Question: aet 4

Topic: Petrol

Hansard Page: Written

Senator XENOPHON asked:

1. In December 2009 the Minister asked the Commission to inquire into the issue of price coordination in the petrol industry. Has the Commission completed that review? What were the findings? Were those findings consistent with the Commission's findings on price coordination in its 2007 petrol report review?

2. How many of the recommendations from the December 2007 petrol report review have been implemented?

3. Has the Commission done any modelling on the impact that allowing independents to use the Port Stanvac storage facility would have on petrol prices in Adelaide?

4. Referring to the Commission's Price monitoring report from December 2009, in Chart C7 on page 287, the average retail margin in Adelaide in relation to unleaded petrol has jumped up about 2 cents a litre in the past year after being relatively stable in earlier years, is the Commission able to explain the jump? Is the jump of concern to the Commission? Does the jump reflect a reduction of retail competition? Has the jump been at the expense of Adelaide motorists?

5. Referring to the Commission's Price monitoring report from December 2009, in Chart C11 on page 292, the national average retail margin in relation to diesel has jumped up over 1 cent a litre in the past year, is the Commission able to explain the jump? Is the jump of concern to the Commission? Does the jump reflect a reduction of retail competition? Has the jump been at the expense of diesel users?

Answer:

1. On 2 December 2009, the Minister for Competition Policy and Consumer Affairs, the Hon Dr Craig Emerson MP, wrote to the ACCC requesting that it investigate possible anti-competitive behaviour in the setting of petrol prices. The Minister asked for the advice to be provided to him before Christmas 2009. The ACCC provided a confidential report to the Minister on 16 December 2009.

2. On 15 April 2008 the Government responded to the recommendations contained in the report of the ACCC's 2007 *Inquiry into the price of unleaded*

petrol.[1] Recommendation 1 (a review of "buy-sell" agreements) was undertaken by the ACCC. The ACCC completed its review of the "buy-sell" agreements in 2009. Its findings are reported in Chapter 7 of the December 2009 *Report of the ACCC into the prices, costs and profits of unleaded petrol in Australia* (2009 Petrol Monitoring Report).

Recommendations 3 (audit of terminals) and 5 (review of publication of terminal gate prices as part of the Oilcode review) were undertaken by the Department of Resources, Energy and Tourism (DRET). DRET published its reviews on the audit of terminals and the Oilcode on 24 August 2009.

Recommendation 4 (ongoing monitoring of terminals) is a matter for the Government.

Recommendation 6 (clarifying the meaning of the term "understanding") is being considered by the Treasury.

The Government noted recommendation 2 (adjustments to fuel standards) and stated that no changes are required.

3. The ACCC has not undertaken any modelling on Port Stanvac and petrol prices.

4. The charts for unleaded petrol in Appendix C of the 2009 Petrol Monitoring Report present information on gross indicative retail margins. These are calculated as the difference between average retail unleaded petrol prices and average published terminal gate prices for petrol.

These margins are gross and do not take into account costs impacting at the retail and wholesale levels such as wages, rent and freight.

Any changes in costs at the retail and wholesale levels over time are also not taken into account.

The margins are indicative and based on average retail prices and average terminal gate prices and are not applicable to any specific retailer or retail site.

In 2008-09, gross indicative retail margins were higher in all Eastern capital cities (Adelaide, Melbourne, Sydney and Brisbane) compared with the previous financial year. Gross indicative retail margins in Adelaide in 2008-09 were broadly the same as in Sydney and lower than in Melbourne and Brisbane.

In 2008-09, international prices were relatively volatile, especially in the second half of 2008. In such periods, retail prices may take longer to respond to price movements in terminal gate prices, which are set in response to international price movements.

In chapter 14 of the 2009 Petrol Monitoring Report, the ACCC estimated the gross and net profits for petrol at the retail level in the industry. While gross

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[1] See media release no. 023 of 2008 of the then Assistant Treasurer and Minister for Competition Policy and Consumer Affairs.

profits for petrol at the retail level have increased between 2005-06 and 2008-09, net profits for petrol have been relatively steady at about 0.5 cpl (including in 2008-09).

5. The charts for diesel in Appendix C of the 2009 Petrol Monitoring Report present information on gross indicative retail margins. These are calculated as the difference between average diesel retail prices and average published terminal gate prices for diesel.

The factors discussed in the answers to question 4 above regarding gross indicative retail margins for petrol generally apply to diesel as well.

Average nominal gross indicative retail margins for diesel are generally higher than for petrol. Petrol and diesel are different products and volumes of diesel sold by the retail sector are much less than for petrol.

In chapter 14 of the 2009 Petrol Monitoring Report, the ACCC estimated that diesel net profits at the retail level in 2007-08 and 2008-09 were around the same levels as retail petrol net profits.