

# Transcript

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Compere: ROSS GREENWOOD Summary ID: S00047675195

Item: **PETROL PRICES ARE HEADING TOWARD RECORD HIGHS. GREENWOOD SAYS THERE ARE STILL BIG PRICE DISCREPANCIES BETWEEN URBAN AREAS. PRESSURES ON THE OIL PRICE IN TURN PUT PRESSURE ON THE REFINERIES, AND THIS IS TRANSFERRED TO MOTORISTS. JOE DIMASI, PETROL COMMISSIONER, ACCC, JOINS THE PROGRAM. DIMASI SAYS HE MONITORS THE PRICES ON OFFER ACROSS THE COUNTRY, AND KEEPS AN EYE OUT FOR BREACHES OF THE LAW, SUCH AS COLLUSION AND PRICE SIGNALLING.**

**INTERVIEWEES: JOE DIMASI, PETROL COMMISSIONER, ACCC**

<b>Audience:</b>	Male 16+ 15000	Female 16+ 21000	All people 36000
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ROSS GREENWOOD: The prospect of petrol prices heading back to record levels, which were around \$1.67 a litre in Australia, back in 2008, but the reason now why petrol prices are going up in many capital cities today, well above \$1.50 a litre, and there are big discrepancies, I've got to say, we saw petrol today around Sydney, parts of Melbourne, in the \$1.30's, many places around the \$1.40s, but we saw lots and lots of petrol above \$1.50. So the question is, why the discrepancy, and where do petrol prices head in the future?

There are pressures, certainly in the Middle East, and therefore on oil prices, and therefore on the refineries. And indeed, when the refineries are sending crude - rather petrol, from Singapore to Australia, that pressure is passed on to you, the motorist.

Well the Petrol Commissioner is the man who watches this most closely, Joe Dimasi joins us now, from the ACCC, we appreciate your time here on Money News, Joe.

JOE DIMASI: Good afternoon, Ross.

ROSS GREENWOOD: One thing, as petrol prices do move around a lot, you as the Petrol Commissioner, are charged with trying to make certain that the competition is strong and even across the whole market, are you happy with what you're seeing right now?

JOE DIMASI: Well, let's be clear about what our job is, our job is to enforce the law, so if these guys break the law, we'll certainly hit them, and that's what we do. We monitor the prices, and certainly what we see is the price going up, it's been going up steadily all of this year, as we've seen the price of oil and the price of international petrol climb to record levels on an annual basis.

We saw prices go up higher than this in the middle of 2008, as you mentioned, but if you take an annual average, these prices are unprecedented, we've got the highest level of international prices for both petrol and oil that we've ever had, so we're experiencing those pressures, and unfortunately it looks like we've got a little bit more to go.

ROSS GREENWOOD: Just take me a step back, and go to the law. Presumably you look for collusion, that would be

one thing that would be highly illegal, price signalling...

JOE DIMASI: Absolutely...

ROSS GREENWOOD: ...is highly illegal..

JOE DIMASI: Yes...

ROSS GREENWOOD: ...so what other things are the things that you watch to try to - to figure whether there's anti-competitive behaviour taking place?

JOE DIMASI: Yes, look, we look to see - we do a couple of things, first of all we check to see if there is collusion going on, and of course we rely on information that's given to us, as well as looking at pricing behaviour, also if there's misleading behaviour by the businesses, or they break the law in any other way, we certainly take great care in that, but we also look at the prices and the margins, and we report on that every year, to see if the margins, the profit margins of the businesses are, you know, very, very high, then you start asking questions, what's going on here?

But whilst we see high prices, and we see a lot of volatility, we also don't see very high profit margins, and that's why you see these reports from Caltex and others, that they're under pressure with their refinery.

So we have a combination of those factors at the moment.

ROSS GREENWOOD: That being said, you've also indicated today that you believe a couple of the big oil companies, and you named two, which were BP and - or rather Shell and also...

JOE DIMASI: No, BP and Caltex.

ROSS GREENWOOD: BP and Caltex were the two you named, that they should do more, what did you mean by that?

JOE DIMASI: Look, my point is this. I understand that the price, the Australian petrol price is driven by international oil, and international petrol, we see that, but we also have a price cycle in the major capital cities, we see it in Sydney, we see it in Melbourne, and in the other major capital cities.

Now at the top of the cycle, the price is very high, and it's above what can be justified by you know, the underlying costs. At the bottom of the cycle, we also see that the prices are at wholesale level, and they're not making any money, so that's fair enough.

But I guess my point to the pricing executives in BP and Caltex, because they're the guys who always lead the price cycle up, is why put it up so high? I mean especially in these times when we have - when we're seeing prices go up, but why kick it up

so high? I mean I think they really should think about it.

ROSS GREENWOOD: And a good example of this is that in Melbourne last week, is the best example I saw, the low price in the cycle was around \$1.32 a litre, the high price in the cycle was well over \$1.50 a litre. If you went say, to Sydney by comparison, the difference was only around 10 cents per litre, not the 18 cents it was in Melbourne, if you went to Brisbane, the difference in the price between low and high was around 7.5 cents a litre. So something clearly is going on somewhere.

JOE DIMASI: Well look, nobody - you've got to be a bit careful though, because what happened in Melbourne was that the price cycle - the previous price cycle crashed, they tried to put the price up, and while the price went up in Sydney and went up in Brisbane, went up in Adelaide, it didn't go up in Melbourne, and crashed.

So Melbourne had a couple of weeks where the price was at the bottom of the cycle, so we saw the retail prices selling at \$1.33 to \$1.35, when the wholesale price was at about \$1.38. So clearly the retailers weren't in a very happy position at that point in time, and so consumers were in a good position. And then when the cycle kicked back up again in Melbourne, as it did in Sydney, there was that extraordinary jump.

So these things do vary from city to city, and you've got to be careful with your comparisons.

ROSS GREENWOOD: I understand. One thing, if I stand back and take a big look at this market, the one thing that I can see is the regular price cycle, and you and I have talked about that before, seems to have been shattered, it's now - either it's an eight day cycle, or it's a 10 day cycle sometimes, it seems to me that by changing the price cycle, this has meant that the motorist is very much confused as to what is the cheap day, what is the expensive day, and especially when prices are rising, a person then doesn't know exactly whether they're getting a good deal or not when they turn up at the pump.

JOE DIMASI: Look, there's some truth in that, but we've got to be a bit careful, the price cycle has never been totally stable, so you know, we talk about cheap Tuesday there many years ago, and it did sort of settle on the Tuesday, Wednesday, but it's been changing for a long time, and what we're seeing is the price cycle isn't changing randomly, it's just getting longer and longer, and that's because BP and Caltex put up the price, but the rest of the market doesn't always respond, and doesn't respond as quickly, so things just get drawn out a little bit more.

Now that does have the effect that people are not sure what day it goes up, and what day it goes down, and I think that does cause some confusion for motorists.

But it is important to keep an eye on it, because if you do, you do see when it goes up, and unless you have to buy it, just do not buy it at the top of the cycle, because it's just too expensive. Now I know everybody can't do that, but if you can avoid it, the price will come down, and it comes down reasonably quickly.

And if you track it over the next week, you'll see that the price does come down, and so it's a good idea to top up, or fill up, you can if you see it, I look at the boards all the time, it's part of the job, it's one of those things I do, and I can just see that cycle, as I look at the boards every day.

ROSS GREENWOOD: Joe Dimasi is the Petrol Commissioner, and Joe, we appreciate your time here on Money News.

JOE DIMASI: It's a pleasure, Ross.

ROSS GREENWOOD: So there is the Petrol Commissioner, so give us a call, 131 873, do you believe all that? We're really like to hear from you, 131 873.

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ABs = Managers, administrators, professions. GBs = Grocery buyers.

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