



ICRC

independent competition and regulatory commission

MEDIA RELEASE

COMMISSION RELEASES DRAFT REPORT ON THE ACT PETROL PRICE INVESTIGATION

The ACT Independent Competition and Regulatory Commission today released a draft report outlining its draft findings of its investigation into motor vehicle petrol prices in the ACT.

The Commission has found that prices are influenced by a range of factors, which can differ between capital cities, between the smaller and larger capital cities, between cities and regional towns, and within cities. Daily prices are often characterised by volatility and in some locations by price cycles, which may be short and regular or long and irregular. As a result, comparing prices and price movements across locations is complex.

For instance, the petrol price in Canberra was lower than in Melbourne, Sydney, Adelaide and Hobart around Easter 2019, but it was higher than in these cities in early March 2019.

Over the past six years, petrol prices in Canberra averaged 142 cents per litre, which was around 8.9 cents per litre higher than in Sydney and 2.3 cents per litre higher than in the towns surrounding Canberra.

The average price difference between Canberra and surrounding towns widened in the last six months of 2018 to 9.9 cents per litre but narrowed somewhat over 2019. In March, petrol prices in Canberra were, on average, 3 cents per litre higher than those in the surrounding towns.

The Commission found a number of reasons for the higher average petrol price in Canberra:

- Delivery costs of fuel are higher in Canberra than Sydney
- Retail operating costs in Canberra appear to be higher in Canberra than in Sydney
- Profit margins of retailers are higher in Canberra than in Sydney and the towns around Canberra.

“The relatively higher profit margins in Canberra likely reflects weaker competition in Canberra. This is due to Canberra having a more concentrated retail petrol market, with a higher proportion of retailers with business models offering a premium product and a lower number of independent retailers with a business strategy to aggressively discount. It also likely reflects the relatively poor visibility of petrol stations in Canberra, which makes it difficult for consumers to compare competing retailers’ prices,” Senior Commissioner Joe Dimasi said.

The Commission found that there are differences in petrol retailer prices, costs and profit margins within Canberra. These differences reflect differences in business models, the level

of competition in the area, costs of operating in particular areas, and the prices charged by the wholesale petrol suppliers supplying to particular sites or retailers.

Petrol retailers at the Airport and in Fyshwick have the lowest petrol prices and profit margins.

The Commission appreciates the cooperative approach and constructive engagement from petrol companies throughout the price investigation.

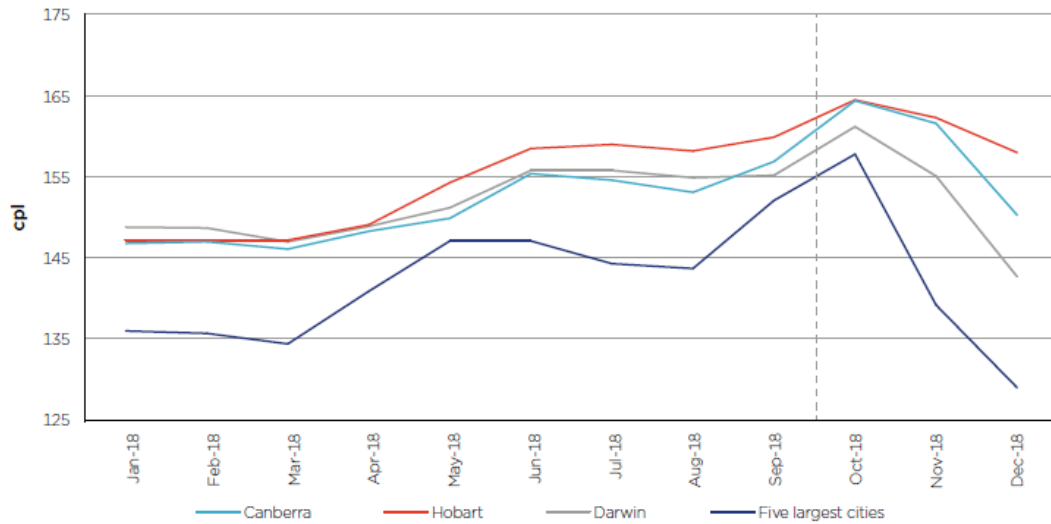
The Commission is seeking feedback from stakeholders on the draft findings and comments on any other issues that may be relevant to this investigation. The draft report is open for comment until 5pm, Thursday 6 June 2019. The final report will be provided to the Treasurer by 28 June 2019

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For media enquiries, please call 02 6205 0799 or email: icrc@act.gov.au

Attachment

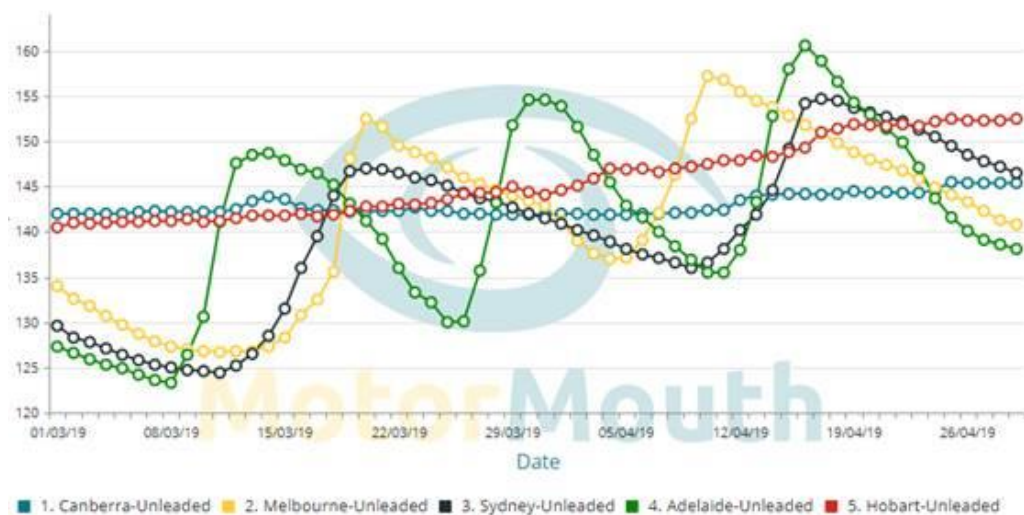
Figure 1 Comparison of capitals monthly average RULP (cpl)



Source: ACCC (2018) Report on the Australian petroleum market—December 2018

Figure 1 shows that petrol prices in Canberra, Hobart and Darwin were consistently higher than the five largest capital cities in 2018. Although sometimes higher, Canberra’s prices were frequently lower than Hobart and Darwin.

Figure 2 Daily average petrol prices in Canberra and selected capital cities



Source: <https://motormouth.com.au/> viewed on 6 May 2019.

Figure 2 shows the average daily petrol price for Canberra and selected capital cities. It shows that around Easter 2019 the petrol price in Canberra was lower than in Melbourne, Sydney, Adelaide and Hobart. It also shows that in early March 2019 the price of petrol in Canberra was higher than in any of these cities.

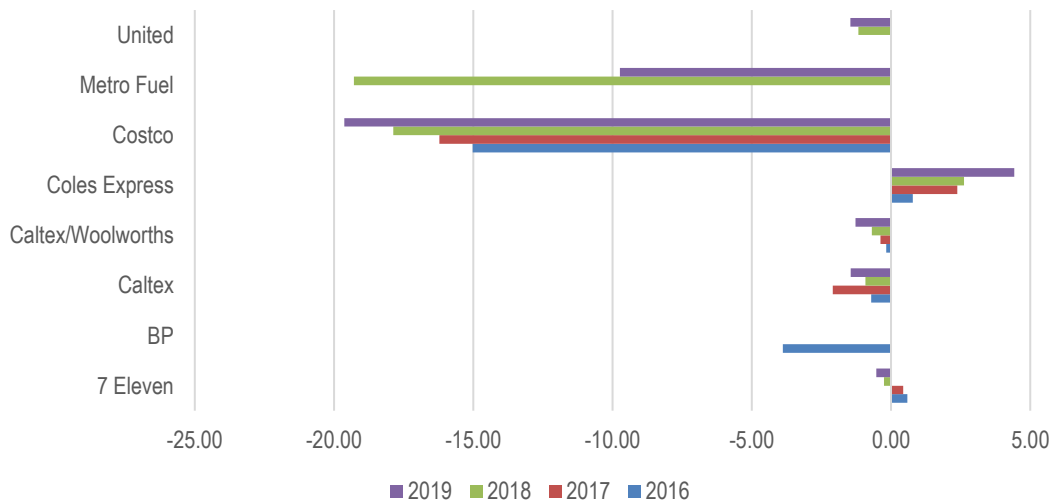
Figure 3 Long term variation in the ACT quarterly average petrol price, TGP and Gross Indicative Retail Difference



Source: ACCC quarterly reports on the Australian petroleum market and Australian Institute of Petroleum Sydney TGP dataset.

Figure 3 shows the quarterly average retail petrol price in Canberra, the Terminal Gate Price (TGP) and the difference, which is known as the Gross Indicative Retail Difference (GIRD). The GIRD is an approximate measure of the retail component of the cost of petrol. The figure shows that most of the petrol price is made up of the TGP, which petrol retailers cannot control. The GIRD has fluctuated around 20 cents per litre (cpl) between December 2014 and December 2018.

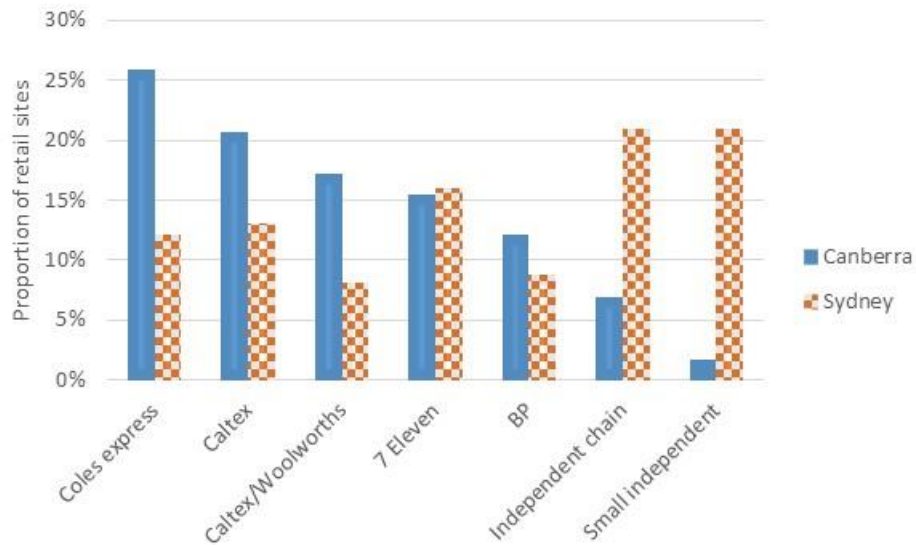
Figure 4 Annual average difference between brand price and the market average price (cpl), 2016 to 2019



Note: Data is partially available for 2016 and 2019. Data is not available for all sites or time periods.
Source: Based on retail price data from Informed Sources.

Figure 4 shows the annual average petrol price discount to, or premium on, the ACT market average, by retail brand, between May 2016 and March 2019.

Figure 5 Proportion of retail sites in Canberra and Sydney by brand



Source: Informed Sources (2019), Submission to Select Committee on Fuel Pricing, Legislative Assembly for The Australian Capital Territory, Inquiry into the Select Committee on Fuel Pricing, submission no. 14, 25 February; ACCC (2018), Retail and wholesale petrol market shares in Australia, September.

Figure 5 shows the proportion of retail site in Canberra and Sydney by brand. It shows that the ACT has a relatively high concentration of retail brands and a small share of independent operators.

Table 1 Annual mean, maximum and minimum retail petrol prices in ACT, 2015-16 to 2018-19

	2015-16	2016-17	2017-18	2018-19
Mean price	125.8	129.1	141.1	152.2
Maximum price	128.3	133.4	143.8	157.8
Minimum price	116.4	114.3	124.3	133.1
Difference (max minus min)	11.8	19	19.4	24.7

*Until 20 March 2019.

Note: 2015-16 and 2018-19 are incomplete financial years. These are based on the average daily RULP price data of 49 sites.

Source: Based on Informed Sources data

Table 1 shows the annual mean, maximum and minimum retail petrol price in the ACT. It shows that the difference between the lowest average and highest average prices have increased from 11.8 cpl in 2015-16 to 24.7 cpl in 2018-19.