



Department of Consumer
and Employment Protection
Government of Western Australia

Consumer Protection Division

Submission to the Senate Inquiry into the Price of Petrol in Australia

**Commissioner for Fair Trading
Western Australia**

October 2006

Contents

Executive Summary	vi
1. FuelWatch Overview	1
1.1 Purpose of FuelWatch	1
1.2 Fuel Price Monitoring.....	1
2. Prices Regulation of the Retail and Wholesale Fuel Market	2
2.1 FuelWatch Boundaries	2
2.2 '24 hour rule'	2
2.3 Price Boards in Regional Areas.....	3
2.4 Terminal Gate Pricing.....	3
2.5 Ensuring Compliance.....	4
3. FuelWatch Services	5
3.1 Price Information.....	5
3.2 Information through the Media.....	6
3.3 Benefits of the FuelWatch Service to Motorists.....	6
3.4 Other Support for the FuelWatch System.....	7
4. Fuel Pricing in Australia.....	8
4.1 Price Cycles.....	8
4.2 Import Parity	9
5. Fuel Prices in Western Australia.....	10
5.1 Perth vs Eastern States Fuel Prices.....	10
5.2 Regional Petrol Prices	12
5.3 Terminal Gate Prices in Western Australia.....	14
6. Margins	14
6.1 Retail Margins.....	14
6.2 Indicative Wholesale Margins	17
6.3 Refiner Margins	18
7. Market Structure	19
8. Issues	21
8.1 Effectiveness of the "24 Hour Rule".....	21
8.2 Retail Price Capping.....	22
8.3 Fuel Specifications.....	23
8.4 Assessing Predictions of Future Fuel Prices	24

Appendices

APPENDIX A	27
Retail Fuel Prices - Graphs.....	27
APPENDIX B	30
Retail Margins - Graphs	30
APPENDIX C	34
Wholesale Margins – Graphs.....	34
APPENDIX D	37
Refiner Margin – Graph	37
APPENDIX E	39
Price Cycle – Graph.....	39

Submission to the Senate Inquiry into the Price of Petrol in Australia from the
Commissioner for Fair Trading Western Australia

PRINTED: 26 October 2006; 9:39 AM

LOCATION: F:\Government + Stakeholders\Senate Committee Inquiry Petrol Pricing\Submission to
the Senate Inquiry Final Version Oct 06.doc

List of Tables

Table 1:	Average Length of ULP Price Cycle (in days)	9
Table 2:	Average Range of ULP Price Cycle (in cpl).....	9
Table 3:	Average ULP Prices for Perth and the Eastern States (in cpl).....	10
Table 4:	Average Difference in ULP Prices Between Perth and the Eastern States (in cpl).....	11
Table 5:	ULP City/Country Differentials.....	13
Table 6:	Average Indicative ULP Retail Margins(in cpl)	14
Table 7:	Average Indicative Diesel Retail Margin (in cpl)	16
Table 8:	Average Indicative Combined LPG Wholesale and Retail Margin (in cpl)	16
Table 9:	Average Indicative ULP Wholesale Margins (in cpl)	17
Table 10:	Indicative Diesel Wholesale Margins (in cpl).....	18
Table 11:	Average Refiner Margins 2001-2006 (in US\$ bbl)	18
Table 12:	Changes in WA Market Structure (within FuelWatch Boundaries only)	20
Table 13:	Comparison of WA and National Market Structure	21

List of Figures

Figure 1:	Average Monthly Retail Prices for ULP in Perth and Eastern States Capitals from January 2001 to August 2006	28
Figure 2:	Average Monthly Difference between Retail Prices for ULP in Perth and Eastern States Capitals from January 2001 and August 2006	29
Figure 3:	Average Indicative Retail Margins for ULP in the Perth Metropolitan Area from January 2003 to August 2006	31
Figure 4:	Average Indicative Retail Margins for Diesel in the Perth Metropolitan Area from January 2003 to August 2006	32
Figure 5:	Average Indicative Combined Margins for LPG in the Perth Metropolitan Area from January 2003 to August 2006	33
Figure 6:	Average Indicative Wholesale Margin for ULP in the Perth Metropolitan Area from January 2003 to August 2006	35
Figure 7:	Average Indicative Wholesale Margin for Diesel in the Perth Metropolitan Area from January 2003 to August 2006	36
Figure 8:	Indicative ULP Refiner Margin for Perth from January 2001 to August 2006	38
Figure 9:	Price Cycles in Perth and Eastern States Capitals November 2005 to August 2006	40

List of Acronyms

ACCC	Australian Competition and Consumer Commission
bbbl	per barrel
cpl	cents per litre
EP(DP) Regulations	<i>Environmental Protection (Diesel and Petrol) Regulations 1999</i>
LPG	liquefied petroleum gas
LRP	lead replacement petrol
PPP Act	<i>Petroleum Products Pricing Act 1983 (WA)</i>
PULP	premium unleaded petrol
TGP	Terminal Gate Price
TGP Order	<i>Petroleum Products Pricing (Maximum Terminal Gate Price) Order 2002 (WA)</i>
ULP	unleaded petrol
YTD	year to date

Executive Summary

Purpose of FuelWatch

The purpose of the FuelWatch system is:

- to represent the interests of consumers;
- to provide price transparency and certainty at the wholesale and retail levels of fuel market;
- to assist motorists in making informed decisions about their fuel purchases and enable them to pay lower prices; and
- to put downward competitive pressure on fuel prices.

Effectiveness of the “24 Hour Rule”

The effectiveness of the “24 hour rule” has been questioned, however the critics have been proved wrong.

- Perth has experienced lower average prices than each of the Eastern States capitals for 2005 and 2006.
- The structure of the retail fuel market in Western Australia is similar to the national market, so independents have not been driven out.
- Perth’s low prices indicate that the “troughs” in the price cycle are not higher than in Eastern States capitals, in fact the troughs are just as low, but the peaks are substantially lower.

Perth vs Eastern States Prices for ULP

Perth ULP prices previously were higher than prices in the Eastern States. In 2003 prices for ULP in Perth were 1.3 cpl higher than prices in Adelaide, Brisbane, Melbourne and Sydney combined. Perth prices have on average been cheaper since 2004. During 2006, ULP prices have been on average 1.4 cpl lower than prices in the other four capital cities combined.

Average ULP Prices for Perth and the Eastern States (in cpl)

	<i>Perth</i>	<i>Adelaide</i>	<i>Brisbane*</i>	<i>Melbourne#</i>	<i>Sydney</i>
2003	91.7	91.1	91.0	89.4	90.4
2004	97.6	98.8	99.5	97.5	98.3
2005	110.4	112.8	111.8	111.0	111.9
YTD 2006	128.1	129.5	130.5	129.4	128.9

*excluding 8.354 cents per litre subsidy

excluding 0.43 cents per litre subsidy

Average Difference in ULP Prices Between Perth and the Eastern States (in cpl)

	<i>Adelaide</i>	<i>Brisbane*</i>	<i>Melbourne#</i>	<i>Sydney</i>	<i>Average</i>
2003	-0.6	-0.8	-2.3	-1.4	-1.3
2004	+1.3	+1.9	-0.1	+0.7	+0.9
2005	+2.4	+1.4	+0.6	+1.5	+1.5
YTD 2006	+1.4	+2.4	+1.2	+0.8	+1.4

*excluding 8.354 cents per litre subsidy

excluding 0.43 cents per litre subsidy

FuelWatch Use and Savings

WA motorists have embraced the FuelWatch system and are using it to save on fuel purchases. There have been:

- more than 5.7 million visitors to the FuelWatch website since July 2002;
- more than 130,000 visitors on average per month to the FuelWatch website during 2006;
- 26,000 emails sent to FuelWatch subscribers daily during 2006;
- more than 5 million emails sent to FuelWatch subscribers during 2005; and
- 1,400 calls made to the automatic FuelWatch telephone service per month.

An independent survey found that:

- 95% of respondents were aware of the FuelWatch service;
- 86% of respondents reported using the service; and
- respondents who used FuelWatch reported saving \$2 per week, equating to tens of millions of dollars per year.

A difference of 1 cpl at the bowser equates to savings of about \$13 million per year for WA motorists.

The difference between the average of the cheapest 100 sites in the metropolitan area (approximately 1/3 of metropolitan sites) and the average metropolitan price for ULP on any given day has been as high as 7.9 cpl. WA motorists can use the FuelWatch service to ensure they purchase at the cheapest sites.

Structure of Market

Independents have not been squeezed out of the WA market by the FuelWatch system. The number of retail sites in the WA market has declined slightly, consistent with ongoing rationalisation of the market at the national level. However, the proportion of independents has remained steady.

Changes in WA (FuelWatch Boundaries) Market Structure since 2001

	<i>March 2001</i>	<i>August 2006</i>	<i>Change</i>
Branded Independents	33.7%	37.0%	3.3%
Company Controlled/Price Supported	42.0%	18.3%	-23.6%
Distributor Controlled	7.9%	8.8%	0.8%
Independent	1.5%	5.0%	3.4%
Independent Chain	13.2%	10.2%	-2.9%
Supermarket	1.7%	20.7%	19.0%

Most site closures since 2001 have been company controlled or price supported sites. Of the 19% increase in supermarket sites, almost all of these are sites that have changed ownership from an oil company to a supermarket chain.

Regional Petrol Prices

There is considerable variability in the difference between Perth prices and those in various regional areas. Nevertheless, during a time when Perth prices have become more competitive with those in Eastern States capitals, prices in many country areas of WA have become more competitive with Perth prices.

Between 2001 and 2006 YTD, the difference in ULP prices between city and country has decreased in 14 of the 21 original regional areas included in the FuelWatch boundaries.

1. FuelWatch Overview

Following the recommendations of a Parliamentary Select Committee¹ report, the *Petroleum Products Pricing Act 1983 (WA)* (the PPP Act) was amended in December 2000, to extend the Government's price monitoring and control powers in relation to wholesale and retail fuel prices. The PPP Act empowers the Prices Commissioner to monitor and regulate fuel prices to prevent excessive prices being charged for the wholesale and retail sale of petroleum products and for the supply of petroleum services.

In addition, a wholesale monitoring system was established for unleaded petrol, premium unleaded petrol, lead replacement petrol and diesel. The monitoring system was established on 19 December 2002 by the *Petroleum Products Pricing (Maximum Terminal Gate Price) Order 2002 (WA)* (the TGP Order).

As a vehicle for administering the PPP Act, the Western Australian Government established a comprehensive fuel price monitoring service in January 2001 known as "FuelWatch".

1.1 Purpose of FuelWatch

The purpose of the FuelWatch program is to represent the interests of consumers by providing price transparency and certainty at the wholesale and retail levels of the Western Australian fuel market. FuelWatch enables motorists to make informed decisions about their fuel purchases, which puts downward competitive pressure on fuel prices.

1.2 Fuel Price Monitoring

The FuelWatch database is used to store information about daily retail fuel prices and terminal gate prices that are notified to the Prices Commissioner. Data about relevant international benchmark prices is obtained from external sources each day and used in the course of monitoring prices. These data also are made available on the FuelWatch website.

¹ Select Committee on Pricing of Petroleum Products *Getting a Fair Deal for Western Australian Motorists* Report 12 October 2000.

As well as monitoring daily wholesale and retail fuel prices, FuelWatch compares:

- terminal gate prices notified by the oil companies with the relevant international fuel benchmark price movements; and
- average retail petrol prices for the major fuel retail companies operating in Perth with terminal gate prices.

This information has been produced on a monthly basis since January 2003, after the introduction of the Terminal Gate Pricing arrangements.

2. Prices Regulation of the Retail and Wholesale Fuel Market

The fuel market in Western Australia is regulated by the PPP Act and associated Regulations and Orders.

2.1 FuelWatch Boundaries

Regulation of fuel prices under the PPP Act currently applies to the Perth metropolitan area and 53 local government areas throughout WA. There currently are 604 service stations within the FuelWatch boundaries: 314 metropolitan sites and 290 regional sites. The PPP Act applies to approximately 80 percent of fuel retailers in the State.

2.2 '24 hour rule'

The PPP Act requires fuel retailers within the FuelWatch regulation areas to notify the Prices Commissioner about their next day's fuel prices for ULP, PULP, LRP, Diesel, LPG, Ron 98 and biodiesel blends on a daily basis by 2pm. Retailers must charge these notified prices from 6am the next day for 24 hours. On average, the FuelWatch system has received 1,033 price notifications each day during 2006.

As a result of the FuelWatch system, the Western Australian retail fuel market is free from the intra-daily price fluctuations that occur in other Australian capitals and that used to occur in Perth. The system allows WA motorists to be informed about fuel prices for the following day at service stations across the State, and to be assured that the prices will remain constant throughout the day. WA is the only State in which the Government and motorists have access to such comprehensive information about fuel prices.

Prices for the following day are made publicly available on the FuelWatch website and via an automated telephone service after 2.30pm, enabling consumers to plan their purchases and to buy at the cheapest price in their area. With information about the cheapest prices being made available through FuelWatch and the media, retailers are encouraged to offer lower prices in order to gain sales.

Under the TGP Order, operators of declared terminals also are required to notify the Prices Commissioner about their wholesale terminal gate prices by 2pm the day before they want to change their prices. These prices also are published on the FuelWatch website after 2.30 pm, leading to increased price transparency at the wholesale level of the market. Retailers and distributors can use this information to help negotiate better wholesale prices.

2.3 Price Boards in Regional Areas

Within the regional areas regulated under the PPP Act, retailers are required to display price boards showing the price of ULP, LPG and one other fuel product. This requirement was introduced through an amendment to the PPP Act, following a successful trial of price boards in the regional town of Albany. The price of ULP in Albany decreased on average by 2 cpl during the three months following the introduction of price boards.

When the amendments were made to introduce mandatory price boards, the Perth metropolitan area was not included. In the more competitive metropolitan retail market, nearly all sites were already using price boards.

2.4 Terminal Gate Pricing

Terminal gate price (TGP) arrangements were introduced on 19 December 2002 to increase price transparency in the wholesale fuel market and provide access for eligible distributors and retailers to purchase petroleum products directly from the terminal at competitive prices. The TGP system requires the operator of each declared terminal to notify the Prices Commissioner about their next day's prices. These prices are then published on the FuelWatch website after 2.30 pm. The TGP system in WA is modelled on the Victorian system.

In addition to the requirement to notify terminal gate prices, terminal operators are required to notify the Prices Commissioner about the components that make up this price. Through this mechanism, the Government is able to monitor variations in components between companies. This aspect of the TGP approach used in WA differs from that in Victoria where oil majors are required to publish their TGP on their own corporate websites and need not submit the components that make up the price.

Daily TGPs are available on the FuelWatch website, which provides increased transparency at the wholesale level of the fuel market. The system also provides retailers and distributors with comparative prices between oil companies, allowing them to make informed decisions about their wholesale fuel purchases. Publication of TGPs also provides a consistent benchmark that allows stakeholders to measure indicative wholesale margins.

Suppliers at declared terminals are required to provide itemised invoices to their customers that clearly list the TGP, and any post terminal gate charges such as freight, branding, credit etc. The invoice must also list the price of the fuel separately from any other goods or services supplied.

The Commonwealth Government's Oilcode, which is likely to be implemented in 2006, will impose TGP arrangements, similar to those in Victoria and WA, for all other States.

2.5 Ensuring Compliance

The Department has a Monitoring and Compliance program with both proactive and reactive elements. The program is designed to ensure that wholesale terminals and retail sites comply with the legislation.

A Monitoring and Compliance Officer carries out regular terminal inspections and routine patrols of retail sites, and also investigates consumer complaints. All metropolitan retail sites are checked twice per year to ensure compliance with the PPP Act and associated Regulations. In addition, declared terminals are inspected each month.

During the 2006-07 financial year, 187 complaints were received from motorists regarding retail sites selling fuel at other than the notified price. Each alleged breach of the regulation is investigated and, when appropriate, sanctions are imposed.

Since 2001, 61 infringement notices have been issued with penalties totalling \$80,200.

The level of compliance with FuelWatch requirements is found to be exceedingly high amongst traders, indicating both an ability and a willingness to comply with the regulation. A *Retailer's Guide* to requirements under the PPP Act and associated regulations has been distributed to fuel retailers, and ongoing information and advice is provided to ensure that retailers are familiar with the requirements and to encourage compliance.

3. FuelWatch Services

3.1 Price Information

Through the FuelWatch website (<http://www.fuelwatch.wa.gov.au>), an automated telephone system and a free personalised e-mail service, motorists are able to obtain information about the cheapest fuel in their areas. Consumers and other interested parties can access the FuelWatch website and automated telephone system 24 hours a day, 7 days a week, with tomorrow's fuel prices available from 2.30pm daily.

FuelWatch has proven to be an extremely popular and useful source of fuel pricing information. Continued growth in the number of motorists using the various FuelWatch services suggests that WA consumers are planning their fuel purchases to benefit from competitive rates being offered on any given day.

The purpose of the FuelWatch service is to provide price transparency and increase certainty in the WA fuel market, but the FuelWatch website is also used as an educational tool. In addition to pricing information and searches, the website also provides a number of other features, which are constantly being enhanced and improved. Features include current and past benchmark prices, price trend graphs, a historical price search, a driveway service search, a region search, a trip planner, background information about FuelWatch and the fuel industry, and a news section.

There have been over 5.7 million visitors to the FuelWatch website since July 2002. During 2006, there have been 134,474 visitors to the FuelWatch website on average each month. 26,134 motorists have subscribed to the FuelWatch daily email service, and during 2005 over 5 million emails were sent to subscribers. On average the FuelWatch telephone service has received 1,392 calls per month during 2006.

The results of a recent independent survey² conducted by a market research firm during July 2006 also indicate the success of the FuelWatch system in reaching WA motorists. Of the people surveyed, 95% were aware of the FuelWatch service and 86% reported using information provided by the service.

FuelWatch receives positive feedback from email subscribers and regular users of the FuelWatch service on a daily basis. The large number of people who use the service is a testament to its popularity.

3.2 Information through the Media

The FuelWatch system provides price information to the media every day. The media has been very supportive of FuelWatch with daily media coverage provided free of charge. During 2006, an average of 579 reports per month were sent to metropolitan and regional media for mass publication. Commercial television stations carry FuelWatch information each night during their daily news bulletins. The value of this free coverage is estimated to be in excess of \$2.8 million per year. This is in addition to coverage resulting from media releases.

3.3 Benefits of the FuelWatch Service to Motorists

The FuelWatch system has provided immense benefits to WA Motorists. In response to an independent survey³, metropolitan motorists reported saving an average of \$2 per week by using FuelWatch information when purchasing fuel. The reported savings equate to tens of millions of dollars per year in annual savings across the WA community.

² A Report on the 2006 FuelWatch Consumer Survey, *Patterson Market Research*, July 2006

³ A Report on the 2006 FuelWatch Consumer Survey, *Patterson Market Research*, July 2006

During 2005, average monthly ULP prices in Perth were lower than Adelaide and Brisbane for the entire year and lower than Sydney and Melbourne for the majority of the year⁴. Prices have been, on average, lower than each of those capital cities for 2006 also. This trend clearly indicates that Perth motorists are benefiting from the FuelWatch service with lower prices compared with the much larger markets in the Eastern State capitals.

The average price for unleaded petrol in Perth has decreased by 3.5 cpl relative to Melbourne prices between 2003 and 2006 YTD. It is estimated that a difference of 1 cpl at the bowser equates to savings of around \$13 million for WA motorists per year.

Even small changes to fuel margins over an extended period can have a marked impact on revenues for companies operating in the fuel industry because of the large volumes of fuel sold. The demand for ULP across Australia in 2004-5 was 19.38 billion litres per annum⁵. Therefore a margin increase of 1 cpl over a year can generate additional revenue of approximately \$194 million for fuel companies across Australia.

3.4 Other Support for the FuelWatch System

In addition to consumers and the media, FuelWatch also is used and supported by small business and other Government agencies. Support for WA's fuel price regulation has come from a number of stakeholder groups.

Some of the independent fuel marketers and smaller cooperatives find the Government's fuel pricing arrangements are of benefit in operating their businesses. For example, one independent retailer told FuelWatch staff that the 24 hour rule reduced the stress of running their business. He said that, once he set his price for the day, he could forget about it and get on with other things. There was no need to calculate and recalculate during the day, until it was time to set the price for the next day. An independent chain reiterated these comments.

The FuelWatch program has also received support from oil refiners/marketers. In September 2002, in relation to the "24 hour rule", one refiner/marketer stated, *"Overall: a success – the disbenefits are outweighed by the very significant increase in the ability of consumers to buy at the lowest prices."*

⁴ Excluding the subsidies that apply in Melbourne of 0.43 cpl and Brisbane of 8.354 cpl.

⁵ Department of Industry, Tourism and Resources, *Petroleum retail fact sheet*, Australian Government 2006

One government agency commented, *“I have just been to a meeting with the other States re fuel, and WA is so lucky to have FuelWatch – they don’t have anything like that so therefore cannot influence buyer behaviour like we can. You make my job so easy by providing the high quality data that you do.”*

4. Fuel Pricing in Australia

Two pricing mechanisms influence retail prices of fuel in Australia: import parity and price cycles. The import parity pricing policy has been endorsed by successive Commonwealth governments, and applies to fuel prices across the country. Fuel price cycles also exist in all capital cities, however, evidence suggests that the FuelWatch system has influenced price cycles in Perth, to the benefit of consumers.

4.1 Price Cycles

As in other Australian capitals, unleaded petrol and LPG prices in the Perth metropolitan area are subject to retail price cycles, which means that prices rise quickly (hike) and then gradually fall over several days. Each price hike is typically instigated by one of the major fuel retailers increasing its fuel prices by more than 4 cpl and up to 12 cpl as individual sites. The price hike is then followed by other fuel retailers during the next day or two.

To assist consumers in buying fuel at the best available price, FuelWatch issues a “Price Hike Alert” the day before each price hike, encouraging consumers to buy fuel before other retailers increase their fuel prices. Price hike alerts are displayed on the FuelWatch website and are sent to email subscribers including the media. One oil company has told FuelWatch unofficially that it no longer leads price hikes in WA due to the negative publicity it generates. This is not the case for the same company in the Eastern States.

Price hikes now occur much less frequently in WA than previously, so consumers are able to benefit from lower prices for longer periods. Perth now has significantly longer price cycles than other Australian capital cities. On average ULP price hikes are occurring every 13 days in Perth, compared to every 7 to 8 days in the Eastern States capitals, as demonstrated in Table 1.

Table 1: Average Length⁶ of ULP Price Cycle (in days)

	<i>Perth</i>	<i>Sydney</i>	<i>Melbourne</i>	<i>Brisbane</i>	<i>Adelaide</i>
2003	8.3	6.9	8.0	7.5	8.0
2004	7.9	7.0	9.3	8.0	8.5
2005	9.6	7.4	9.4	9.9	7.0
YTD 2006	13.2	7.2	9.1	7.4	7.0

Perth also has a much smaller range between the top and bottom of the ULP price cycle, which again benefits consumers. The average of price hikes in Perth during 2006 has been 5.5 cpl, whereas the average of price hikes for the same period in Eastern States capitals is considerably higher: 8.6 cpl in Melbourne, as shown in Table 2 below.

Table 2: Average Range⁷ of ULP Price Cycle (in cpl)

	Perth	Sydney	Melbourne	Brisbane	Adelaide
2003	5.8	6.7	7.4	7.0	7.4
2004	3.7	5.4	6.3	5.4	6.0
2005	3.3	6.5	5.3	5.4	4.5
YTD 2006	5.5	7.8	8.6	7.1	6.8

Perth's low prices indicate that the "troughs" in the price cycle are not higher than in Eastern States capitals, in fact the troughs are just as low, but the peaks are substantially lower, as is illustrated in Appendix E Figure 9.

4.2 Import Parity

Import parity allows Australian fuel producers to achieve local prices that are equal to world prices. This means that wholesale prices do not reflect costs of production, but rather are determined by what international traders are prepared to pay for the product. The use of import parity means that

⁶ Number of days between price hikes

⁷ Difference between the highest price in the price cycle and the lowest price

even though the fuel is produced in Australia, producer prices fluctuate daily in response to global events, supply and demand, and changes in the US/Australian dollar exchange rate.

Import parity pricing is not unique to fuel. It is the pricing mechanism used for most globally traded commodities.

Wholesale petrol prices across Australia are based on the Singapore refinery price (MOPS 95 for regular unleaded petrol). Wholesale diesel prices are based on a different Singapore refinery price (Gasoil). LPG prices are based on Saudi Arabian prices (the Saudi Aramco Contract Price). These benchmark prices are monitored as part of the FuelWatch system and used to calculate indicative wholesale margins for each fuel. More detail on this can be found in section 6.2.

5. Fuel Prices in Western Australia

The FuelWatch system provides comprehensive information about retail fuel prices and terminal gate prices in WA. This information is used to monitor trends in prices and to compare WA prices with those in the Eastern States.

5.1 Perth vs Eastern States Fuel Prices

Since establishment of the FuelWatch system, there have been substantial changes in prices for ULP in Perth relative to Eastern States capitals. Table 3 shows the average prices for ULP in Perth and Eastern States capitals since 2003. Figure 1 in Appendix A illustrates the average monthly retail prices for ULP in Perth and Eastern States capitals from January 2003 to August 2006.

Table 3: Average ULP Prices for Perth and the Eastern States (in cpl)

	<i>Perth</i>	<i>Adelaide</i>	<i>Brisbane*</i>	<i>Melbourne#</i>	<i>Sydney</i>
2003	91.7	91.1	91.0	89.4	90.4
2004	97.6	98.8	99.5	97.5	98.3
2005	110.4	112.8	111.8	111.0	111.9
YTD 2006	128.1	129.5	130.5	129.4	128.9

*excluding 8.354 cents per litre subsidy

excluding 0.43 cents per litre subsidy

During 2003 in Perth, the average price of ULP was 1.3 cpl higher than Adelaide, Brisbane, Melbourne and Sydney combined.

However, since 2004 in the Perth metropolitan area, the average yearly price of ULP has been between 0.9 and 1.5 cpl lower than the combined average for Adelaide, Brisbane, Melbourne and Sydney for each year. During 2004, Perth ULP prices were on average lower than Sydney, Adelaide and Brisbane's prices and slightly higher than Melbourne's prices (only 0.1cpl higher than Melbourne prices - without the rebate)*.

During 2005, ULP prices in Perth were lower than the prices in Adelaide and Brisbane for every month of the year, lower than prices in Sydney for ten months of the year and lower than prices in Melbourne for eight months of the year.

During 2006 YTD, prices for ULP in Perth have been on average 1.4 cpl lower than prices in Adelaide, Brisbane, Melbourne and Sydney combined, and 1 cpl lower than Melbourne and Sydney combined. Since 2003 the average price for ULP in Perth has decreased by 3.5 cpl relative to Melbourne prices between 2003 and 2006 YTD.

Table 4 shows the average difference in ULP prices between Perth and Eastern States capitals since 2003. Figure 2 in Appendix A illustrates the average monthly difference between retail prices for ULP in Perth and Eastern States capitals from January 2001 and August 2006.

Table 4: Average Difference in ULP Prices Between Perth and the Eastern States (in cpl)

	<i>Adelaide</i>	<i>Brisbane*</i>	<i>Melbourne#</i>	<i>Sydney</i>	<i>Average</i>
2003	-0.6	-0.8	-2.3	-1.4	-1.3
2004	+1.3	+1.9	-0.1	+0.7	+0.9
2005	+2.4	+1.4	+0.6	+1.5	+1.5
YTD 2006	+1.4	+2.4	+1.2	+0.8	+1.4

*excluding 8.354 cents per litre subsidy

excluding 0.43 cents per litre subsidy

To put these differences into context, a difference of 1 cpl at the bowser equates to savings of about \$13 million for WA consumers. Similarly, 3.5 cpl represents an annual saving of \$45 million for WA motorists. Apparently small differences in average prices relate to significant savings for WA motorists.

Informal feedback from oil companies has confirmed that the FuelWatch program has had a positive impact on fuel prices in WA. One oil company has indicated that it pays more attention to pricing issues in WA than in any other State. Another stated, off the record, that the FuelWatch service has delivered cheaper prices for WA motorists.

The fact that Perth's prices have been lower than each of the other capital cities on average for 2005 and 2006 is a testament to this, as there is no known structural or other reason why this should be the case. In fact, the reverse should be true, as Perth is a smaller market than Brisbane, Sydney and Melbourne.

5.2 Regional Petrol Prices

The volume of sales and the competitiveness of fuel markets have a significant influence on prices. As the Perth fuel market is relatively large, service stations compete aggressively to sell higher volumes of fuel. Larger sales volumes result in lower per unit operating costs, and therefore lower margins can be made on each litre sold. Fuel outlets selling higher volumes also have an advantage over smaller, regional sites, as they are able to obtain better supply deals at a wholesale level (owing to larger volumes purchased) and have lower site operating costs.

The supply chain for the metropolitan fuel retailers is also simpler with the product handled less often, offering a further cost advantage over regional customers. Other factors such as the amount of non-fuel revenue from grocery items also have an impact.

Factors other than distance from a distributor affect regional prices. For example, since 2003 ULP prices in Jurien, which is located 266km from Perth, have been on average 3 cpl more expensive than Denmark, which is located 414km from Perth.

Between 2001 and 2006 YTD, the difference in ULP prices between city and country has decreased in 14 of the 21 original regional areas included in the FuelWatch boundaries.

Table 5: ULP City/Country Differentials

	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>YTD 2006</i>
Albany	12.2	9.4	9.3	9.0	9.1	7.9
Broome	15.6	14.7	15.1	18.4	19.4	19.1
Bunbury	7.9	5.0	5.2	7.1	6.6	4.5
Busselton	7.8	4.3	4.6	7.4	6.7	4.9
Capel	9.9	6.3	6.6	8.9	9.1	7.7
Carnarvon	14.5	11.7	11.6	12.9	13.9	12.6
Collie	10.3	7.9	8.4	11.2	8.5	6.5
Dampier	14.5	14.4	13.6	17.1	19.8	21.4
Dardanup	6.0	4.4	4.3	6.9	6.5	4.5
Esperance	8.2	6.7	6.8	9.5	9.8	9.6
Geraldton/ Greenough	12.6	11.5	9.5	11.4	12.7	10.2
Harvey	8.1	5.8	5.5	6.9	7.4	6.3
Kalgoorlie/ Boulder	12.7	10.6	9.2	10.9	12.8	9.0
Karratha	16.8	14.7	13.8	17.5	19.6	20.6
Kununurra	16.6	17.1	17.4	22.8	31.1	30.2
Mandurah	0.2	0.2	0.0	0.0	0.0	-0.2
Murray	2.9	2.4	3.4	4.1	3.8	2.4
Narrogin	8.0	6.5	6.3	7.6	7.6	6.5
Northam	0.4	2.2	4.0	5.5	6.8	6.3
Port/South Hedland	15.4	14.4	14.1	16.5	17.3	18.9
Waroona	6.7	4.7	4.6	5.9	5.5	4.9
Average Difference	9.9	8.3	8.3	10.4	11.1	10.2

5.3 Terminal Gate Prices in Western Australia

Terminal gate prices in Western Australia are set by the declared terminal operators and are based on a formula that includes components for the landed cost of the product (based on import parity pricing principles), freight to the relevant terminal, an allowance for production to meet WA's clean fuel specifications, wharfage and insurance costs, a margin for the cost of operating the terminal, and taxes such as GST and excise. The TGP also allows the supplier to include costs for "other" items.

6. Margins

6.1 Retail Margins

The difference between a fuel retail company's daily average retail prices and an average of the relevant TGPs is used to determine notional retail margins. This calculation does not give an exact figure, but does provide an indication of the retail margins in the marketplace. Competitive dynamics between fuel retail companies can occasionally lead to periods when retail margins appear to be below the point at which fuel retail companies are recouping their costs. At most other times, when competition is less intense, the margins are higher.

ULP Retail Margins

Table 6 below shows that the average indicative retail margin for ULP has decreased by 1.3 cpl since 2003. The entry of Coles Express into the market in March 2004 triggered a reduction in retail margins from an average of 4.3 cpl in 2003 to 1.9 cpl in 2005.

Table 6: Average Indicative ULP Retail Margins(in cpl)

	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006 YTD</i>
<i>average</i>	4.3	2.4	1.9	3.0

* Average is the metro average minus the average metro TGP

The graph at Appendix B Figure 3 shows that indicative retail margins for ULP have fluctuated over the three and a half year period between 2003 and 2006 YTD. Two periods of extremely low retail margins are evident from March to August in 2004 and January to August in 2005. The drop in retail margins between March and August 2004 can be attributed to the entry of supermarkets into the WA fuel retail industry in early 2004. At that time, the entry of supermarkets stimulated competition in the metropolitan fuel market with many of the other brands reducing their prices to compete with the supermarkets. Petrol prices for supermarket brands were also extremely competitive over a similar period the following year. In response to the supermarket's "discount" pricing and strong marketing of their "shopper docket" schemes, it appears other brands dropped their retail prices to remain competitive.

In early September 2005, following Hurricane Katrina, retail margins for all companies increased markedly. Initially this was the result of a significant overnight increase in the Singapore benchmark price followed by a rapid decrease in the benchmark price. But as the benchmark price started to decrease, fuel retail companies did not decrease their retail prices to the same extent. This led to higher margins over the period from September to October 2005. Indicative retail margins for 2006 have been higher than 2004 and 2005.

There is a common misconception that retail margins decrease when petrol prices are high, but this is not always the case. ULP prices during May and June 2006 were at record highs, while margins over this period also increased.

Tables 3 and 4 in section 5.1 show that Perth petrol prices for 2005 and 2006 have been on average below all other major Eastern States capitals. Therefore it would be expected that retail margins in other Eastern States capitals for those periods, would be higher than the margins indicated for Perth in Table 6.

Diesel Retail Margins

As with ULP, the difference between a fuel retail company's daily average retail prices and an average of the relevant TGPs is used to determine indicative retail margins, which provides an indication of retail margins rather than an exact figure.

Table 7 below shows that the average indicative retail margin for diesel has decreased 0.6 cpl since 2003. The entry of Coles Express into the market in March 2004 triggered a reduction in diesel retail margins from an average of 8.2 cpl in 2003 to 5.9 cpl in 2004.

Table 7: Average Indicative Diesel Retail Margin (in cpl)

	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006 YTD</i>
<i>average</i>	8.2	5.9	6.1	7.6

* Average is the metro average minus the metro average TGP

Appendix B Figure 4 illustrates movement in average indicative retail margins for diesel since 2003.

LPG Combined Wholesale and Retail Margins

There is no terminal gate price for LPG. Indicative combined wholesale and retail margins for LPG are calculated by comparing the benchmark price (the Saudi Aramco Contract Price) with average retail prices, which provides an indication of combined wholesale and retail margins, rather than an exact figure.

Table 8 below shows indicative combined margins for LPG. The average LPG combined margin has decreased by 20% from 21.6 cpl in 2001 to 18.0 cpl in 2006 YTD. LPG margins reached a low of 14.3 cpl in 2004 when Coles Express entered the market.

Table 8: Average Indicative Combined LPG Wholesale and Retail Margin (in cpl)

	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006 YTD</i>
<i>average</i>	21.6	20.6	16.6	14.3	17.1	18.0

*average is the LPG metro average minus a mix of 75:25 propane/butane

Appendix B Figure 5 illustrates movement in the average indicative combined margins for LPG since 2003.

6.2 Indicative Wholesale Margins

Indicative wholesale margins can be calculated by subtracting an estimated wholesale cost figure from each company's terminal gate price (TGP). The calculation provides an indication of wholesale margins, rather than an exact figure.

The estimated wholesale cost figure is the sum of the MOPS 95 seven day rolling average, excise, GST, freight, quality premiums, insurance, loss and wharfage. The freight, quality premiums, insurance, loss and wharfage figures have been obtained from BP in the past and were based on the contract arrangements between BP and oil companies purchasing refined petroleum from the BP Kwinana refinery. Calculations in this Submission are based on information provided in December 2004.

It is understood that some or all of the components may have increased, which would impact on any calculation of indicative margins. Under legal notice, BP has been requested to provide current figures for freight, quality premium, insurance, loss and wharfage. The current contract prices, when received from BP, will allow the wholesale margins to be recalculated if necessary.

ULP Wholesale Margins

Table 9 below indicates that indicative wholesale margins for ULP, calculated as described above, appear to have increased substantially since 2003.

Table 9: Average Indicative ULP Wholesale Margins (in cpl)

	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006 YTD</i>
<i>average</i>	4.6	4.6	5.4	6.3

*Average is the metro average TGP minus the estimated wholesale cost figure

Appendix C Figure 6 illustrates movement in the average indicative wholesale margins since 2003.

Diesel Wholesale Margins

Diesel wholesale margins are calculated in the same way as ULP wholesale margins. It is understood that some or all of the components may have increased. The current contract prices, when received from BP, will allow for a recalculation of the wholesale margin if necessary.

Table 10 below shows that indicative wholesale margins for diesel, calculated as described above, appear to have increased substantially since 2003.

Table 10: Indicative Diesel Wholesale Margins (in cpl)

	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006 YTD</i>
<i>average</i>	5.1	5.9	5.5	5.9

*Average is the metro average TGP minus the estimated wholesale cost figure

Appendix C Figure 7 illustrates movement in the average indicative wholesale margins for diesel since 2003.

6.3 Refiner Margins

Refiner margins are calculated by subtracting the Tapis Crude Oil price from MOPS95 refined product price. Table 11 shows that the average yearly refiner margin has increased from US\$2.11 bbl in 2001 to US\$4.89 bbl in 2006, reaching a high of US\$6.04 bbl in 2004. Since 2003, the refiner margin has increased by 5.5%. Appendix C Figure 8 illustrates movement in the refiner margin since 2001.

Table 11: Average Refiner Margins 2001-2006 (in US\$ bbl)

	<i>MOPS 95 (\$US bbl)</i>	<i>Tapis (\$US bbl)</i>	<i>Refiner margin (\$US bbl)</i>
2001	\$27.43	\$25.32	\$2.11
2002	\$28.04	\$25.72	\$2.33
2003	\$34.69	\$30.06	\$4.62
2004	\$47.23	\$41.19	\$6.04
2005	\$62.38	\$58.13	\$4.25
2006	\$77.54	\$72.65	\$4.89

7. Market Structure

As part of the FuelWatch system, the structure of the retail market in Western Australia is monitored. The number and complexity of the retail arrangements tend to pose some difficulties. Nevertheless, systematic monitoring of the retail market has been undertaken since the FuelWatch program was established.

To assess the Western Australian retail market, the following categories of retailers have been used.

- Branded Independent: A service station owned by an independent operator, but having the branding of an oil company or independent chain. This type of site makes up a majority of regional sites.
- Company Controlled/Price Supported: A service station whose price is set directly or indirectly (i.e. via a price support mechanism) by an oil company. These sites are either operated directly by the oil company, or operated on their behalf by a multi-site franchisee. This type of site is very common in the metropolitan Perth area, but only a handful exist in regional WA.
- Distributor Controlled: These are sites owned and operated by a distributor. These are more common in regional WA than in the metropolitan area. The figures for WA also include unmanned sites (which require a motorist to pay via credit card or EFTPOS).
- Independent: These are sites that have no branding, and are owned by an independent operator.
- Independent Chains: These are sites that are owned by a large independent company – in Western Australia, these companies are Gull and Peak. These sites are predominantly located in metropolitan Perth-
- Supermarket: These are sites operated by a supermarket chain, such as Coles Express, Woolworths, or Metcash (FAL).

Table 12 shows the changes in the WA market structure for sites included in the FuelWatch boundaries (approximately 80% of retail sites in WA) from March 2001 to August 2006.

Table 12: Changes in WA Market Structure (within FuelWatch Boundaries only)

	<i>March 2001</i>	<i>August 2006</i>	<i>Change</i>
Branded Independents	33.7%	37.0%	3.3%
Company Controlled/Price Supported	42.0%	18.3%	-23.6%
Distributor Controlled	7.9%	8.8%	0.8%
Independent	1.5%	5.0%	3.4%
Independent Chain	13.2%	10.2%	-2.9%
Supermarket	1.7%	20.7%	19.0%

Table 12 indicates that most site closures since 2001 have been company controlled or price supported sites. Of the 19% increase in supermarket sites, almost all of these are sites that have changed ownership from an oil company to a supermarket chain.

Since 2001, the number of independent and company controlled sites has reduced in absolute terms. However, the proportion of sites operated by independent operators has remained steady. It is likely, however, that the proportion of sales made by independent operators has fallen, due to increased sales at those sites that are now operated by supermarket chains.

It is worth noting that the rationalisation of fuel retail sites began more than twenty years ago. According to an Industry Commission Report undertaken in 1994⁸, there were 20,000 fuel retail sites in Australia in 1970, however this figure had decreased to 9,800 in 1983. According to the Australian Institute of Petroleum (AIP)⁹, this figure has since fallen to around 8,000.

The Australian Financial Review published an article on 10 August 2006 that contained a graph breaking down the operating structure of service stations across Australia. The figures quoted in the article were sourced from the Australian Competition and Consumer Commission and the Department of Industry, Tourism and Resources. The categories used in the article were somewhat different from those used to monitor the WA market, so a number of categories have been grouped together to allow for a comparison. Table 13 below shows the proportion of sites in each category as at August 2006. The figures for WA only include sites within the FuelWatch boundaries.

⁸ 1994 Industry Commission Report No 40 Petroleum Products

⁹ Australian Institute of Petroleum website at <http://www.aip.com.au/industry/stations.htm>

Table 13: Comparison of WA and National Market Structure

	<i>WA (FuelWatch)</i>	<i>Nationally</i>
Branded Independents	37.0%	46.2%
Company Controlled / Price Supported	18.3%	17.7%
Distributor Controlled	8.8%	3.1%
Independent	5.0%	10.8%
Independent Chain	10.2%	6.2%
Supermarket	20.7%	16.2%

Based on the information provided in *The Australian Financial Review* article, it appears that the structure of the retail fuel market in WA is quite similar to the national market. However, there are some noteworthy differences.

It appears that WA has a lower proportion of branded independent sites. However, a majority of regional WA sites located outside the FuelWatch boundaries are branded independent sites. These sites are not included in the WA figures in Table 14. If these sites were included, the proportion of branded independent sites in WA would be more similar to the national figure.

The proportion of independents in WA also appears to be lower than in the national market. The difference may be due to differences in the classification of sites by the FuelWatch system. The percentage of supermarket sites in WA appears to be higher than in the national market. In WA, FAL (Foodland, now Metcash) recently purchased about 20 sites previously owned by Mobil.

8. Issues

8.1 Effectiveness of the "24 Hour Rule"

In a report entitled *Terminal Gate Pricing Arrangements in Australia and Other Fuel Pricing Arrangements in Western Australia*, the Australian Competition and Consumer Commission (ACCC) suggested that the 24 hour rule may result in higher average petrol prices in Perth. This suggestion has been proved to be wrong. Perth has experienced lower average prices than each of the Eastern States capitals for 2005 and 2006 YTD. This clearly indicates that Perth motorists are benefiting from the FuelWatch service with lower prices compared with the much larger Eastern State capitals.

The Department of Consumer and Employment Protection raised its concerns with the ACCC about the comments and conclusions in its report. In particular, the Department expressed concerns about the data analysis conducted by the ACCC and the conclusions drawn from that analysis. Data relied upon by the ACCC were found to be inaccurate when compared with FuelWatch data. In addition, periods of irregular pricing were used as a base, leading to distorted figures and conclusions. The impact of the fuel quality premium that applied in WA but not in other States also was ignored, as were other relevant events such as the introduction of commercial buy-sell arrangements. When the differences in prices between capital cities were examined in the context of these factors, the data did not support the ACCC's view that the introduction of fuel pricing legislation in WA may have led to higher average prices.

WA fuel prices are now on a more level playing field with Eastern States prices as a result of the introduction of national fuel quality standards from January 2005 that were more closely aligned with the existing WA standards. The completion of the national rollout of Coles Express in March 2004 also allows for more meaningful comparisons. As has been mentioned earlier, Perth now generally has lower average prices than the other capital cities.

8.2 Retail Price Capping

Retail price capping was in place for petroleum products in Western Australia from 1983 to 1993. Pricing orders covered retail prices in Perth and eight major regional locations. The orders were revoked in 1993. The *Select Committee on Pricing of Petroleum Products* suggested in its report¹⁰ that the gap between city and country petroleum prices had widened since price controls were deregulated in 1993, and that effective competition in the petroleum retail market was limited principally to the metropolitan area.

¹⁰ Select Committee on Pricing of Petroleum Products *Getting a Fair Deal for Western Australian Motorists* Report 12 October 2000

The State Government considered the possibility of reintroducing retail price capping for fuels in major regional centres of Western Australia during 2002. The Department of Consumer and Employment Protection issued a Discussion Paper¹¹ in May 2002 and invited submissions from all interested parties. A series of seminars were held in the major regional centres, for which retail price capping was being considered.

There was an overwhelming negative response to retail price capping from stakeholders. Community and industry concerns related to the difficulty in determining appropriate levels at which to set the cap, particularly bearing in mind the different cost structures, turnover and volume of sales for each of the regions. If the cap were set too low, some operators may be driven out of business, so ultimately it could reduce competition. Conversely, if the cap were set too high, this could lead to retailers setting prices at the capped level itself and profiting from higher margins. The major concern was that the cap would serve as a ceiling to which prices would be increased. As a consequence, the proposal was not implemented.

8.3 Fuel Specifications

WA Fuel Specifications

Western Australian legislation for clean transport fuels came into force on 1 January 2000 following the introduction of the *Environmental Protection (Diesel and Petrol) Regulations 1999* (the EP(DP) Regulations). The EP(DP) Regulations meant WA had unique fuel quality specifications compared with the rest of Australia, and arguably had the cleanest fuel in the region. The introduction of clean fuels through the EP(DP) Regulations involved modification to petrol and diesel fuel specifications including the phasing out of leaded petrol, reductions in: the amount of benzene in petrol, the aromatic and olefin content of petrol, the sulphur content of petrol and diesel, and the Reid Vapour Pressure of petrol supplied in metropolitan Perth during summer. The EP(DP) Regulations also prevented the addition of methyl tertiary butyl ether (MTBE) to petrol.

¹¹ Retail Fuel Price Capping in Major Regional Centres of Western Australia

When the WA fuel specifications were originally introduced in January 2000, an agreement was reached with BP to include an allowance for the “quality premium”¹² for its sales from the refinery; this was set at 0.85 cpl and was increased to 1.95 cpl in July 2002. In 2002 BP made a commitment that this premium would not exceed US\$1.60, which equates to around 2 cpl. However there is concern about the gradual increase in the quality premium and the potential impact on WA motorists. Recent data is being obtained from BP about the quality premium currently applied.

National Fuel Specifications

The Commonwealth Government introduced legislation¹³ to regulate fuel quality in Australia from 1 January 2002. The Commonwealth fuel standards have been introduced in stages since 2002. By 1 January 2005, the maximum levels allowed for over half of the listed substances in both petrol and diesel, had been brought into line with WA standards. The exceptions were the levels for benzene, MTBE and aromatics in petrol (ULP, PULP and LRP). Commonwealth fuel standards that, with one exception¹⁴, mirror the current WA specifications came into place nationally on 1 January 2006.

Among other things, this allows the importation of ULP from refineries in other States into WA, which was previously not possible due to the more stringent fuel quality standards that were in place in WA.

8.4 Assessing Predictions of Future Fuel Prices

Fuel prices often are “talked up” by industry commentators and predictions about rising prices are quoted in the media.

The FuelWatch system enables the Department to track movements in fuel prices, and changes in some of the factors that influence fuel prices. This information allows the WA Government to assess trends in fuel prices and to make informed comment when local wholesale and retail fuel price increases are not justified.

¹² The premium that BP was able to charge for the new WA product because it was of a higher quality than the “Australian specification” grade sold out of Singapore

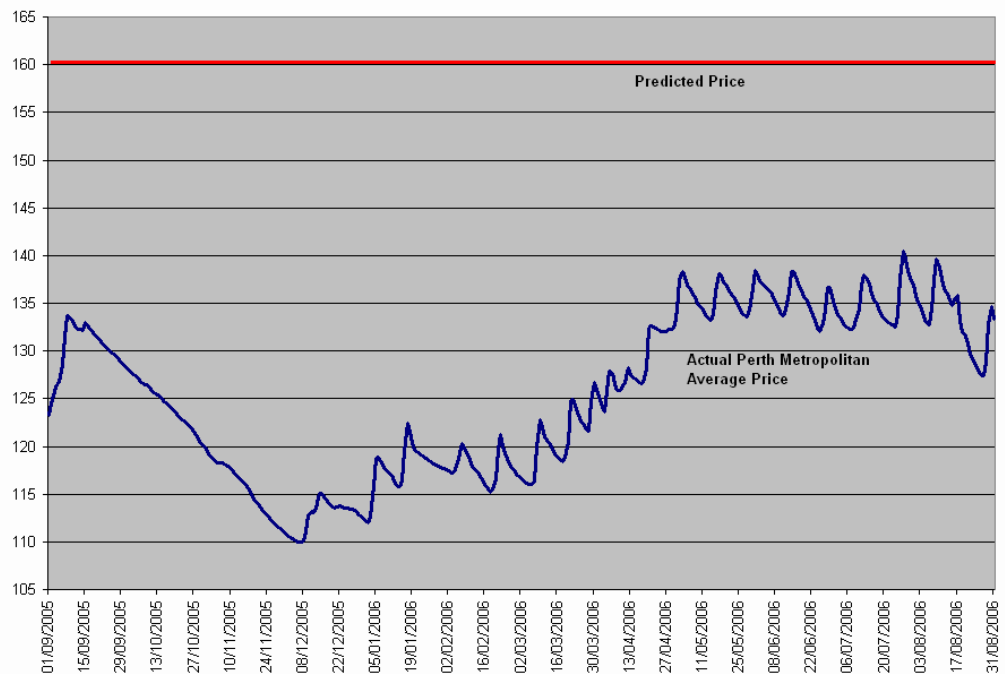
¹³ *Fuel Quality Standards Act 2000, Fuel Quality Standards Regulations 2001, Fuel Standard (Petrol) Determination 2001 and Fuel Standard (Diesel) Determination 2001*

¹⁴ The WA specification for MTBE is 0.1 vol% whereas the Commonwealth specification is 1.0 vol%. As Australian refineries do not add MTBE, this variation does not limit the movement of ULP into WA from Australian refineries in other States but may still limit importation into WA from overseas.

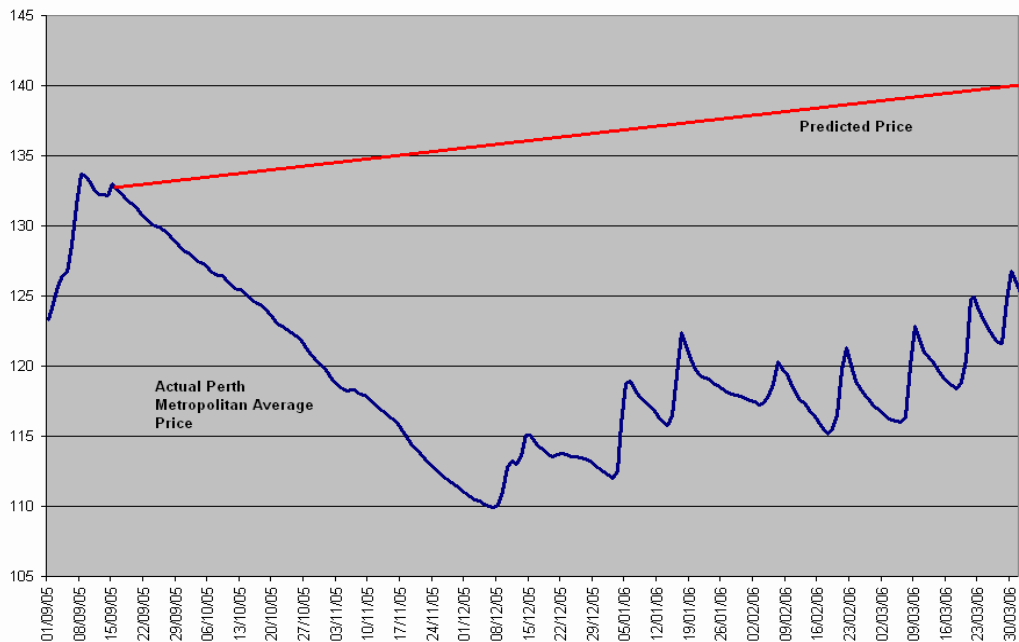
Fuel prices are difficult to predict because local prices vary depending on a wide range of factors including world supply and demand capacities for crude oil and petrol, the US/Australian dollar exchange rate, freight rates, taxes as well as competition at world, regional and domestic market levels, amongst other things. In addition, the contrived price cycles, used by fuel marketers as a mechanism for maintaining retail margins, make it hard for motorists to track real trends in fuel prices.

The graphs on the following page provide a couple of examples of “predictions” about fuel prices that were made in the media about a year ago, that proved to be inaccurate.

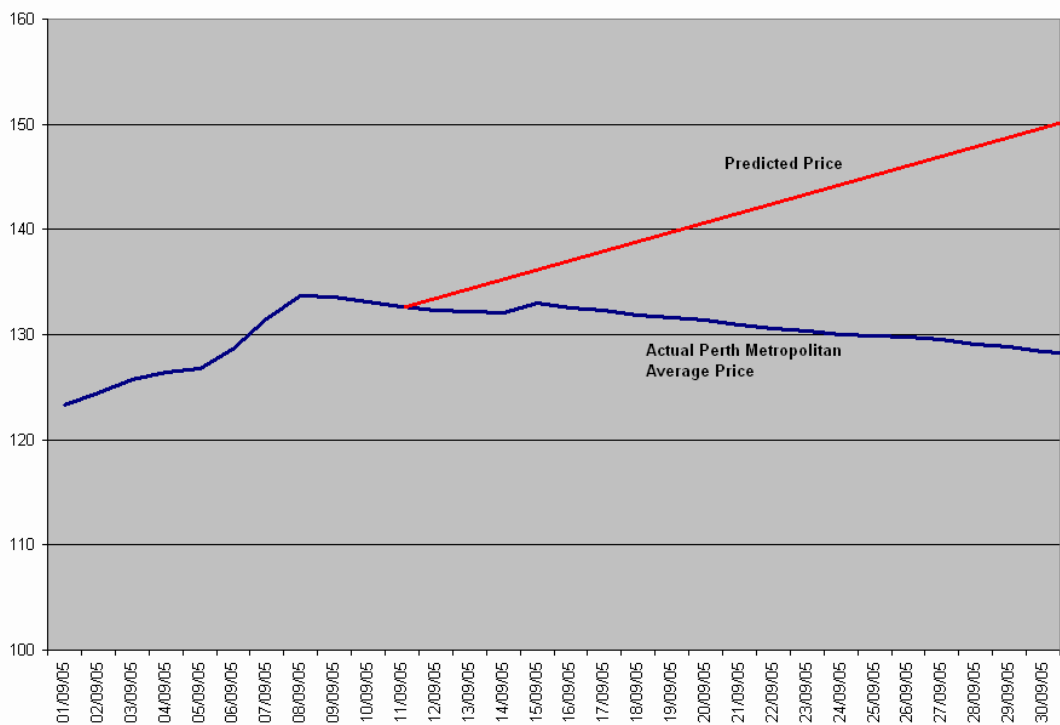
“Petrol could be \$1.60 a litre within the next 12 months.” 15 August 2005 *The Advertiser* – AMP Capital Chief Economist



“Consumers should expect to keep paying about \$1.30 or \$1.40 a litre for fuel in coming months as oil prices remain elevated and oil companies maintain higher refinery margins.” 16 September 2005 – *finance.news.com.au* – Craig James, CommSec Chief Equities Economist



“Perth motorists should brace themselves to pay an average of \$1.50 a litre for unleaded petrol by the end of the month... our petrol crisis will only deepen.” 11 September 2005 *Sunday Times* – Peter Fitzpatrick, MTAWA



Retail Fuel Prices - Graphs

Figure 1: Average Monthly Retail Prices for ULP in Perth and Eastern States Capitals from January 2001 to August 2006

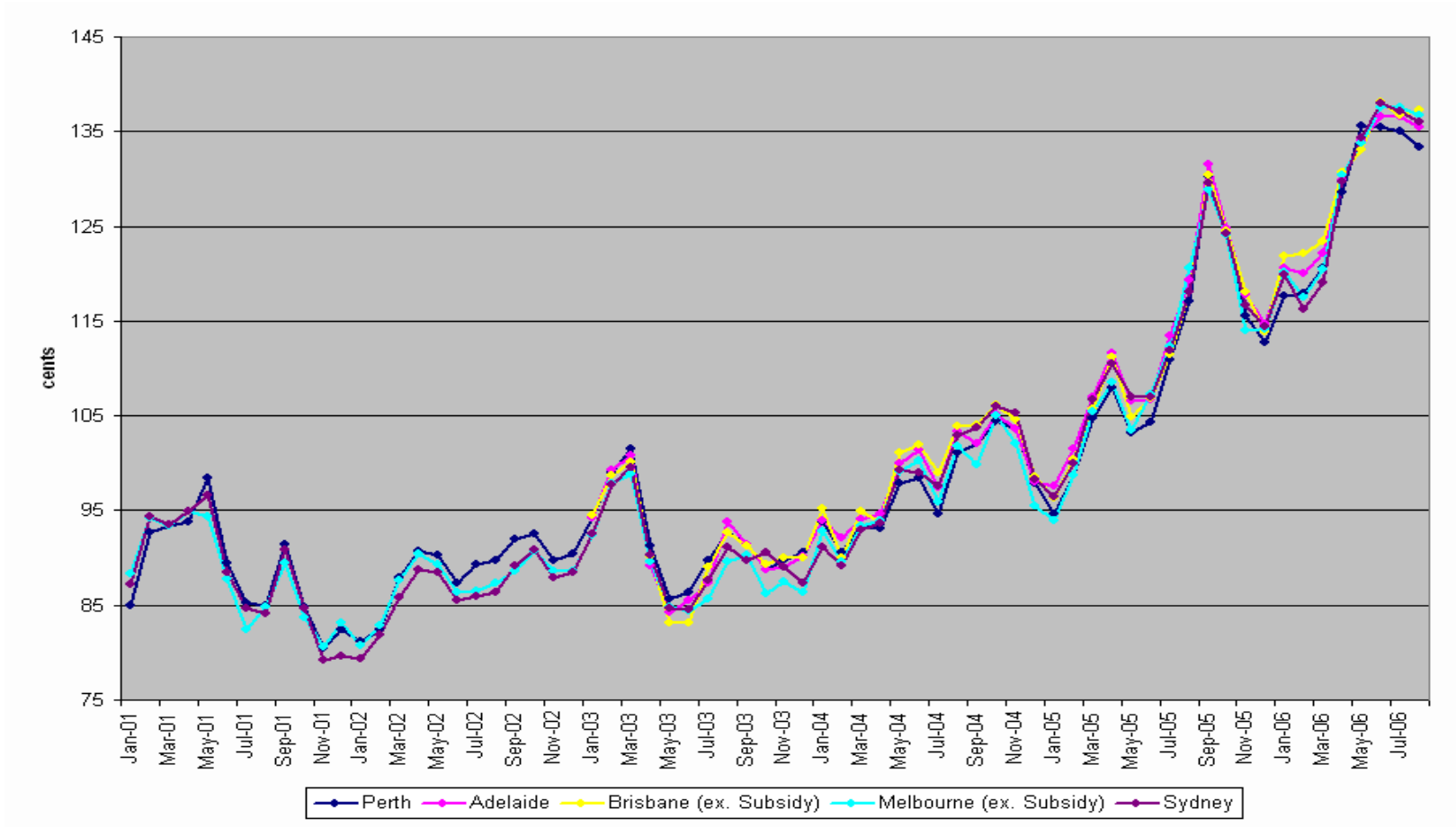
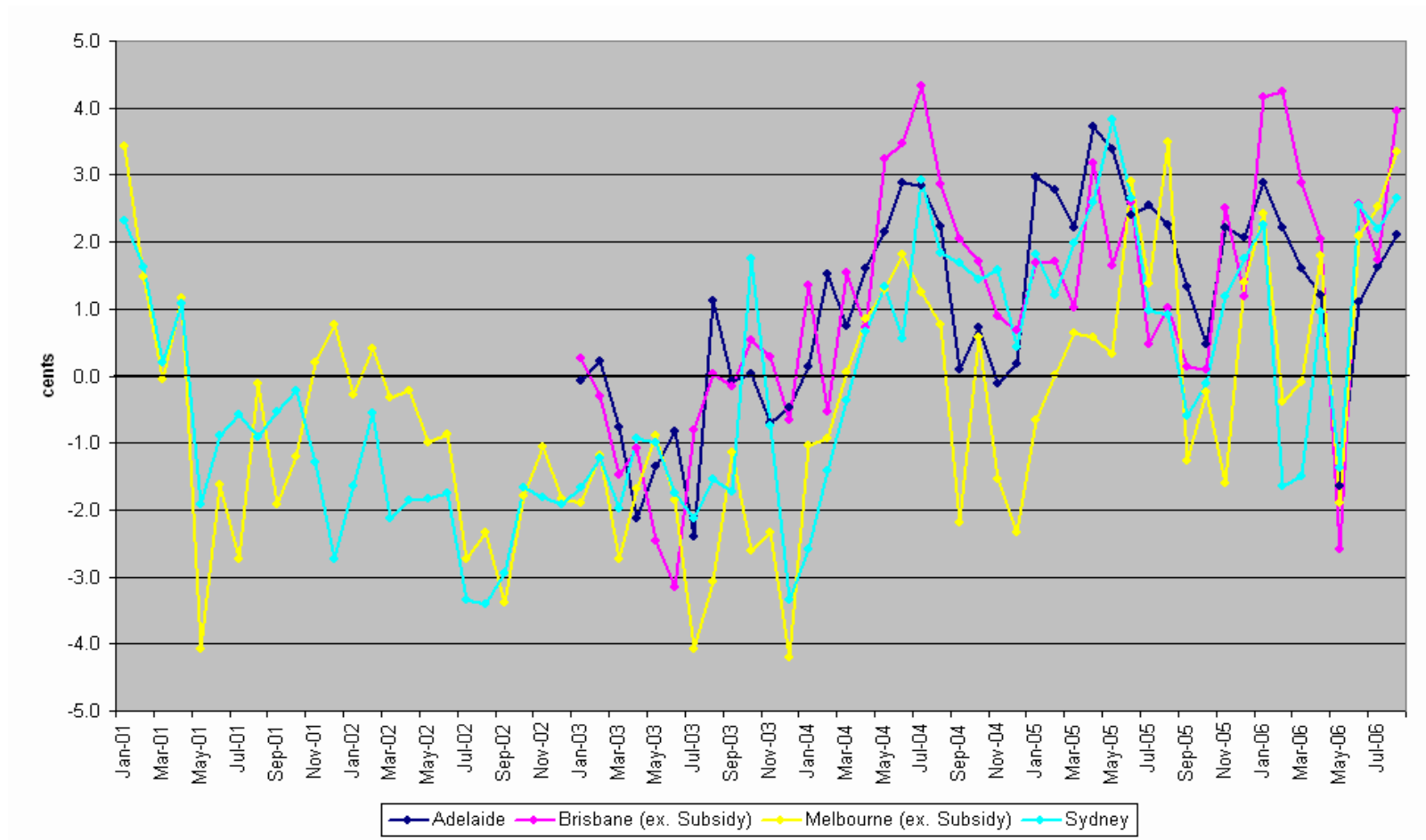


Figure 2: Average Monthly Difference between Retail Prices for ULP in Perth and Eastern States Capitals from January 2001 and August 2006



Retail Margins - Graphs

Figure 3: Average Indicative Retail Margins for ULP in the Perth Metropolitan Area from January 2003 to August 2006

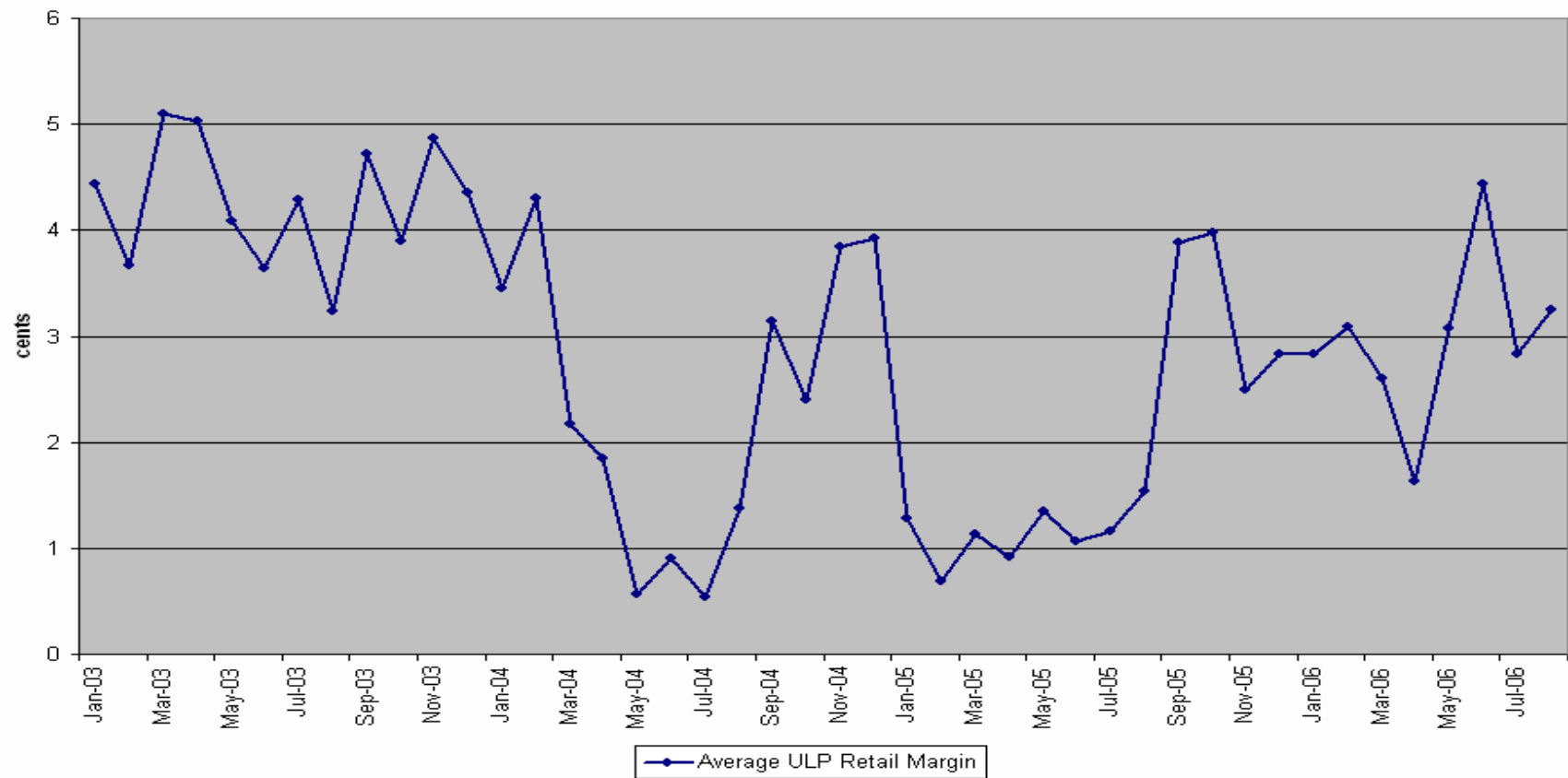


Figure 4: Average Indicative Retail Margins for Diesel in the Perth Metropolitan Area from January 2003 to August 2006

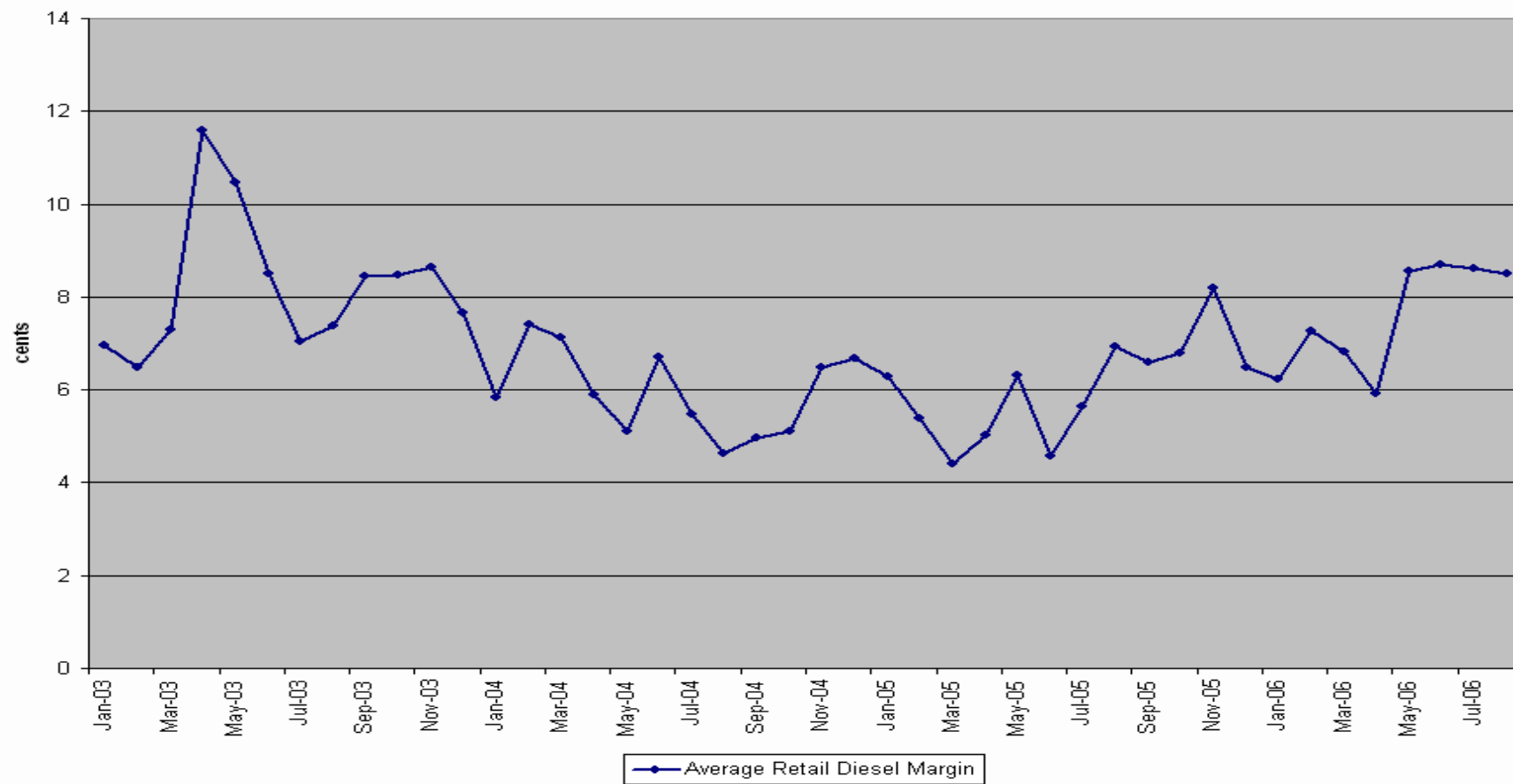
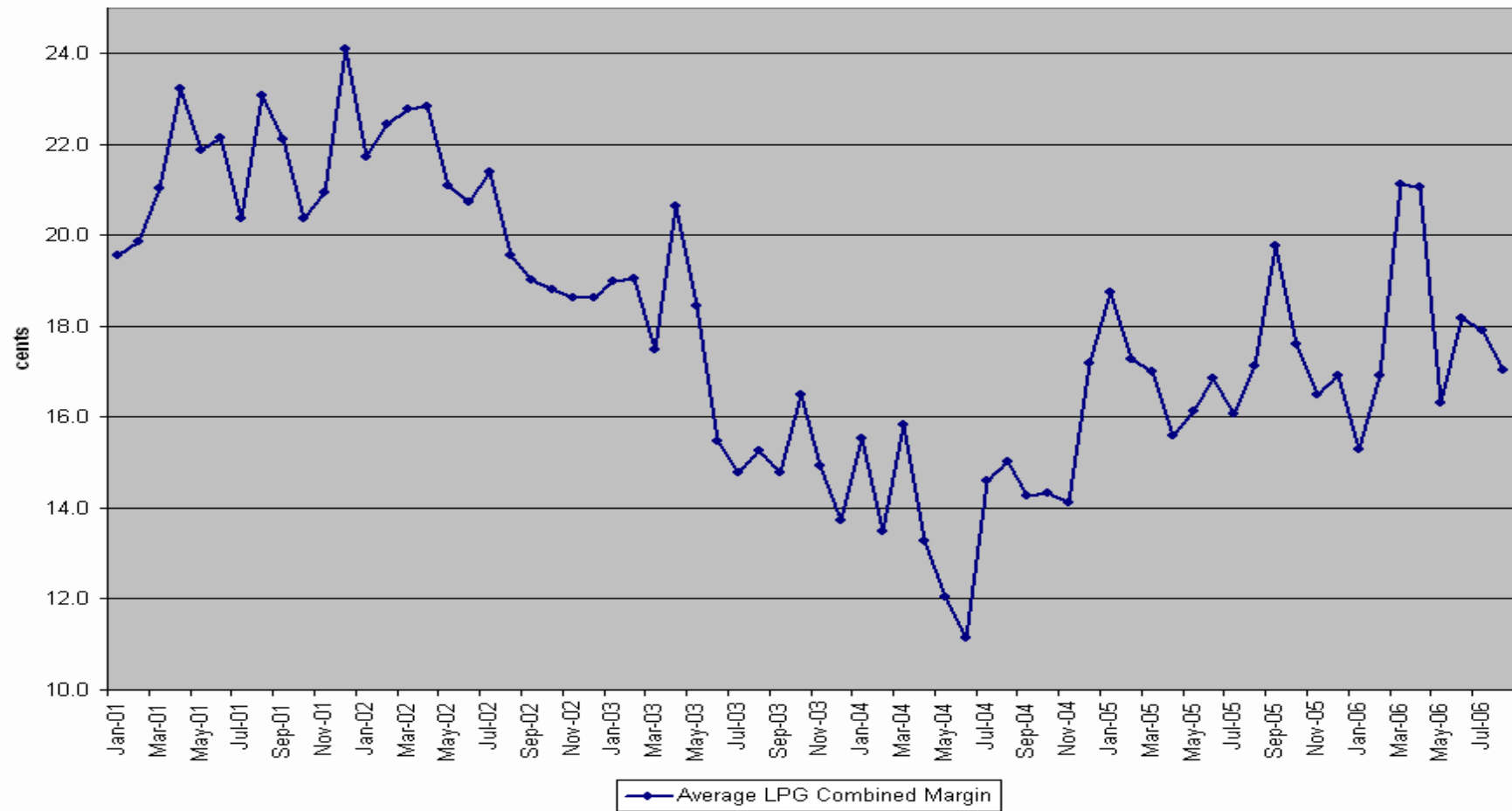


Figure 5: Average Indicative Combined Margins for LPG in the Perth Metropolitan Area from January 2003 to August 2006



Wholesale Margins - Graphs

Figure 6: Average Indicative Wholesale Margin for ULP in the Perth Metropolitan Area from January 2003 to August 2006

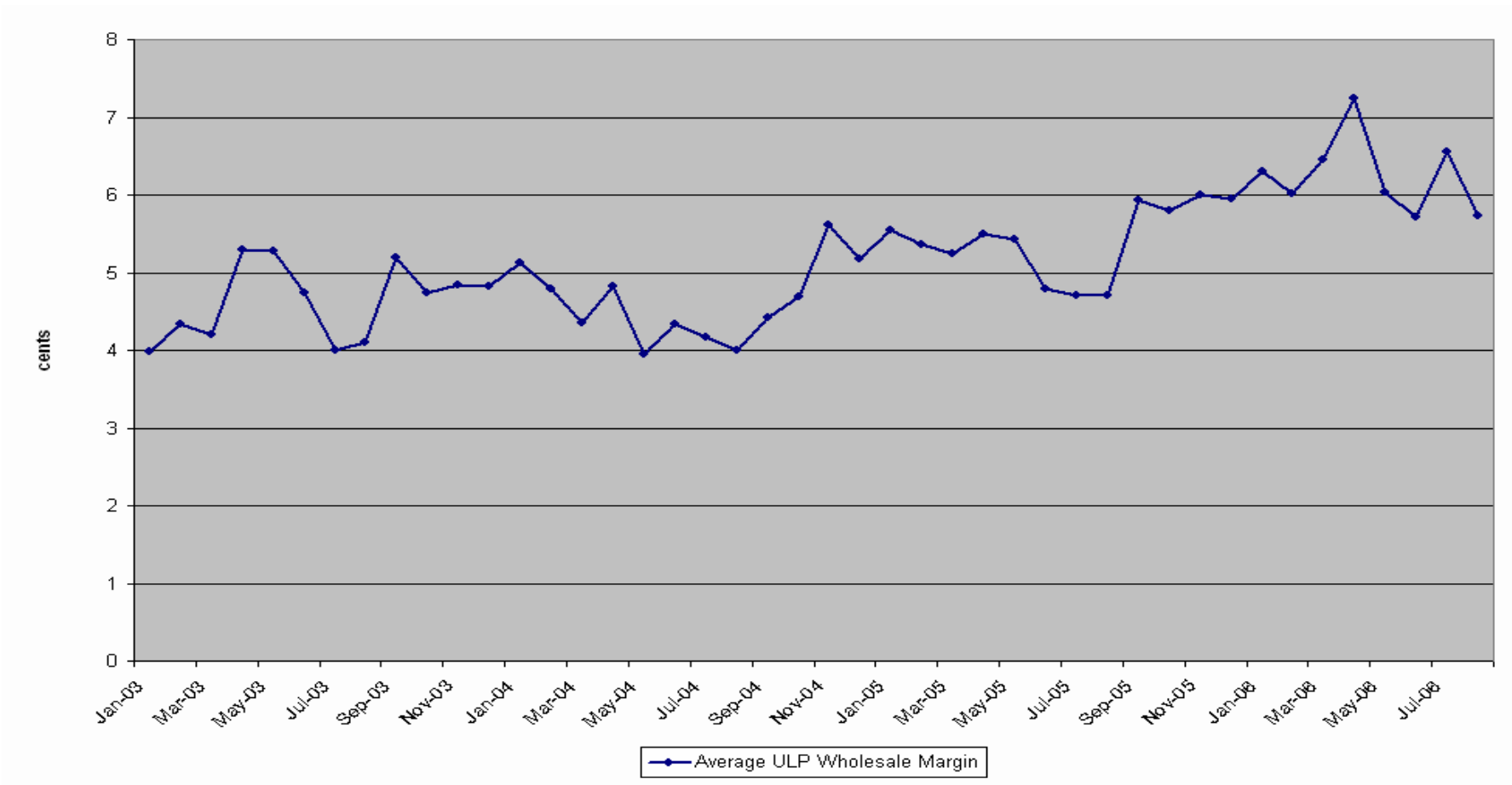
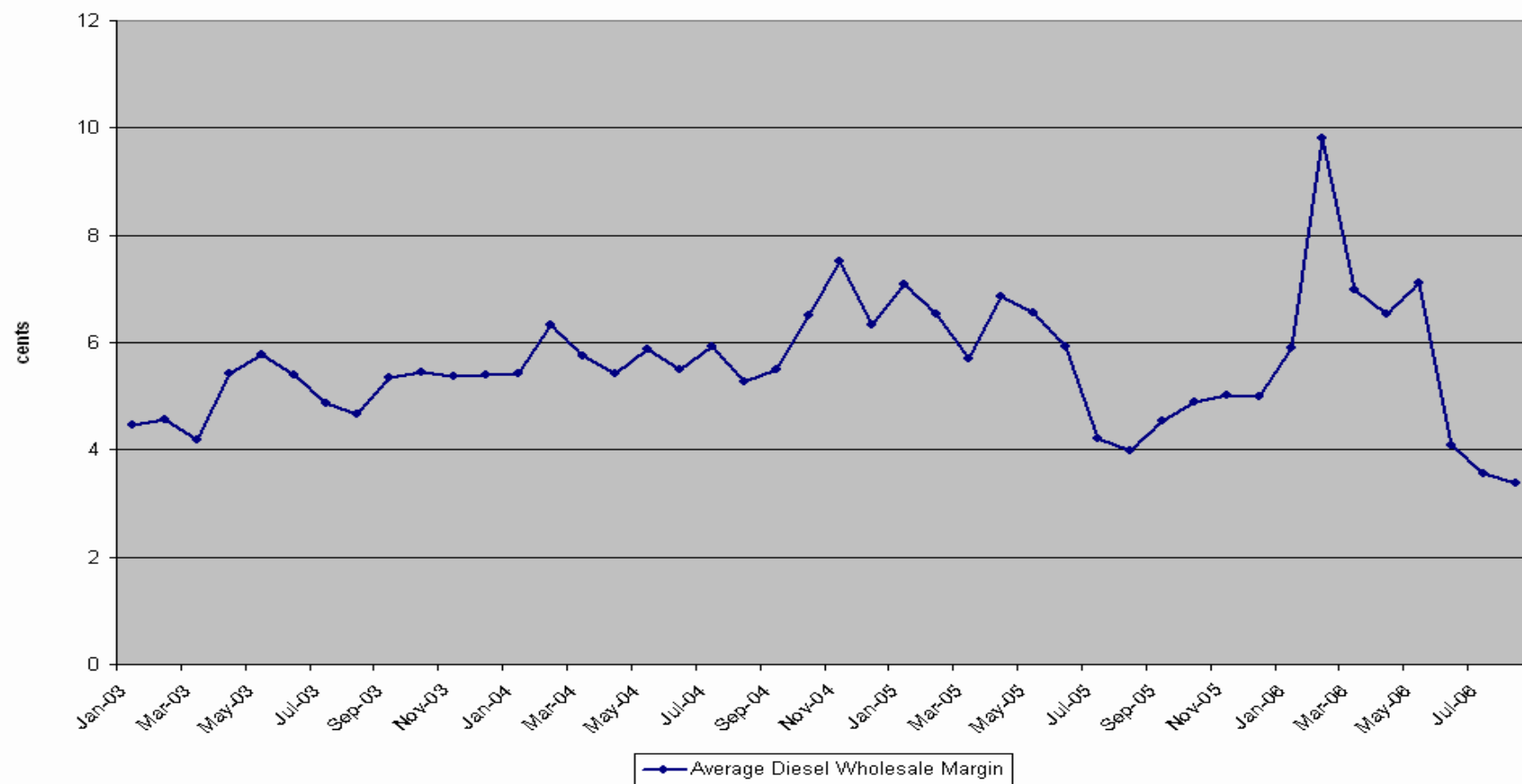
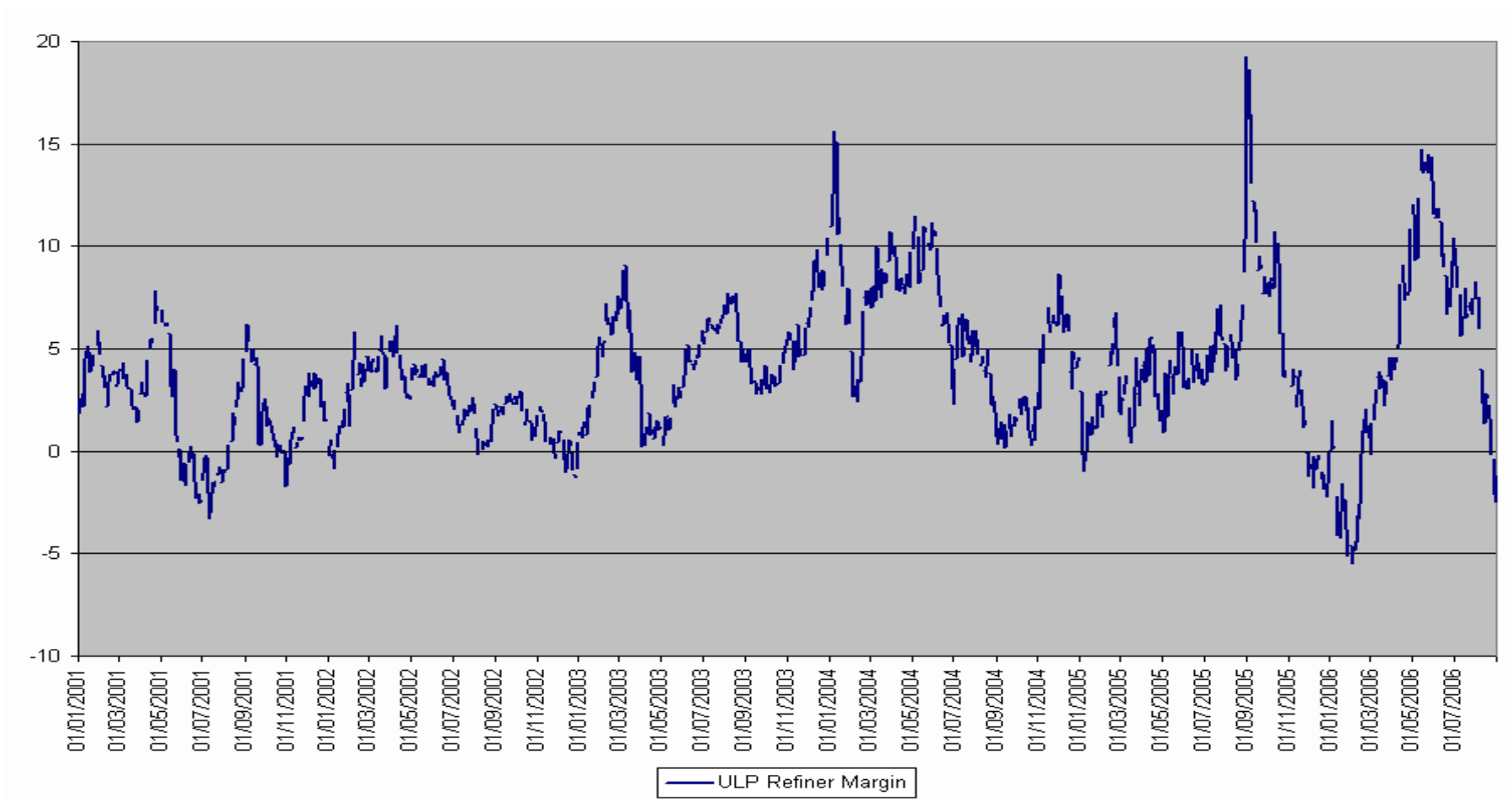


Figure 7: Average Indicative Wholesale Margin for Diesel in the Perth Metropolitan Area from January 2003 to August 2006



Refiner Margin - Graph

Figure 8: Indicative ULP Refiner Margin for Perth from January 2001 to August 2006



Price Cycle - Graph

Figure 9: Price Cycles in Perth and Eastern States Capitals November 2005 to August 2006

