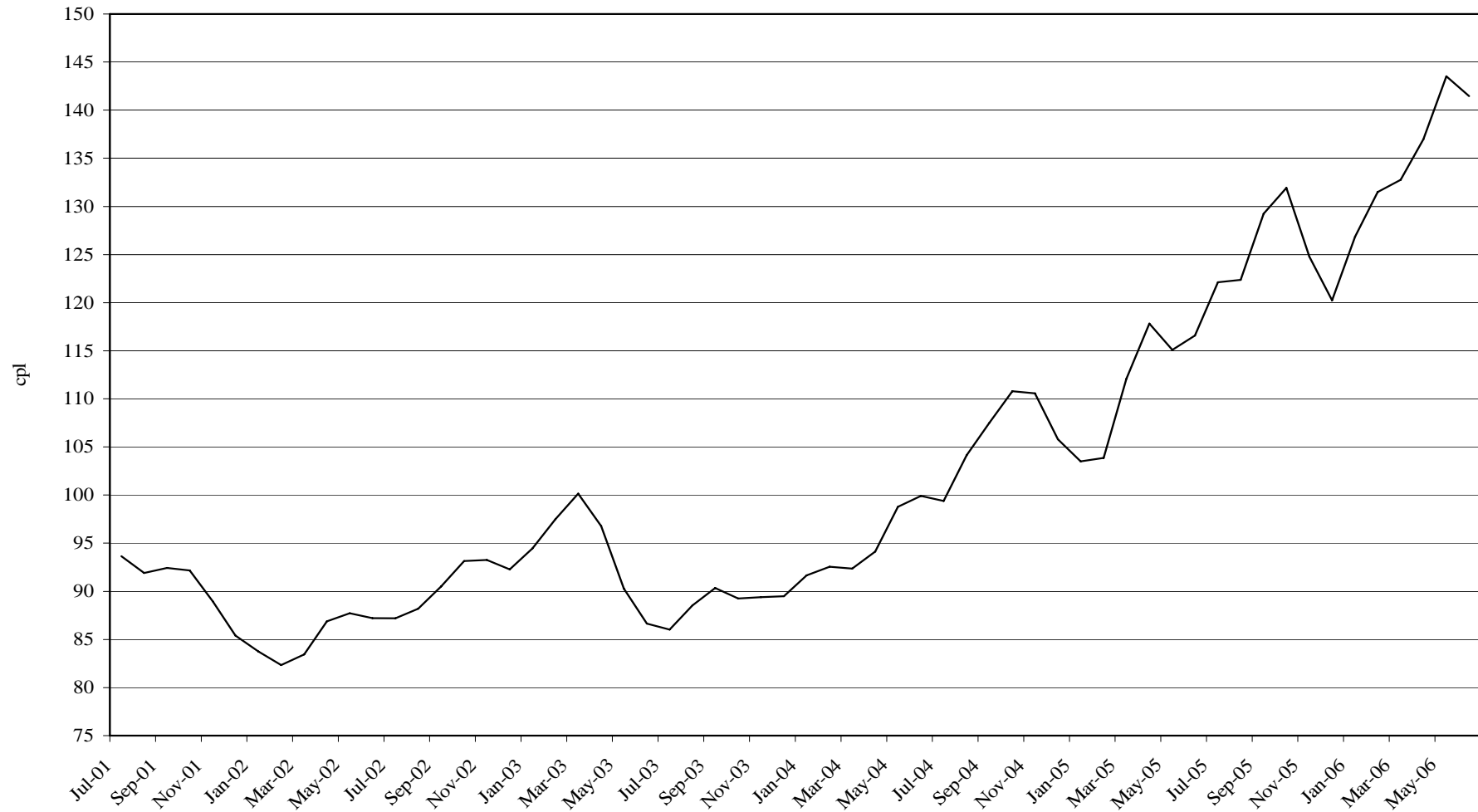
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<sup>4</sup> Note that there are subsidies provided by state governments in three of the five cities included in this category.

At the retail level, the Queensland Government provides a subsidy of 8.354 cpl (which has a price effect of around 9.2 cpl once the GST is included) and the Western Australian Government provides a subsidy of 0.71 cpl (which has a price effect of around 0.8 cpl once the GST is included).

At the wholesale level, the Victorian Government provides a subsidy of 0.751 cpl (which has a price effect of around 0.8 cpl once the GST is included).

**Chart 12** Five largest metropolitan cities—average monthly diesel retail prices—July 2001 to June 2006



Source: ACCC and Informed Sources



## **Recent movements in the Singapore benchmark price and Australian diesel prices**

Movements in the overall level of Australian diesel prices are largely driven by movements in the key underlying factors, ie changes in the Singapore benchmark price for refined diesel and the Australian/US dollar exchange rate.

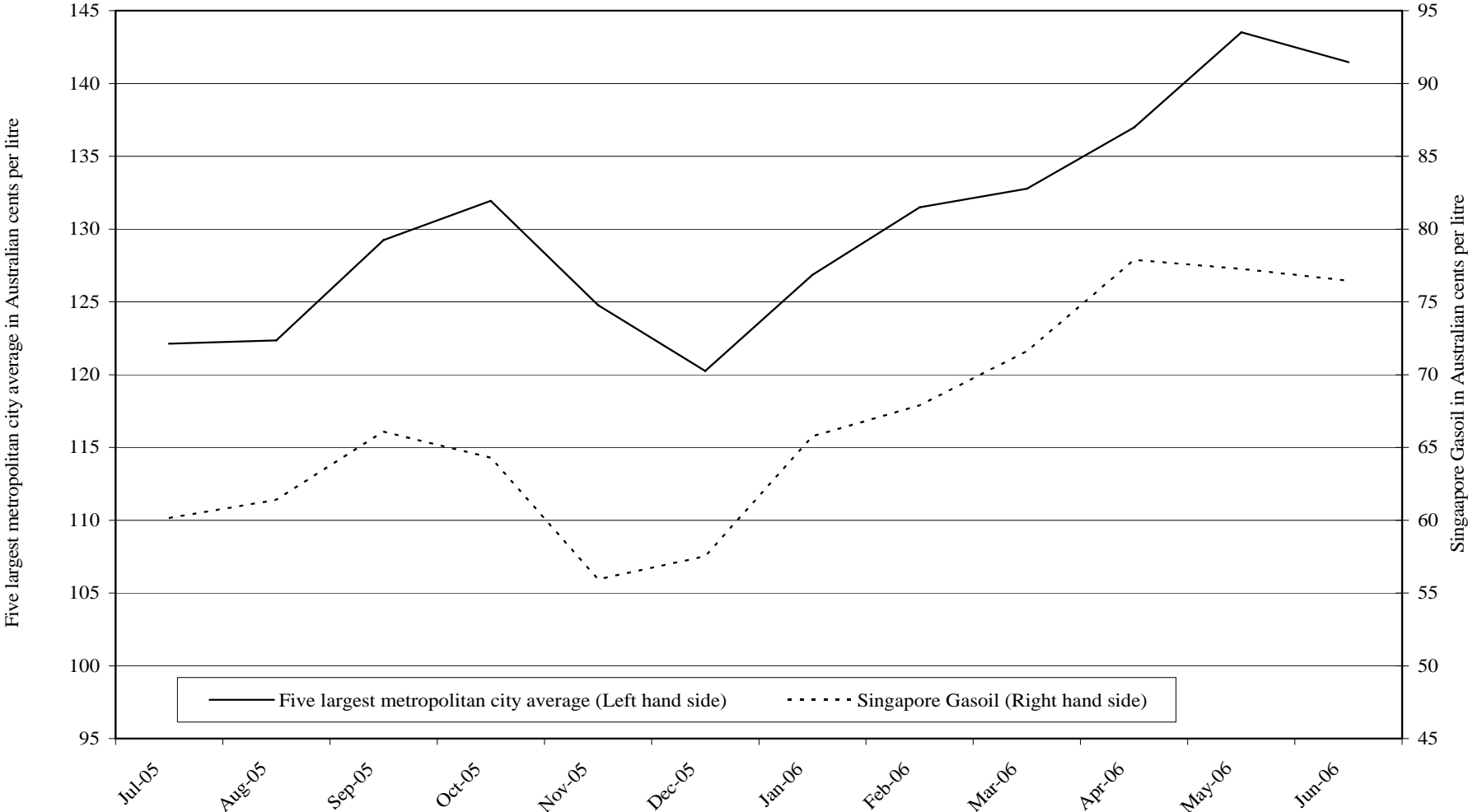
The benchmark price for diesel is the spot price for Singapore Gasoil. In 2005 the benchmark price for diesel was the spot price for Singapore Gasoil (with 500 parts per million sulphur). However, from January 2006 the benchmark price for diesel changed to the spot price for Singapore Gasoil (with 50 parts per million sulphur). This reflected the tighter Australian Government fuel standard for diesel which took effect from the beginning of 2006.

Chart 13 shows monthly average retail diesel prices across the five largest metropolitan cities and monthly average Singapore Gasoil prices in Australian cents per litre.

Note that in the chart the left hand axis shows the five city average retail diesel prices and the right hand axis shows the Singapore Gasoil prices.

The chart shows that movements in domestic diesel prices tend to follow the movements in Singapore Gasoil prices.

**Chart 13 Five largest metropolitan cities and Singapore Gasoil—average monthly prices—July 2005 to June 2006**



Source: ACCC, Informed Sources and Platts, energy information division of McGraw-Hill, Inc.

## **Automotive LPG price movements in 2005–06**

Senator O'Brien asked for information on automotive LPG prices.

Charts 14 to 16 show movements in automotive LPG prices in Australia in 2005–06. These charts are similar to charts 2.1 to 2.3 for unleaded petrol in the ACCC submission. This analysis is based on data from Informed Sources.

In 2005–06 2 995 million litres of automotive LPG was sold in Australia.<sup>5</sup>

### **Five largest metropolitan cities**

Chart 14 shows movements in average monthly automotive LPG prices over the period July 2005 to June 2006 for the average of the five largest metropolitan cities (ie Sydney, Melbourne, Brisbane, Adelaide and Perth).

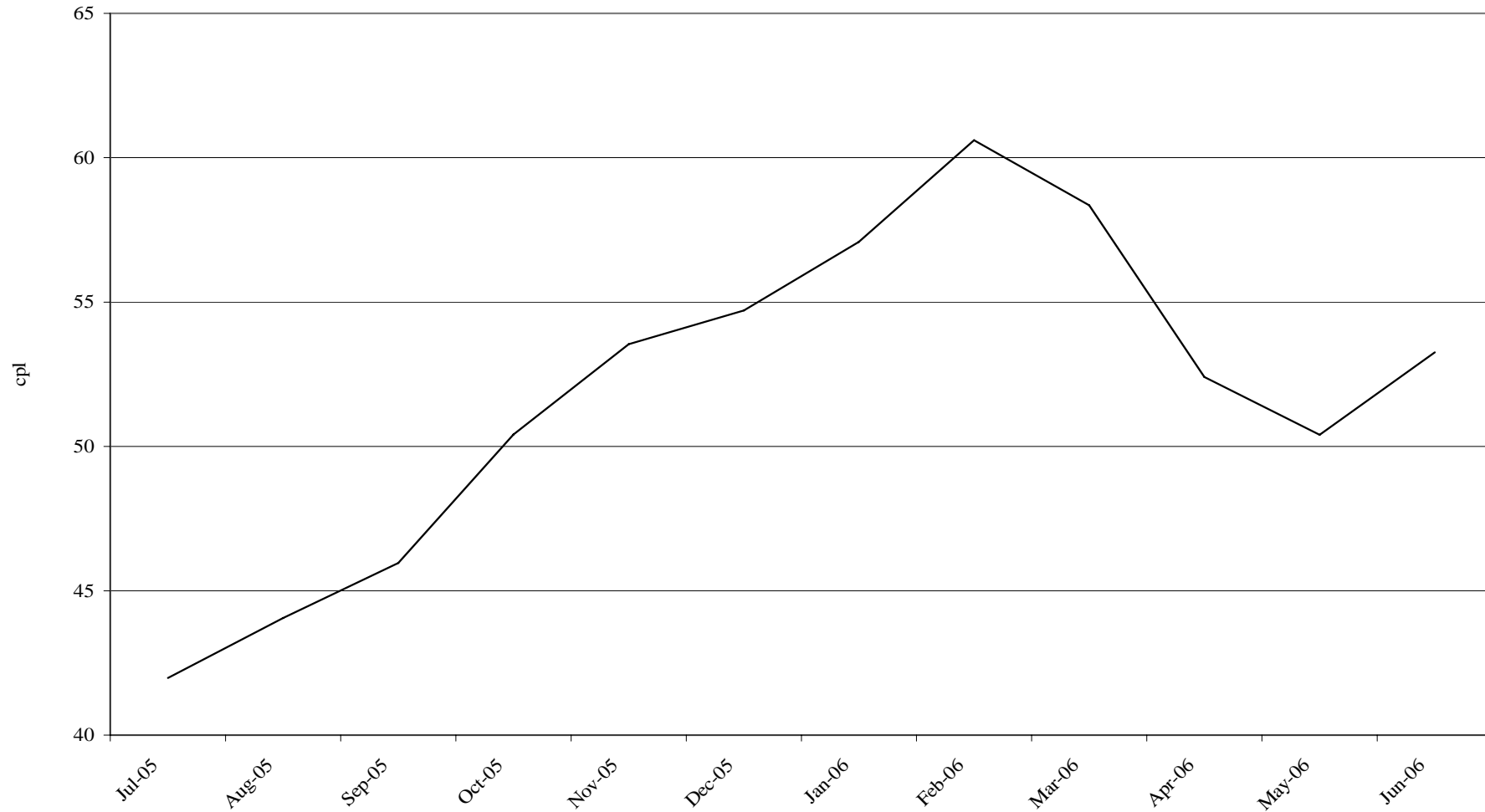
Chart 14 shows that:

- average monthly prices increased from 42.0 cpl in July 2005 to 60.6 cpl in February 2006—an increase of 18.6 cpl;
- average monthly prices then declined over the next three months to 50.4 cpl in May 2006—a decrease of 10.2 cpl;
- average monthly prices increased in June 2006 to 53.3 cpl—an increase of 2.9 cpl.

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<sup>5</sup> Department of Industry, Tourism, and Resources, *Australian Petroleum Statistics*, June 2006, Issue 119, table 3C.

**Chart 14** Five largest metropolitan cities—average monthly automotive LPG retail prices—July 2005 to June 2006



Source: ACCC and Informed Sources

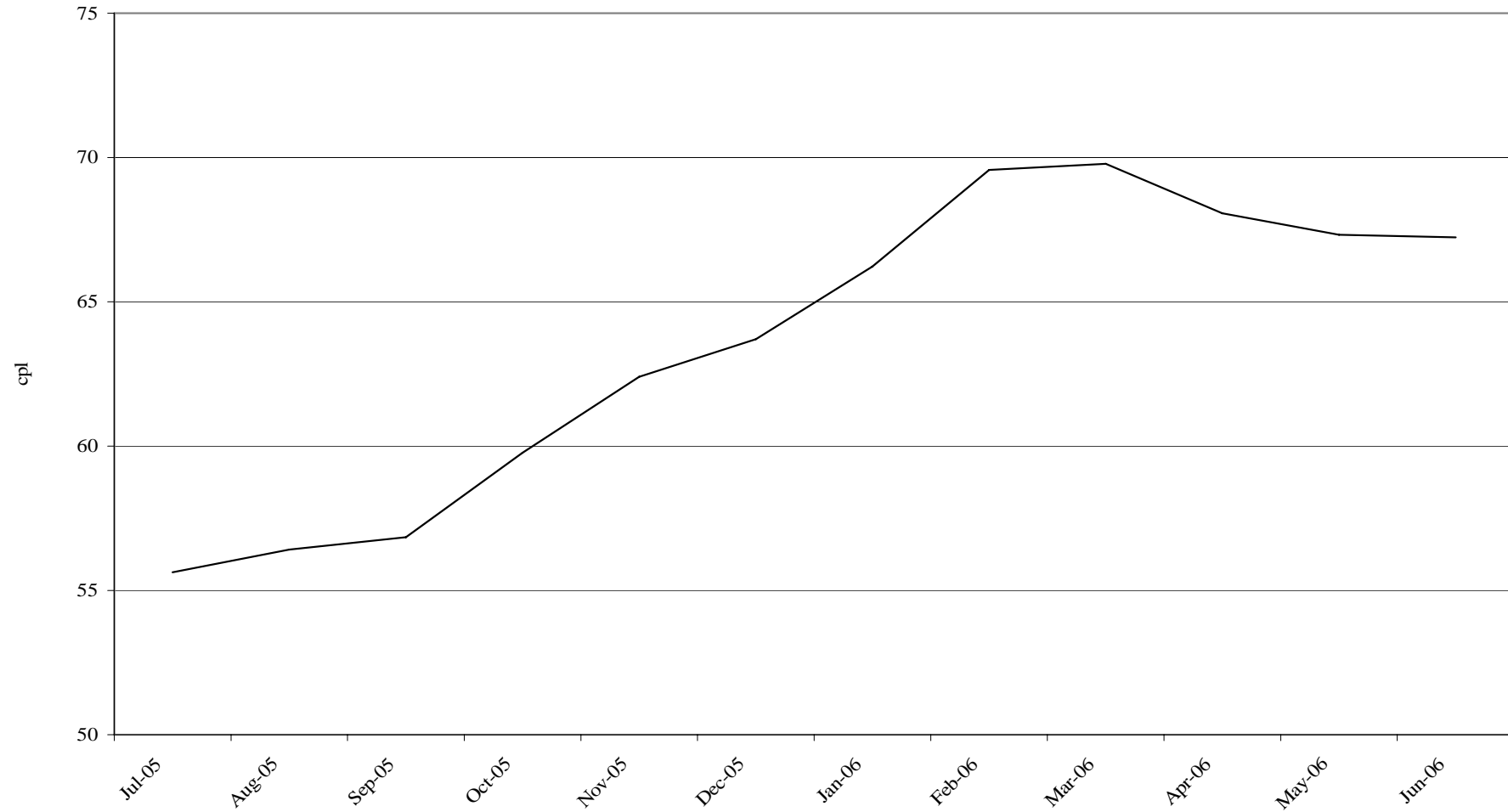
### **Canberra, Darwin and Hobart**

Chart 15 shows movements in average monthly automotive LPG over the period July 2005 to June 2006 for the average of the smaller capital cities (ie Canberra, Hobart and Darwin).

It shows that:

- average monthly prices increased from 55.6 cpl in July 2005 to 69.8 cpl in March 2006—an increase of 14.2 cpl;
- average monthly prices then declined over the next three months to 67.2 cpl in June 2006—a decrease of 2.6 cpl.

**Chart 15 Canberra, Darwin and Hobart—average monthly automotive LPG retail prices—July 2005 to June 2006**



Source: ACCC and Informed Sources

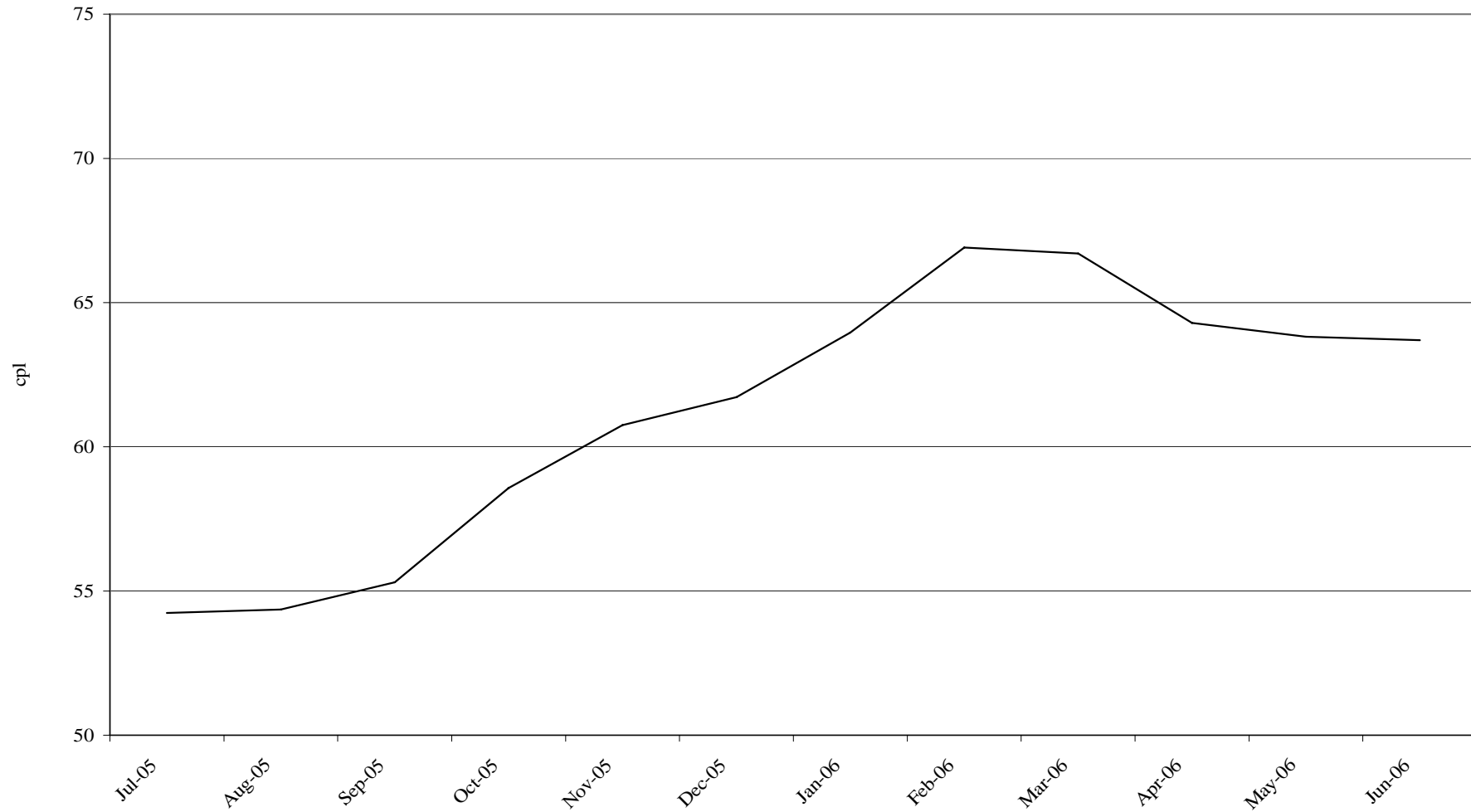
## **Country towns**

Chart 16 shows movements in average monthly automotive LPG prices over the period July 2005 to June 2006 for the average of 110 regional and country towns across Australia.

It shows that:

- average monthly prices increased from 54.2 cpl in July 2005 to 66.9 cpl in February 2006—an increase of 12.7 cpl;
- average monthly prices then declined over the next four months to 63.7 cpl in June 2006—a decrease of 3.2 cpl.

**Chart 16 Country towns—average monthly automotive LPG retail prices—July 2005 to June 2006**



Source: ACCC and Informed Sources



## **Automotive LPG price movements between 2001–02 and 2005–06**

Chart 17 shows movements in average monthly automotive LPG prices in the five largest metropolitan cities between July 2001 and June 2006.<sup>6</sup>

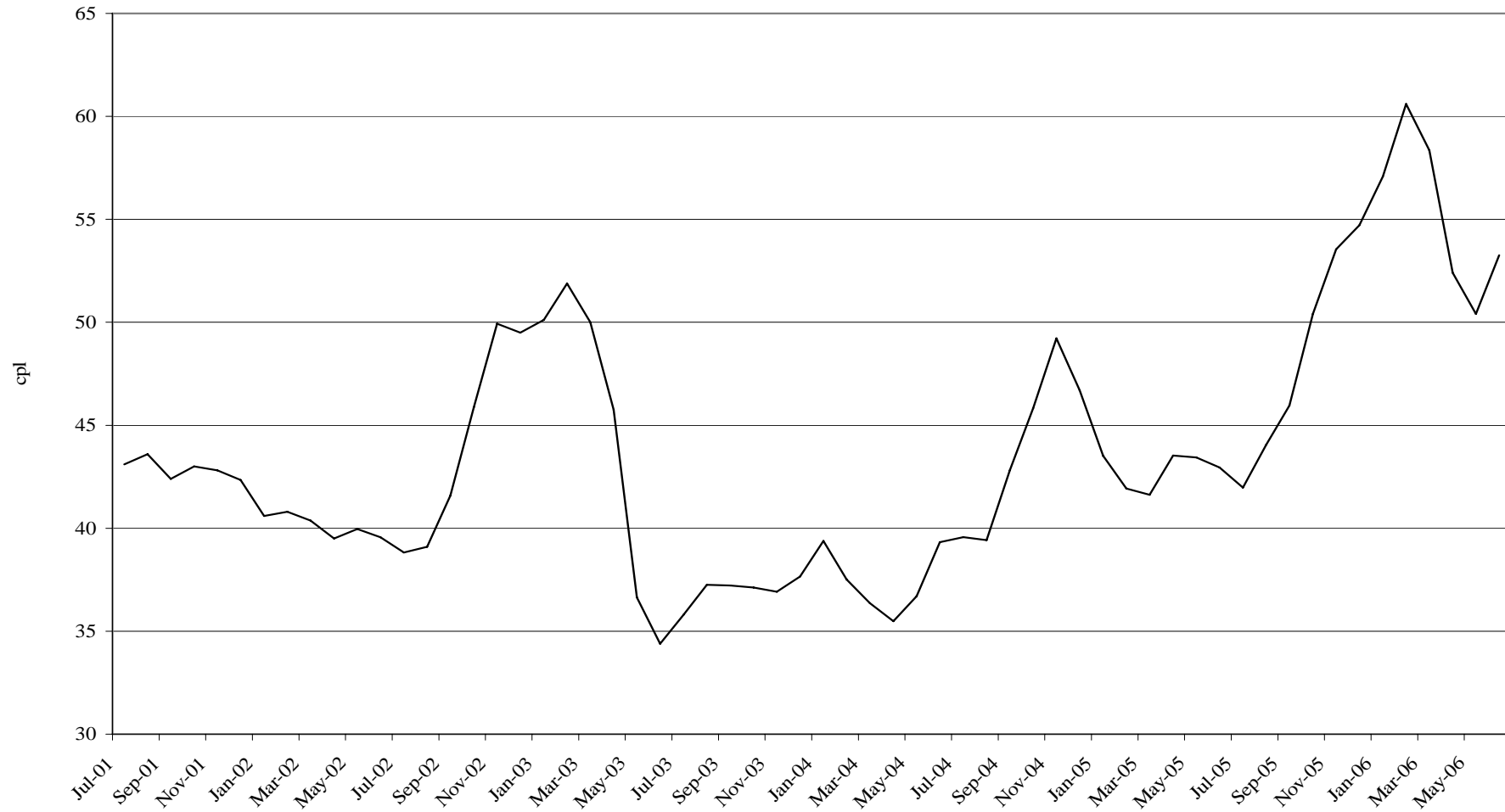
The chart shows the following:

- Automotive LPG prices ranged from a low of around 35.0 cpl to a high of around 60.0 cpl in the five year period;
- In the first four years prices generally moved within a band between 35.0 cpl and 45.0 cpl other than when there were price spikes (such as in February 2003 and November 2004);
- Since June 2003 prices have been trending upwards;
- Automotive LPG prices have been consistently above 50.0 cents per litre since October 2005.

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<sup>6</sup> Unlike petrol and diesel, there are no state subsidies at either the wholesale or retail level for automotive LPG. There is currently no excise levied on automotive LPG.

**Chart 17 Five largest metropolitan cities—average monthly automotive LPG retail prices—July 2001 to June 2006**



Source: ACCC and Informed Sources

## **Recent movements in international benchmark prices and Australian automotive LPG prices**

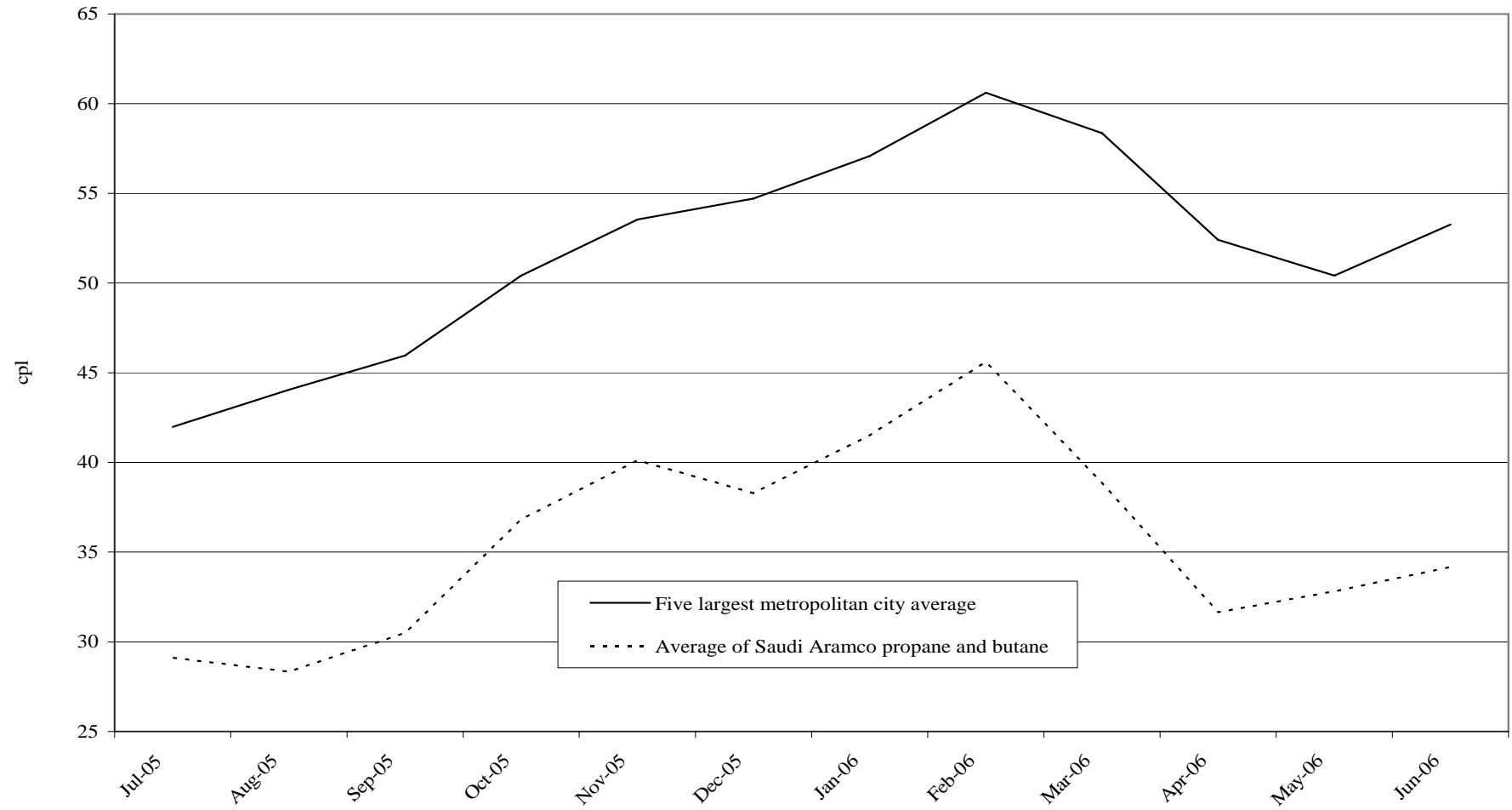
Automotive LPG is a mixture of propane and butane. Movements in the overall level of Australian automotive LPG prices are largely driven by movements in the Saudi Aramco Contract Prices for propane and butane and the Australia/US dollar exchange rate.

The Saudi Aramco Contract Prices for propane and butane are the internationally recognised reference prices posted monthly and are determined by the supply and demand constraints on Saudi producers. Domestic producer prices are determined by adding a premium to these prices to cover international freight costs, insurance, wharfage and storage.

Chart 18 shows monthly average automotive LPG retail prices across the five largest metropolitan cities and the monthly average of the Saudi Aramco Contract Prices for propane and butane in Australian cents per litre.

The chart shows that domestic automotive LPG prices tend to follow movements in the international benchmark.

**Chart 18 Five largest metropolitan cities automotive LPG retail prices and average of the Saudi Aramco propane and butane prices—average monthly—July 2005 to June 2006**



Source: ACCC, Informed Sources and BHP Billiton

## Automotive LPG prices in northern Tasmania and Victoria

Senator O'Brien asked for information about the differential in automotive LPG prices between northern Tasmania and Victoria.

Chart 19 shows average monthly automotive LPG prices across Launceston and Devonport in Tasmania (called northern Tasmania in the chart) and average monthly automotive LPG prices in 23 country towns in Victoria.

The chart shows that the differential between average monthly automotive LPG prices in northern Tasmania and those in country Victoria ranged from a low of 7.5 cpl in November 2005 to a high of 15.5 cpl in June 2006. In 2005–06 the average differential was 10.9 cpl.

The Prices Surveillance Authority investigated the pricing of LPG in Tasmania in 1994.<sup>7</sup> It found that the main reasons for higher LPG prices in Tasmania were:

- the lack of local sources of supply;
- the cost of importing from Victoria, which includes shipping, port fees and terminal/storage;
- the smaller market relative to other states, with lower economies of scale in operations, and
- less competition at the producer, wholesale and retail levels due to fewer players in the market.

It is likely that these factors still contribute to the higher prices in Tasmania compared with Victoria.

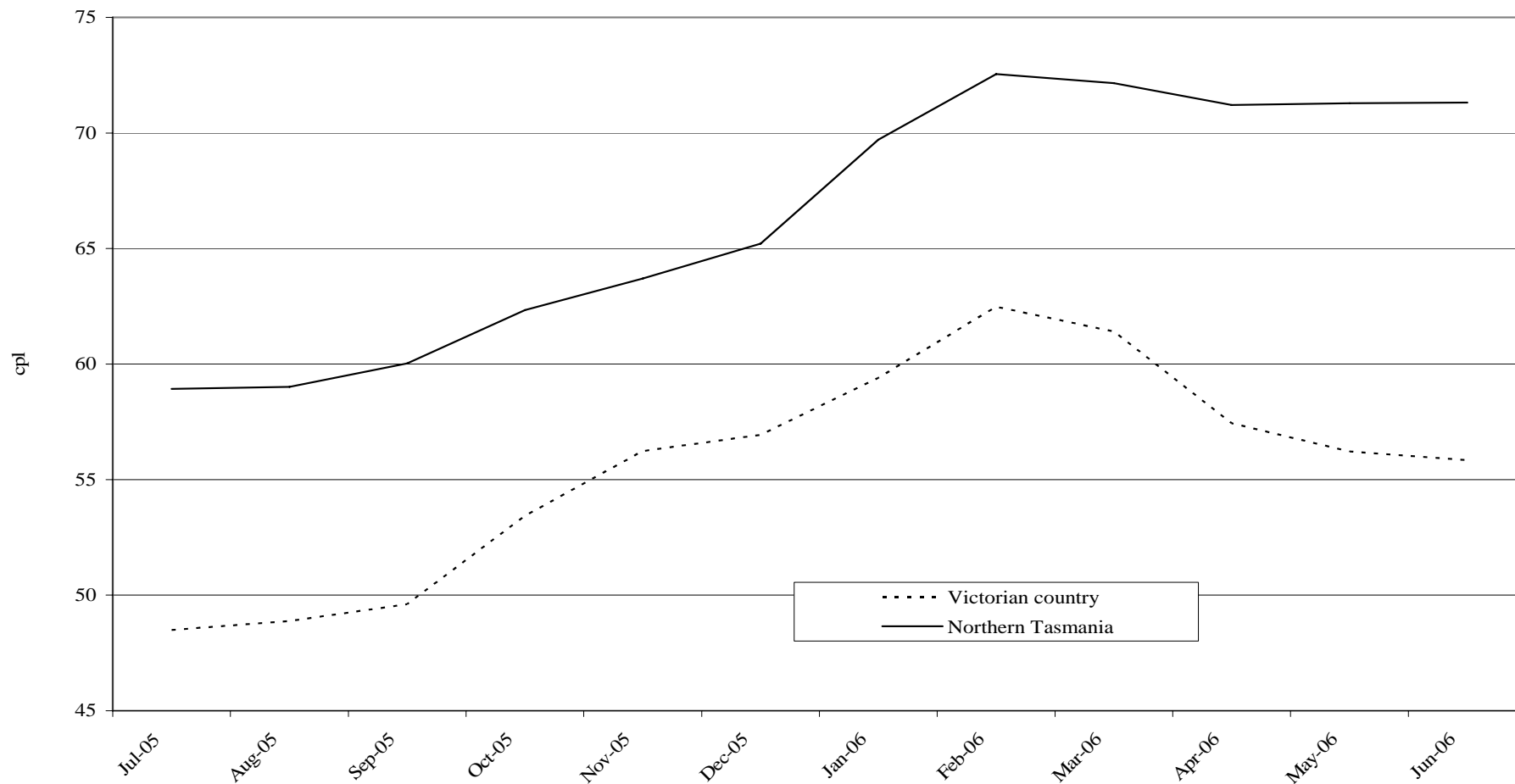
In 2005–06 consumption of automotive LPG in Victoria was 1 344 million litres (which represented 45 per cent of total consumption in Australia). By comparison, consumption of automotive LPG in Tasmania was 1 8 million litres (which represented less than 1.0 per cent of total consumption).<sup>8</sup>

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<sup>7</sup> Prices Surveillance Authority, *Report on LPG pricing in Tasmania*, 7 July 1994.

<sup>8</sup> Department of Industry, Tourism, and Resources, *Australian Petroleum Statistics*, June 2006, Issue 119, table 3C.

**Chart 19 Victorian country and northern Tasmania—average monthly automotive LPG prices—July 2005 to June 2006**



Source: ACCC and Informed Sources



Australian  
Competition &  
Consumer  
Commission

# NewsRelease

## **ACCC alleges petrol price fixing in country Victoria**

The Australian Competition and Consumer Commission has instituted court proceedings against seven companies and seven individuals in the Ballarat region alleging that they entered into and gave effect to arrangements to fix retail petrol prices in breach of the *Trade Practices Act 1974*.

The ACCC has instituted proceedings against the following companies and individuals:

- Leahy Petroleum Pty Ltd, Leahy Petroleum – Retail Pty Ltd and Mr Robin Palmer
- Triton 2001 Pty Ltd and Mr Anthony Rosenow
- Brumar (Vic) Pty Ltd and Mr Garry Dalton
- Justco Pty Ltd and Mr Justin Bentley
- Apco Service Stations Pty Ltd and Mr Peter Anderson
- J. Chisholm Pty Ltd
- Mr John Gourley and Mr Robert Levick of Balgee Oil (Externally Administered) Pty Ltd.

The ACCC alleges the respondents were involved in the distribution, or retailing, of petrol in the Ballarat area under the Swift, Apco, Mobil, BP, Shell and Ampol/Caltex brands and that they were part of a long-standing price-fixing arrangement between distributors and retailers of petrol.

The ACCC alleges the companies arranged to raise prices by telephoning one another and communicating the size and approximate time of the price rise. It is alleged they then contacted retail sites to implement the rise. It is also alleged that when one became aware that a service station had not raised its price, further calls were made to each other to try to have the site raise its prices.

The ACCC alleges the arrangement pre-dated June 1999 and is seeking penalties for 69 occasions from June 1999 until December 2000 when it alleges the companies effected the arrangement.

The ACCC also alleges that the arrangement involved a number of meetings between competitors, including a meeting in the private home of an employee of Mobil Oil Australia.

The ACCC investigation began over two years in Easter 2000 after receiving complaints from a whistleblower, Mr Trevor Oliver. Just before Easter, Mr Oliver, a Buangor service station owner, alleged that he had been telephoned by his supplier, Leahy Petroleum Pty Ltd, about a rise in retail petrol prices of about 10 cents at 10 a.m. that day. Several weeks after Mr Oliver made his allegations, Leahy Petroleum ceased supplying his

business.

The ACCC is seeking:

- penalties
- injunctions
- declarations
- findings of fact
- the implementation of a trade practices compliance program
- costs.

The ACCC has also instituted legal proceedings against Leahy Petroleum and its General Manager, Mr Robin Palmer, in relation to the termination of supply to Mr Oliver. The ACCC alleges that telephone calls to Mr Oliver about prices and the withholding of supply to him contravened the resale price maintenance provisions of the Act. The ACCC is also seeking penalties, injunctions, declarations, findings of fact, the implementation of a trade practices compliance program and costs in relation to this alleged conduct.

A directions hearing for these matters is listed for 14 June 2002 before Justice Merkel in the Federal Court, Melbourne.

Note to media: Professor Fels will be available for any media inquiries at 12 noon at the ACCC Offices, Level 35, 360 Elizabeth Street, Melbourne. Television crews can access the building via the loading dock, off Little Lonsdale Street, near the corner of Elizabeth Street (building policy). Parking is also available.

Release # MR 127/02

Issued: 23<sup>rd</sup> May 2002



COMMONWEALTH OF AUSTRALIA

*Prices Surveillance Act 1983*

REVOCATION (NO.25)

I, PETER COSTELLO, the Treasurer, in pursuance of section 21 of the *Prices Surveillance Act 1983*, hereby revoke declaration No. 64 of 6 December 1990 published in the Commonwealth of Australia Gazette No GN 1 of 9 January 1991 (as varied on 11 July 1995 published in the Commonwealth of Australia Gazette No GN 30 of 2 August 1995) concerning Automotive Distillate and Motor Spirit supplied by Ampol Petroleum (Victoria) Pty Limited, Ampol Petroleum (Queensland) Pty Limited, BP Australia Limited, BP Oil Distribution Limited, Mobil Oil Australia Limited, The Shell Company of Australia Limited, and Australian Petroleum Pty Limited, with effect from 1 August 1998.

Dated this 31<sup>st</sup> day of July 1998.



PETER COSTELLO  
TREASURER