

8 Retail prices

Key points

- The annual average retail price of regular unleaded petrol in the five largest cities in 2011–12 was around 143 cents per litre (cpl), an increase of 11 cpl from 2010–11.
- Annual average retail petrol prices in 2011–12 were the highest on record, reflecting the persistently high international price of refined petrol throughout most of the year.
- In 2011–12 daily average retail petrol prices (on a seven-day rolling average basis) across the five largest cities ranged from a low of around 131 cpl in June 2012 to a high of around 153 cpl in April 2012—a range of 22 cpl.
 - The peak price was the highest price since mid-July 2008, when prices reached their all-time high level of around 163 cpl.
- Movements in Australian retail regular unleaded petrol prices are primarily determined by movements in the international price of refined petrol (Singapore Mogas 95 Unleaded) and the AUD–USD exchange rate.
- In 2011–12 motorists were somewhat protected from higher petrol prices by the relatively strong AUD–USD exchange rate (which, for most of the year, was above parity).
- As in previous years, the international price of refined petrol, and excise and taxes, were the main components of retail petrol prices in 2011–12.

8.1 Introduction

This chapter primarily focuses on regular unleaded petrol (RULP) prices.¹⁰⁵ However, it also examines the prices of other grades of petrol—premium unleaded petrol (PULP) 95, PULP 98, and E10 (i.e. regular unleaded petrol with up to 10 per cent ethanol)—and diesel and automotive liquefied petroleum gas (LPG).

It focuses on retail prices across the five largest cities (Sydney, Melbourne, Brisbane, Adelaide and Perth) although the three smaller capital cities (Canberra, Hobart and Darwin) are also considered. Petrol prices in regional locations are analysed in chapter 9.

While the analysis of petrol price movements in this chapter largely focuses on average prices across the five largest cities, price levels and price movements are not uniform across these cities. This is because factors specific to each city influence the extent of competition (and therefore prices).

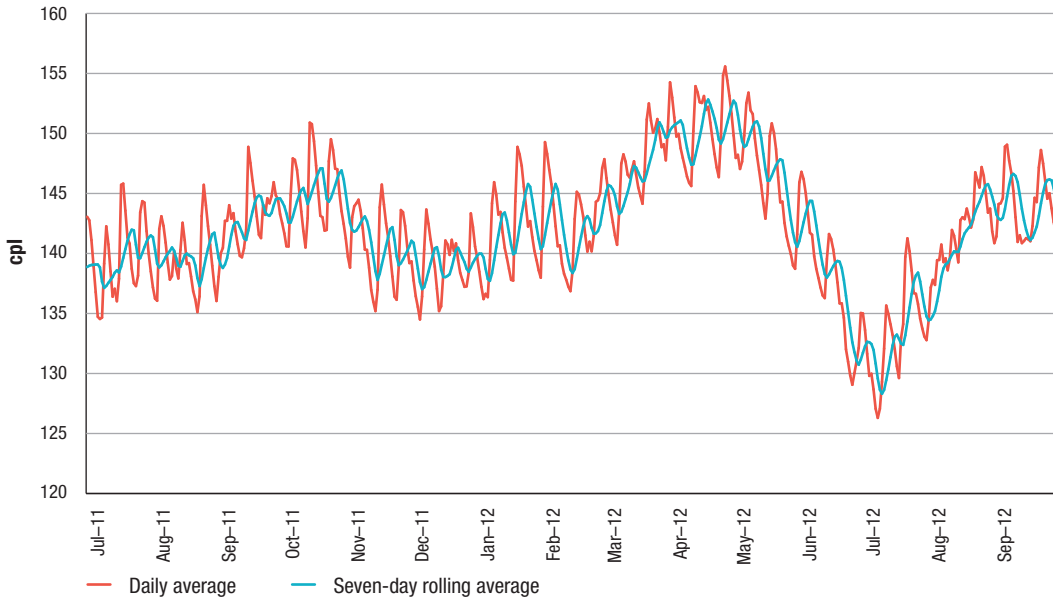
¹⁰⁵ References to petrol in this chapter are to regular unleaded petrol (RULP) unless otherwise specified.

8.2 Retail petrol price movements

8.2.1 Prices between July 2011 and September 2012

Chart 8.1 shows daily average retail petrol prices, and seven-day rolling average petrol prices, across the five largest cities for the period 1 July 2011 to 30 September 2012.¹⁰⁶

Chart 8.1 Daily average retail petrol prices and seven-day rolling average retail petrol prices, five largest cities: 1 July 2011 to 30 September 2012



Source: ACCC calculations based on Informed Sources data

Chart 8.1 shows that:

- The period began with retail prices on a seven-day rolling average basis at around 139 cents per litre (cpl). Between July 2011 and mid-October 2011 prices increased by 8 cpl to around 147 cpl, before decreasing to around 137 cpl in early December 2011.
- From early January 2012 prices increased, reaching a peak of around 153 cpl in mid-April 2012. Prices then fell rapidly to a low of around 128 cpl in mid-July 2012 (which was the lowest price since January 2011). Prices subsequently increased by around 16 cpl to the end of September 2012 (ending the period at around 144 cpl).
- In 2011–12 the range between the highest daily average price (153 cpl in April 2012) and lowest (131 cpl in June 2012) was 22 cpl.

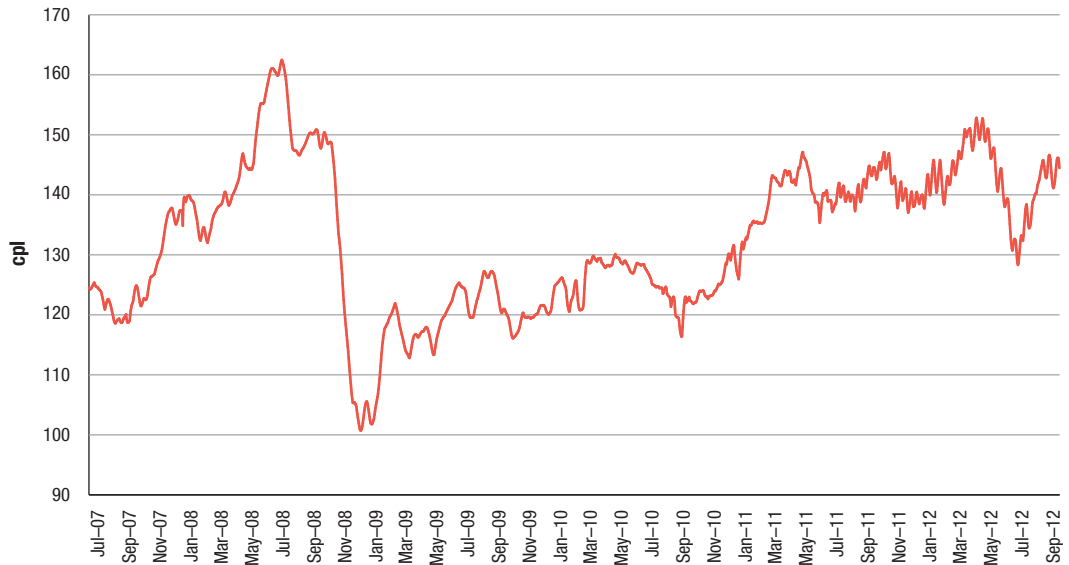
The average price of petrol across the five largest cities in 2011–12 was 142.8 cpl. This was 11.1 cpl higher than in 2010–11 (131.7 cpl).

¹⁰⁶ A seven-day rolling average price is the average of the current day's price and the prices on the six previous days. In the case of retail prices it is the average of calendar days but in the case of Mogas 95 it is the average of working days (i.e. Monday to Friday). Traditionally, the ACCC has used a seven-day rolling average to smooth out the influence of the regular petrol price cycles in the larger capital cities on price movements. In recent years this has been less effective as the duration of price cycles in the larger capital cities has been increasing beyond seven days (see chapter 10). The refiner-wholesalers use a rolling average for Mogas 95 prices when determining their wholesale prices.

8.2.2 Prices between July 2007 and September 2012

Chart 8.2 shows seven-day rolling average retail petrol prices across the five largest cities over the period 1 July 2007 to 30 September 2012.

Chart 8.2 Seven-day rolling average retail petrol prices, five largest cities:
1 July 2007 to 30 September 2012



Source: ACCC calculations based on Informed Sources data

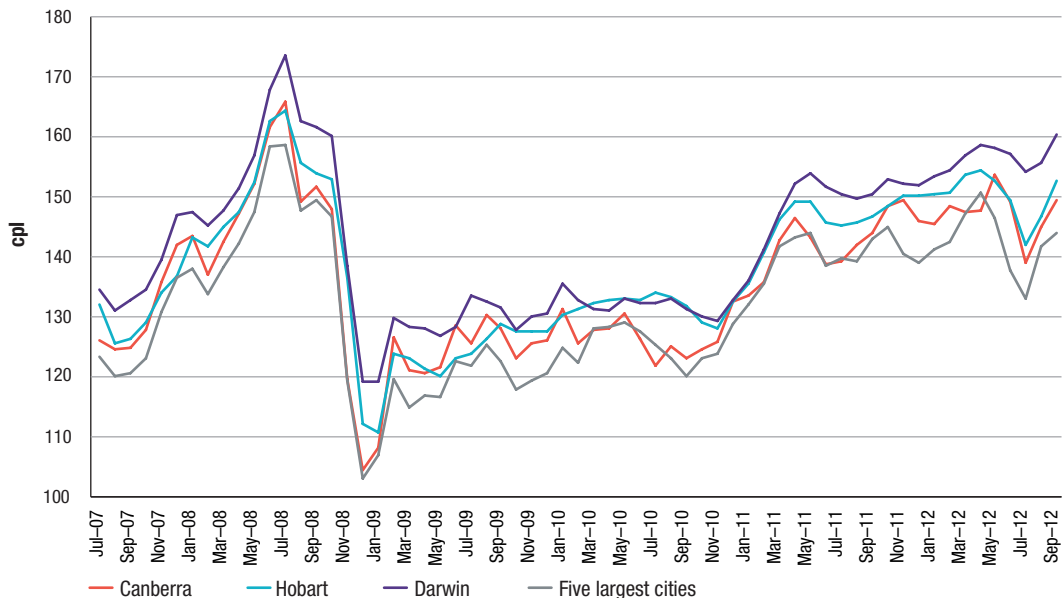
It shows that:

- Petrol prices in 2011–12 were less volatile than in 2010–11.
 - The range between the highest and lowest prices in 2011–12 was 22 cpl, which was 9 cpl less than in 2010–11 (when it was 31 cpl).
- Prices in 2011–12 peaked at levels last reached in late-July 2008.
 - Retail prices were at their highest in mid-July 2008 at around 163 cpl.
- The jagged appearance of the movements in petrol prices from around mid-2011 onwards reflects the significant increase in price cycle durations from this time (which has reduced the smoothing effect of using seven-day rolling averages).
- Between July 2007 and July 2008, retail prices increased rapidly (by around 38 cpl). Prices decreased substantially in the second half of 2008 (by around 62 cpl) at the time of the global financial crisis (GFC), before recovering in early 2009 and entering a period of relative stability in 2009–10.
- Between mid-September 2010 and early May 2011 prices increased by around 31 cpl, following geopolitical tensions and supply disruptions in Libya and the Middle East.

8.2.3 Prices in the three smaller capital cities

Chart 8.3 shows monthly average retail petrol prices in Canberra, Hobart and Darwin from July 2007 to September 2012, compared with prices across the five largest cities.

Chart 8.3 Monthly average retail petrol prices in Canberra, Hobart and Darwin and the five largest cities: July 2007 to September 2012



Source: ACCC calculations based on Informed Sources data

The chart shows that over this period:

- Prices in the smaller capital cities tend to follow similar trends to those in the five largest cities.
- Price relativities between the smaller capital cities and the five largest cities vary over time.
- Prices in the five largest cities are generally lower than in the three smaller capital cities.
- Prices in Darwin tend to be higher than those in Hobart and Canberra, and the five largest cities.

Factors that may be influencing the relatively higher prices in Canberra, Hobart and Darwin are similar to those outlined in section 9.3.

8.3 Determinants of petrol prices

Movements in retail petrol prices in Australia are primarily influenced by movements in the international price of refined petrol (which itself is driven by the price of crude oil) and the AUD–USD exchange rate.

Other influences on retail prices include the degree of competition at the wholesale and retail levels (including the regular price cycles that occur in the largest cities), the level of excise and taxes, international and domestic freight costs, the fuel quality premium (which includes a component for producing petrol to Australian fuel quality standards), and other wholesale costs and margins.

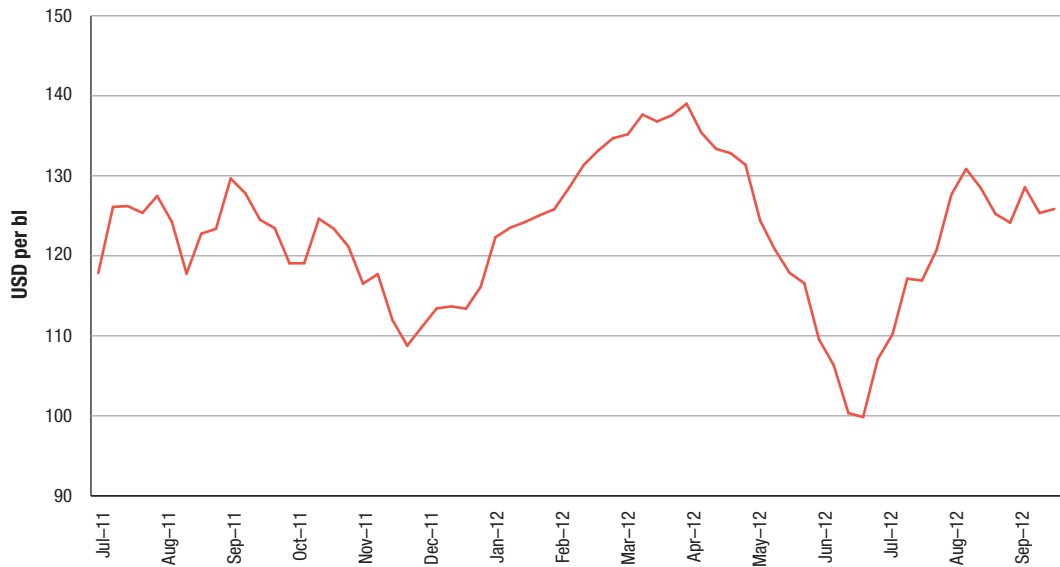
8.3.1 International price of refined petrol

The price of refined petrol in Australia is set with reference to international benchmark prices. The relevant international benchmark price for petrol in Australia is the price of refined petrol in the Asia-Pacific region, the price of Singapore Mogas 95 Unleaded (Mogas 95).

Prices between July 2011 and September 2012

Chart 8.4 shows movements in weekly average Mogas 95 prices for the period July 2011 to September 2012.

Chart 8.4 Weekly average Mogas 95 prices: July 2011 to September 2012



Source: ACCC calculations based on Platts data

Over the period Mogas 95 prices were influenced by several factors:

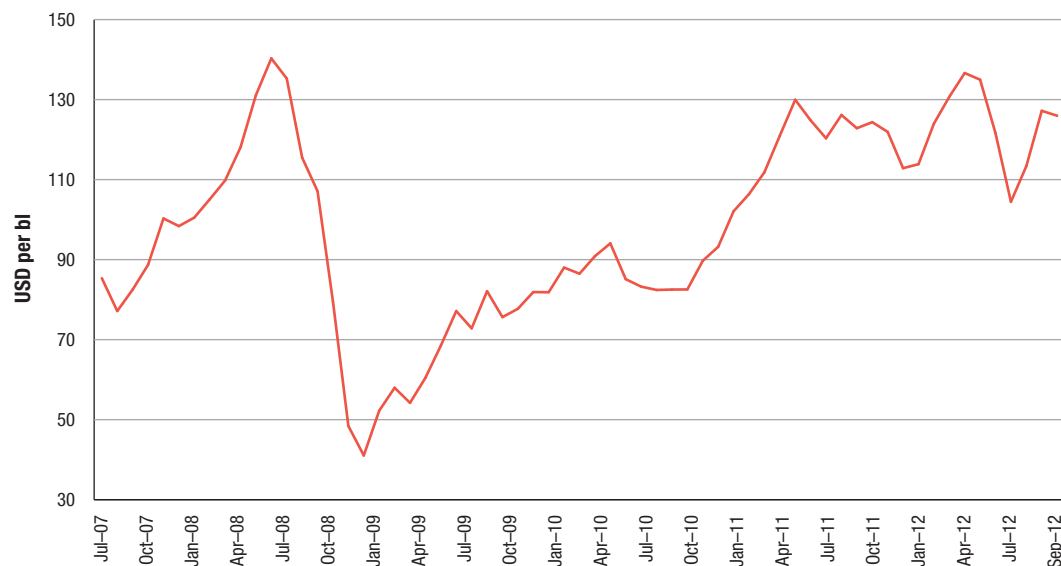
- The uncertainty around the future of Greece and the eurozone led to significant volatility in the second half of 2011.
- Concerns over a possible US recession led weekly average Mogas 95 prices to a low of around USD 109 per barrel by the end of November 2011.
- From December 2011 to April 2012, weekly average Mogas 95 prices increased by around USD 30 per barrel following easing concerns about a US recession, increased oil demand due to a cold Northern Hemisphere winter, and supply concerns due to geopolitical tensions and impending sanctions on Iran.
 - Weekly average Mogas 95 prices peaked at around USD 139 per barrel in early April 2012, its highest level since mid-2008.
- Subsequently, weekly average Mogas 95 prices decreased significantly by around USD 39 per barrel (28 per cent) between early-April 2012 and late-June 2012 to around USD 100 per barrel. The decrease was influenced by ample global supplies and renewed economic concerns about a number of European countries.

- Between July 2012 and September 2012, weekly average Mogas 95 prices increased by around USD 26 per barrel (26 per cent) to around USD 125 per barrel. This increase was influenced by supply disruptions in the North Sea, on-going instability in the Middle East (particularly in Syria) heightening concern over potential disruptions to supply, and monetary easing measures announced in the US in mid-September 2012.

Prices between July 2007 and September 2012

Chart 8.5 shows movements in monthly average Mogas 95 prices for the period July 2007 to September 2012.

Chart 8.5 Monthly average Mogas 95 prices: July 2007 to September 2012



Source: ACCC calculations based on Platts data

Monthly average Mogas 95 prices reached a record high in July 2008 at around USD 140 per barrel. As a result of the GFC, prices subsequently decreased sharply to around USD 40 per barrel in December 2008, a decrease of around USD 100 per barrel (over 70 per cent).

Prices steadily increased from early 2009 through to 2012. In May 2012 prices reached around USD 137 per barrel, the second-highest monthly average price on record (behind July 2008).

Despite the volatility, monthly average Mogas 95 prices were persistently high throughout 2011–12. The yearly average Mogas 95 price was around USD 123 per barrel, the highest level on record.

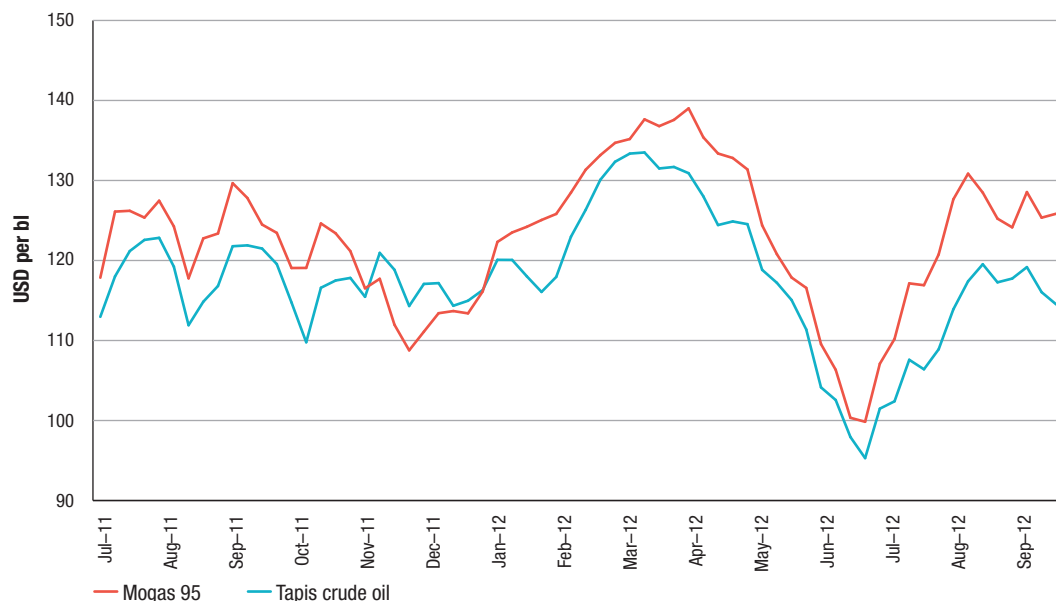
Refined petrol and crude oil prices

The price of crude oil is the major determinant of Mogas 95 prices. However, like the prices of most internationally traded commodities, the price of Mogas 95 is also determined by global and regional supply and demand conditions.

Mogas 95 generally trades at a premium to Tapis crude oil. However, at times Mogas 95 may be cheaper than Tapis crude oil (such as in November and December 2011) when demand for refined petrol is relatively low compared with demand for crude oil. Conversely, the premium can be large when demand for refined petrol is relatively high compared with demand for crude oil.

Chart 8.6 shows the close relationship between Mogas 95 prices and Tapis crude oil prices in the period July 2011 to September 2012.¹⁰⁷ While Mogas 95 prices and Tapis crude oil prices generally moved in a similar fashion over the year, the differential between weekly average Mogas 95 prices and Tapis crude oil prices varied from a low of around USD –7 per barrel (in November 2011) to a high of around USD 14 per barrel (in August 2012).

Chart 8.6 Weekly average Mogas 95 and Tapis crude oil prices: July 2011 to September 2012



Source: ACCC calculations based on Platts data

8.3.2 AUD–USD exchange rate

The AUD–USD exchange rate is an important influence on domestic retail prices because the international benchmark prices of refined petrol are set in US dollars.

Chart 8.7 shows movements in the daily AUD–USD exchange rate between 1 July 2011 and 30 September 2012.¹⁰⁸ The Australian dollar fluctuated within a USD 0.16 range during 2011–12, from a record high of around USD 1.11 in late July 2011 to a low of around USD 0.95 in early October 2011. Despite this volatility, the AUD–USD exchange rate remained above parity for most of 2011–12 (81 per cent of days).

¹⁰⁷ As noted in chapter 4, Australian refiner-wholesalers are increasingly using Brent crude oil as the appropriate international benchmark price.

¹⁰⁸ These are the daily RBA 4.00 pm closing rates. See: <http://www.rba.gov.au/statistics/frequency/exchange-rates.html>.

Chart 8.7 Daily average AUD–USD exchange rates: 1 July 2011 to 30 September 2012



Source: RBA data

The average AUD–USD exchange rate in 2011–12 was USD 1.03, compared with USD 0.99 in 2010–11 and USD 0.91 for the five-year period 2007–08 to 2011–12.

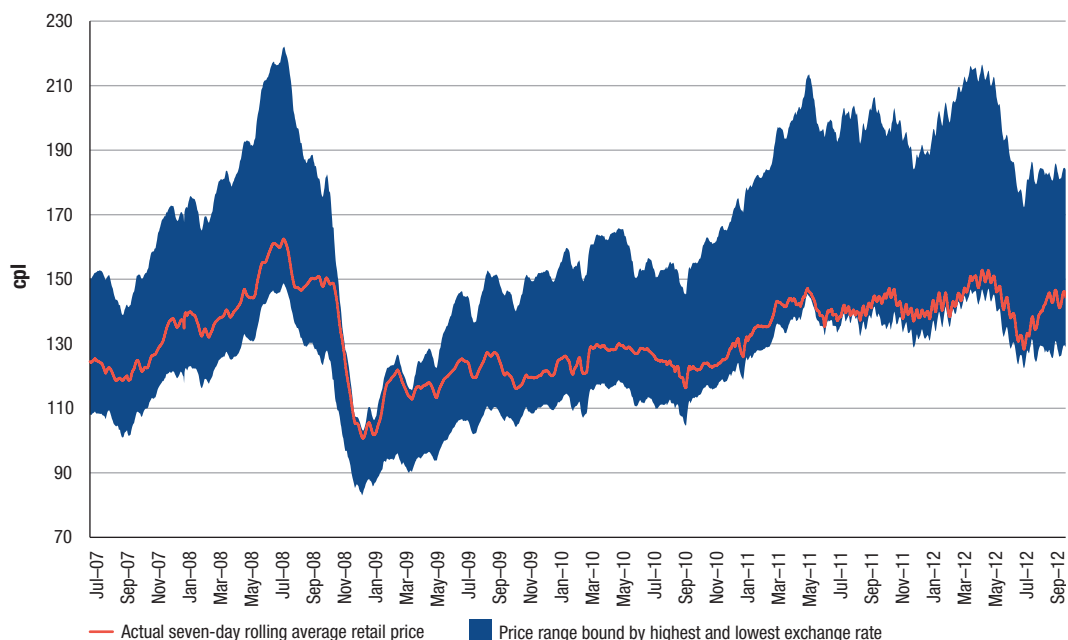
Over the period 1 July 2007 to 30 September 2012 the lowest daily AUD–USD exchange rate was around USD 0.61 on 28 October 2008 and the highest daily exchange rate was around USD 1.11 on 27 July 2011.

Influence of the AUD–USD exchange rate in 2011–12

Chart 8.8 shows the importance of the AUD–USD exchange rate on retail petrol prices in Australia.

The red line shows actual seven-day rolling average retail prices across the five largest cities from 1 July 2011 to 30 September 2012. The upper line shows what retail prices would have been if the AUD–USD exchange rate was held constant at the lowest daily exchange rate over this period (i.e. around USD 0.61), everything else being equal. The lower line shows what retail prices would have been if the AUD–USD exchange rate was held constant at the highest daily exchange rate over this period (i.e. around USD 1.11), everything else being equal.

Chart 8.8 Seven-day rolling average retail petrol prices in the five largest cities—based on actual, minimum and maximum AUD–USD exchange rates over the period: 1 July 2007 to 30 September 2012



Source: ACCC calculations based on Informed Sources, Platts and RBA data

The chart indicates that in 2011–12:

- Retail prices were at their highest in April 2012 at around 153 cpl. The AUD–USD exchange rate was around USD 1.03 at this time. If the exchange rate had been at its five-year minimum level at this time, retail prices would have been around 215 cpl (or 62 cpl higher).
- Retail prices were at their lowest in June 2012 at around 131 cpl. The AUD–USD exchange rate was around USD 1.01 at this time. If the exchange rate had been at its five-year maximum level at this time, retail prices would have been around 124 cpl (or 7 cpl lower).
- A strong AUD–USD exchange rate throughout most of 2011–12 protected consumers to a substantial degree from very high international refined petrol prices.

In 2011–12, the annual average retail price was around 143 cpl and the annual average AUD–USD exchange rate was around USD 1.03.

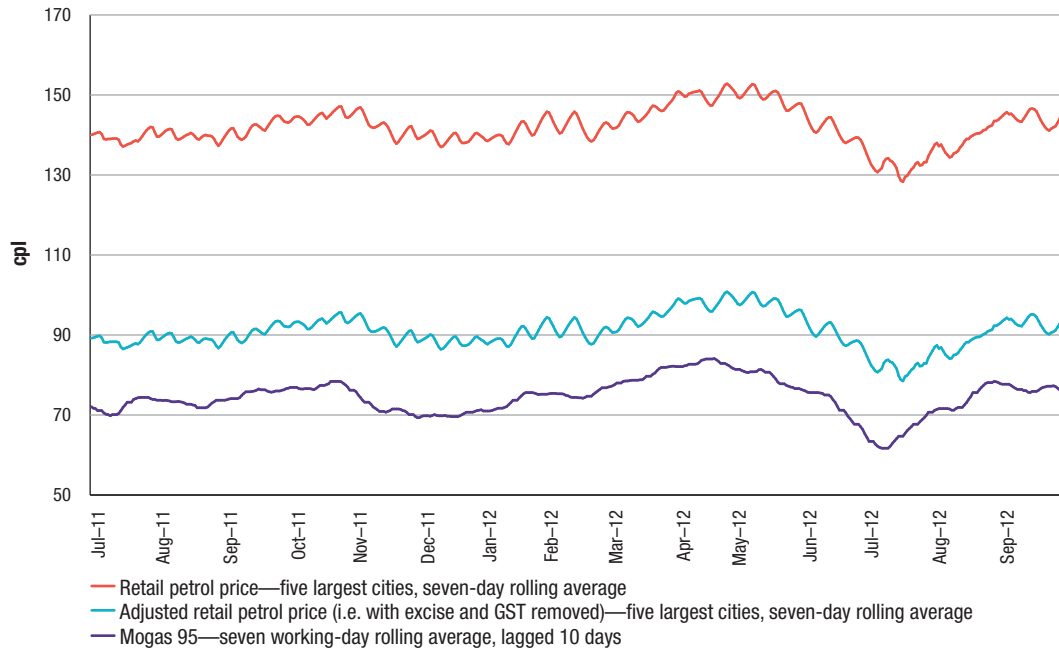
- If the exchange rate had instead been at the five-year minimum level throughout 2011–2012 (USD 0.61), the annual average retail price would have been around 200 cpl (or 57 cpl higher).
- If the exchange rate had been at the five-year maximum level throughout 2011–2012 (USD 1.11), the annual average retail price would have been around 137 cpl (or 6 cpl lower).

This analysis shows how a strong AUD generally protected consumers from the very high international petrol prices seen throughout 2011–12.

8.3.3 Retail petrol prices compared with Mogas 95 prices

Chart 8.9 shows seven-day rolling average retail petrol prices in the five largest cities, and Mogas 95 prices (lagged by 10 days), over the period 1 July 2011 to 30 September 2012.¹⁰⁹ For comparison purposes, it also shows adjusted retail prices (which have excise and GST removed).

Chart 8.9 Seven-day rolling average retail petrol prices, adjusted retail prices and Mogas 95 prices: 1 July 2011 to 30 September 2012



Source: ACCC calculations based on Informed Sources, Platts and RBA data

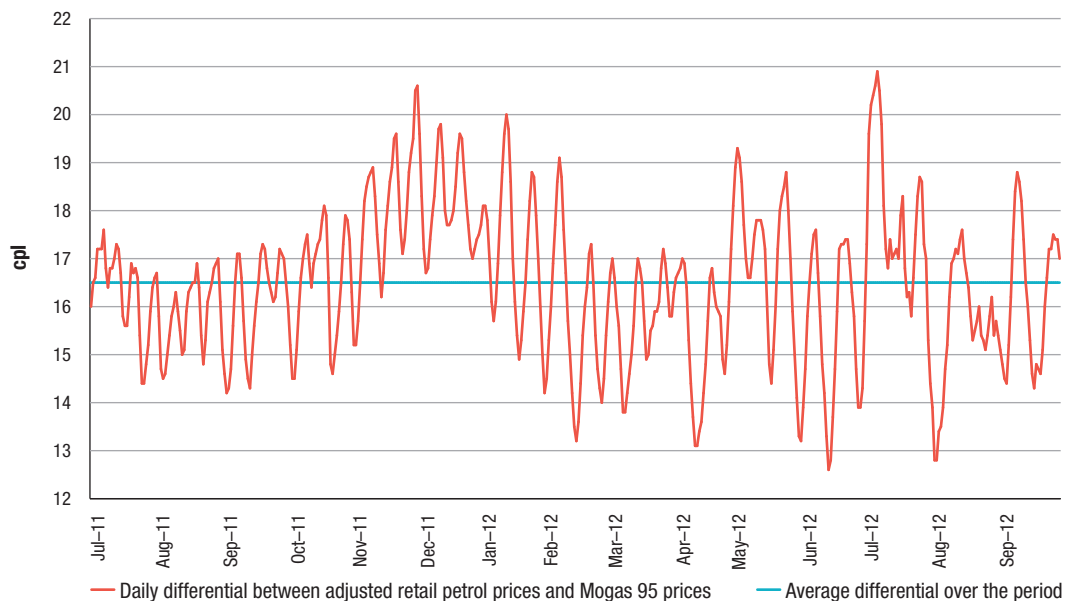
The chart shows that in the period 1 July 2011 to 30 September 2012 retail prices in the five largest cities have closely followed movements in Mogas 95 prices in AUD terms. This demonstrates that changes in domestic retail prices are overwhelmingly driven by changes in the international price of refined petrol.

Chart 8.10 shows the daily differential between seven-day rolling average adjusted retail petrol prices in the five largest cities and seven-day rolling average Mogas 95 prices (lagged by 10 days) in Australian cents per litre over the period 1 July 2011 to 30 September 2012. Excise and GST have been removed from the retail price.

The differential between adjusted domestic retail prices and international refined petrol prices is influenced by a range of other factors, including changes in the fuel quality premium, freight costs, wholesale and retail costs, and the level of local competition.

¹⁰⁹ Mogas 95 prices are lagged by 10 days, as there is generally around a one- to two-week lag between changes in international prices and changes in retail prices in the five largest cities. This is because of the averaging formula used by refiners in Australia when setting their wholesale prices and there is a lag between changes in wholesale prices and retail prices. The lag may be more pronounced during times of significant price volatility.

Chart 8.10 Daily differential between seven-day rolling average adjusted retail petrol prices in the five largest cities and Mogas 95 prices: 1 July 2011 to 30 September 2012



Source: ACCC calculations based on Informed Sources, Platts and RBA data

Between 1 July 2011 and 30 September 2012 the average daily differential between adjusted retail prices and Mogas 95 prices was 16.5 cpl.¹¹⁰

Chart 8.10 shows that the differential between Australian retail prices and the price of Mogas 95 moves up and down rapidly as a result of the influence of price cycles. Over the medium term, the differential varies around the average for the period. Therefore, comparisons between domestic retail prices and international benchmark prices should not solely focus on the differential on a particular day but consider the trend of the differential over a longer period of time.

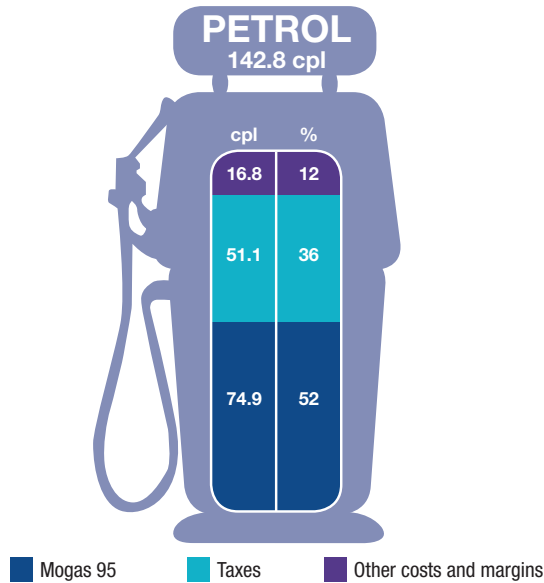
8.4 Components of retail petrol prices

There are three broad components of the retail price of petrol: the international refined petrol price, domestic taxes (excise and GST) and other costs and margins at the wholesale and retail levels.

Chart 8.11 shows the components of the annual average retail petrol price across the five largest cities in 2011–12. The two largest components of the pump price—Mogas 95 and taxes—accounted for 88 per cent of the price of petrol. These components are largely outside the control of the local petrol retailers.

¹¹⁰ The average differential in 2011–12 was 16.5 cpl. This is slightly lower than the 'Other costs and margins' component in the petrol bowser in chart 8.11 (16.8 cpl). This is because there are differences in the way these estimates have been calculated: there is a 10-day lag in the Mogas 95 data in chart 8.10, whereas no lag is used in chart 8.11. Furthermore, seven-day rolling average prices are used in chart 8.10, whereas annual data is used in chart 8.11.

Chart 8.11 Components of annual average retail petrol price in the five largest cities: 2011–12



Source: ACCC calculations based on Informed Sources, Platts and RBA data

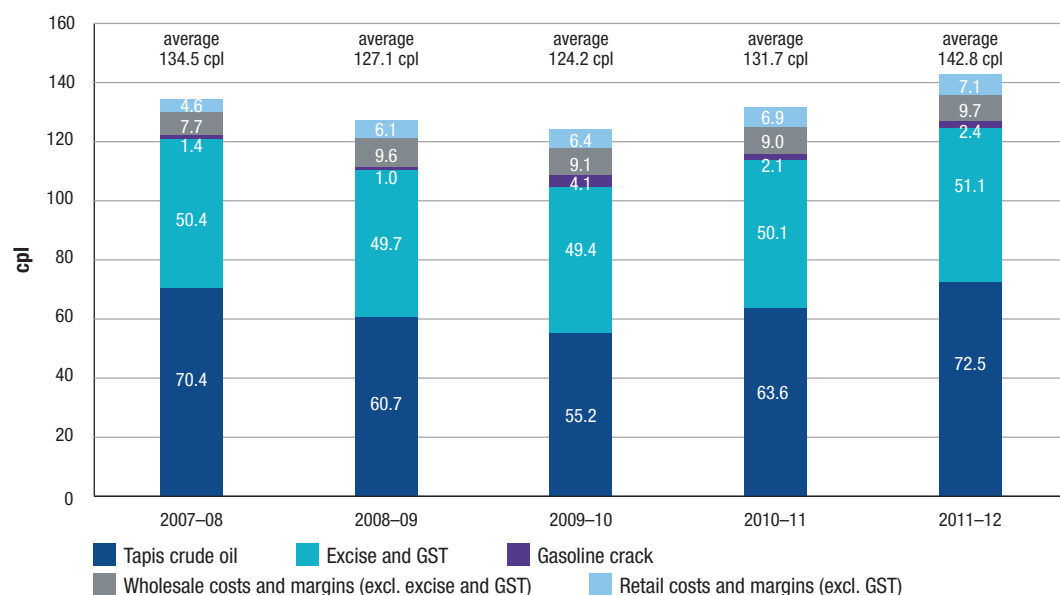
The proportions of the annual average price in 2011–12 represented by each of Mogas 95, taxes, and other costs and margins were broadly similar to those in 2010–11. In 2011–12 the cost of refined petrol (Mogas 95) represented 52 per cent of the annual average price of a litre of petrol (an increase of 2 percentage points from 2010–11).

Chart 8.12 shows a more detailed breakdown of the components of the annual average retail petrol prices across the five largest cities from 2007–08 to 2011–12. Each bar represents the annual average retail price disaggregated into the following:

- Tapis crude oil—the benchmark for crude oil in the Asia-Pacific region (including Australia)
- excise (which is set at a constant 38.14 cpl) and GST
- gasoline crack—the difference between the prices of Mogas 95 and Tapis crude oil
- wholesale costs and margins (excluding excise and GST)¹¹¹
- retail costs and margins (excluding GST).

¹¹¹ Prior to July 2009 the Queensland Government provided a subsidy at the retail level of 8.4 cpl (around 9.2 cpl when the impact of the GST is included). Therefore, wholesale prices in Brisbane prior to July 2009 have been reduced by 9.2 cpl to put the wholesale and retail prices on a consistent basis.

Chart 8.12 Components of annual average retail petrol prices in the five largest cities: 2007–08 to 2011–12



Source: ACCC calculations based on Informed Sources, Platts, RBA and WA FuelWatch data, and information provided by the monitored companies

The chart shows that, over the last five years:

- the price of Tapis crude oil has been the largest component of the retail price of petrol
- wholesale and retail costs and margins (excluding GST) have remained broadly stable over the last four years
- the annual average price of Tapis crude oil in 2011–12 was the highest over the five-year period.

8.5 Gross indicative retail differences for petrol

Gross indicative retail differences are calculated by subtracting average terminal gate prices (TGPs) from average retail petrol prices.

TGPs are the prices at which petrol can be purchased from wholesalers in the spot market and are posted on a regular basis on the websites of the major wholesalers. Not all wholesale transactions are at TGPs—some will be at higher prices and some will be at lower prices, depending on the specific commercial arrangements. Therefore, TGPs can be regarded as indicative wholesale prices. Furthermore, TGPs reflect the price of petrol only, and exclude other retail operating costs (such as branding, transportation, labour, etc.).

As a result, gross indicative retail differences should be treated as a useful approximate benchmark only for the difference between wholesale and retail prices. They should not be confused with actual retail profits.¹¹²

¹¹² Chapter 14 presents data on retail profits derived from financial data provided by the monitored companies.

Table 8.1 shows annual gross indicative retail differences in the five largest cities, in both nominal and real terms, from 2007–08 to 2011–12.¹¹³

Table 8.1 Annual average retail petrol prices, terminal gate prices and gross indicative retail differences, five largest cities: 2007–08 to 2011–12

	Average retail price cpl	Average TGP cpl	Gross indicative retail difference cpl	Gross indicative retail difference (real) cpl
2007–08	134.5	129.4	5.1	5.1
2008–09	127.1	120.4	6.7	6.5
2009–10	124.2	117.2	7.0	6.6
2010–11	131.7	124.1	7.6	7.0
2011–12	142.8	135.1	7.7	6.9

Source: ACCC calculations based on Informed Sources, ABS, WA FuelWatch and information provided by the monitored companies

Table 8.1 shows that gross indicative retail differences:

- increased by 0.1 cpl in 2011–12 to 7.7 cpl, the highest difference over the last five years. In real terms, the difference decreased by 0.1 cpl in 2011–12
- have been broadly stable over the last four years in real terms (moving within a 0.5 cpl range).

8.6 Other grades of petrol

8.6.1 Retail prices of the different petrol grades

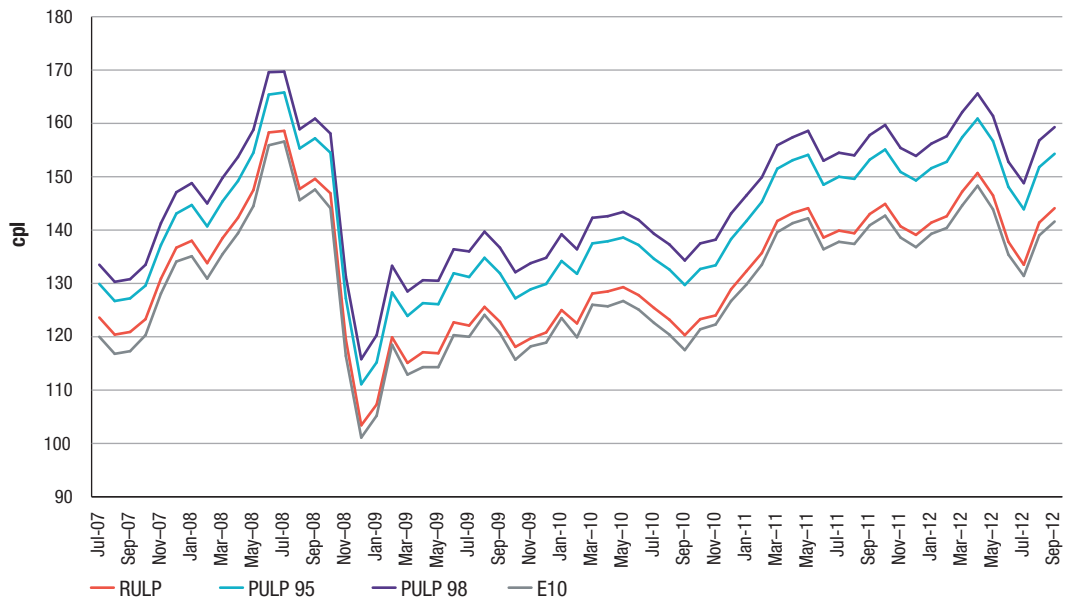
The retail prices of the different grades of unleaded petrol—RULP, PULP 95 and 98, and E10—tend to move in a similar manner.

Chart 8.13 shows monthly average retail prices for these four grades of petrol in the five largest cities from July 2007 to September 2012.¹¹⁴

¹¹³ The ABS All Groups Consumer Price Index for Sydney, Melbourne, Brisbane, Adelaide and Perth was used to deflate the differences to 2007–2008 prices. Source: Australian Bureau of Statistics, *6401.0 Consumer Price Index, Australia*, Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes, at: <http://www.abs.gov.au/AUSSTATS>, accessed 8 October 2012.

¹¹⁴ E10 prices in the chart are for four capital cities and do not include Perth, as E10 is not sold in Western Australia.

Chart 8.13 Monthly average retail prices of RULP, PULP 95, PULP 98 and E10 in the five largest cities: July 2007 to September 2012



Source: ACCC calculations based on Informed Sources data

Retail prices of the different grades of petrol move in a similar manner because they are all set according to international refined petrol benchmark prices (which primarily move in line with changes in the price of crude oil). However, the price differentials between the various types of petrol vary over time. For example, retailers will generally set the price of PULP at a fixed premium to RULP. They will then adjust this premium from time to time reflecting changes in international benchmark differentials, local supply and demand factors, and other factors.

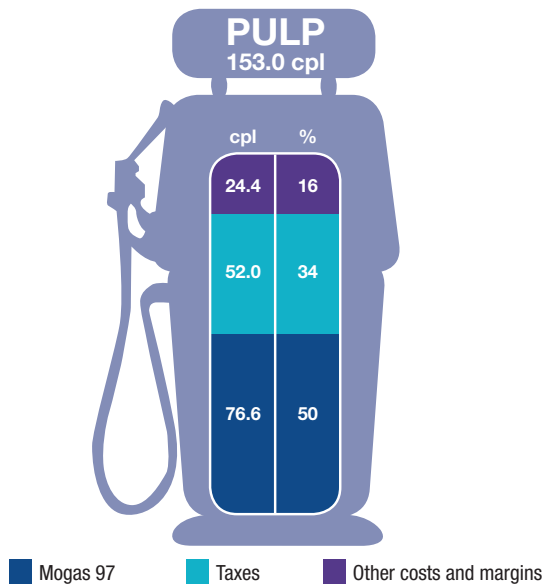
In 2011–12 the average differential between RULP and PULP 95 prices across the five largest cities was 10.2 cpl. This was an increase of 0.6 cpl from the difference in 2010–11. The average differential between RULP prices and PULP 98 in 2011–12 was 14.8 cpl, which was also an increase of 0.6 cpl from the difference in 2010–11. The average differential between RULP and E10 prices in 2011–12 was 2.2 cpl (no change from 2010–11).

For a discussion of the markets for E10 and PULP, including movements in average retail prices, see chapters 5 and 6 respectively.

8.6.2 Components of retail PULP 95 prices

Chart 8.14 shows the components of the annual average retail PULP 95 price across the five largest cities in 2011–12.

Chart 8.14 Components of annual average retail PULP 95 price in the five largest cities: 2011–12



Source: ACCC calculations based on Informed Sources, Platts and RBA data

The proportions of the annual average price in 2011–12 represented by each of Singapore Mogas 97 Unleaded (Mogas 97, the appropriate international benchmark for PULP), taxes, and other costs and margins were broadly similar to those in 2010–11.

In 2011–12 the cost of Mogas 97 represented 50 per cent of the average price of a litre of PULP 95 (an increase of 3 percentage points from 2010–11).

Other costs and margins (excluding excise and GST) for PULP 95 in 2011–12 (24.4 cpl) were higher than for RULP (16.8 cpl). In part, this reflects a higher fuel quality premium for PULP 95 relative to RULP, as well as other related costs. This difference (7.6 cpl) was the same as in 2010–11.

8.7 Diesel and LPG prices

8.7.1 Diesel and LPG prices compared with petrol prices

Retail prices of petrol, diesel and LPG generally move in line with their respective international benchmark prices, which are influenced by different supply and demand factors.

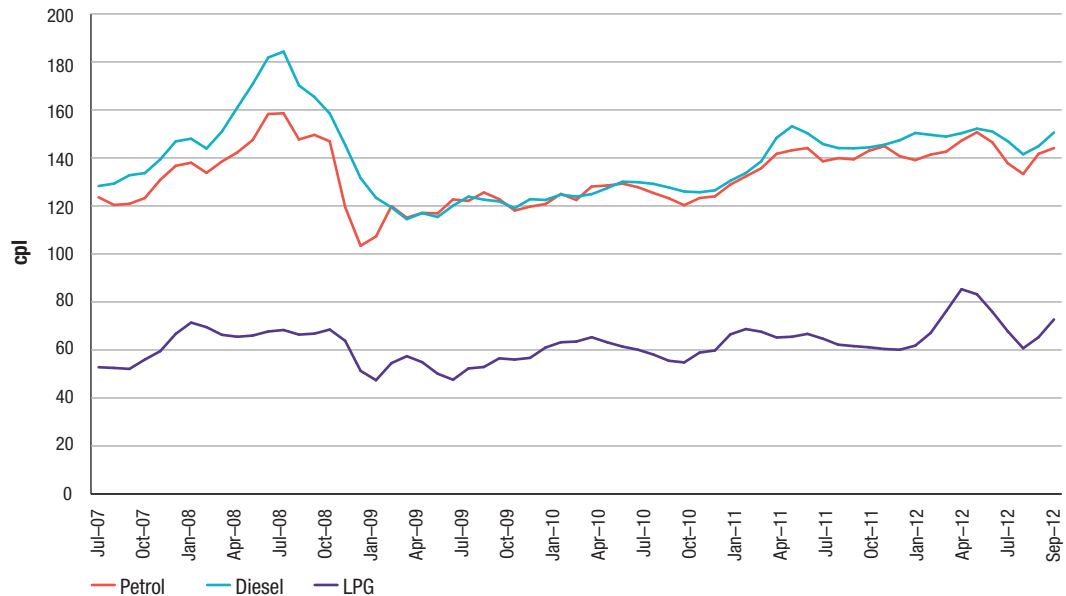
The appropriate international benchmark price for diesel is the price of Singapore Gasoil with 10 parts per million sulphur content (Gasoil 10 ppm).¹¹⁵ International demand for diesel is different from that for petrol, in part because of diesel's off-road, industrial and electricity generation uses. However, both petrol and diesel are refined from crude oil and their prices will tend to follow broadly similar movements over the long term.

¹¹⁵ Prior to 1 January 2009 the international benchmark for diesel used by Australian refiners was Gasoil 50 ppm.

The appropriate benchmarks for LPG are the Saudi Aramco Contract Prices for propane and butane (Saudi CP). These prices only change once a month, at the start of each month. International LPG prices only very loosely move in line with international refined petrol or diesel prices.

Chart 8.15 shows monthly average retail petrol, diesel and LPG prices in the five largest cities from July 2007 to September 2012.

Chart 8.15 Monthly average retail prices of petrol, diesel and LPG in the five largest cities: July 2007 to September 2012



Source: ACCC calculations based on Informed Sources data

The chart shows that:

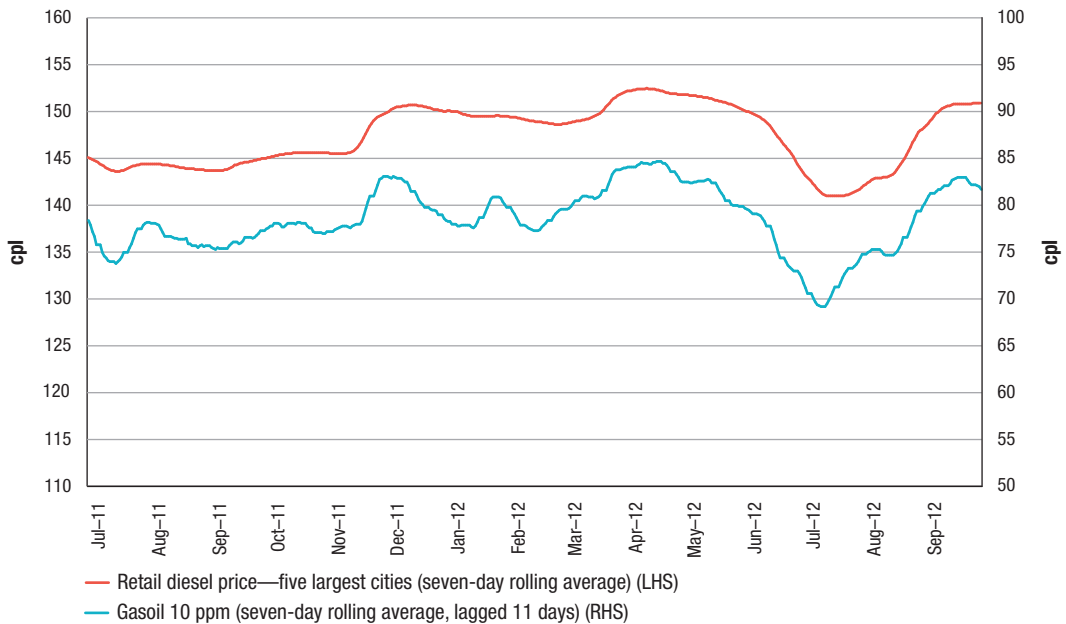
- Over the period, petrol and diesel prices broadly moved in line with each other (generally following movements in the price of crude oil).
- Diesel prices were higher than petrol prices between July 2007 and February 2009 and generally higher from January 2011. This reflected relatively high demand for diesel compared with petrol during those periods, particularly from China and India.
- LPG prices were significantly lower than petrol and diesel prices.
 - A major reason for this is that excise is imposed on petrol and diesel at a rate of 38.14 cpl, whereas prior to 1 December 2011 there was no excise on LPG. From that date excise was imposed on LPG at a rate of 2.5 cpl. The rate of excise increased to 5.0 cpl on 1 July 2012.
 - < The rate of excise imposed on LPG is scheduled to increase in annual increments of 2.5 cpl to a final rate of 12.5 cpl by 1 July 2015.

8.7.2 Diesel prices

Retail diesel prices compared with Gasoil prices

Chart 8.16 shows seven-day rolling average retail diesel prices in the five largest cities and Gasoil 10 ppm prices over the period 1 July 2011 to 30 September 2012. Retail diesel prices broadly followed movements in Gasoil 10 ppm prices throughout the period.

Chart 8.16 Seven-day rolling average retail diesel prices in the five largest cities and Gasoil 10 ppm prices: 1 July 2011 to 30 September 2012

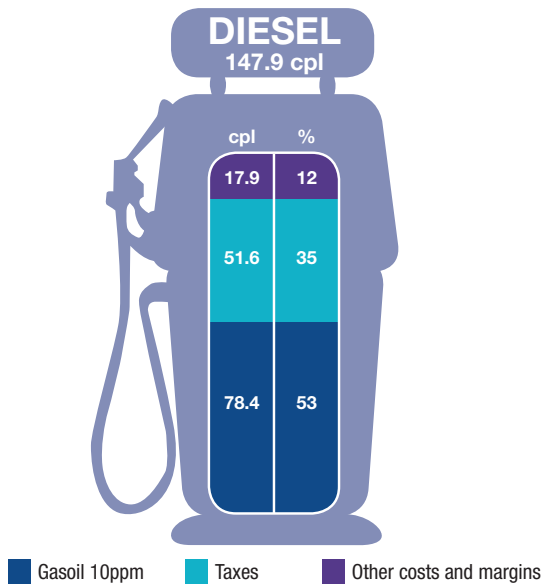


Source: ACCC calculations based on Informed Sources, Platts and RBA data

Components of diesel prices

Chart 8.17 shows the components of the annual average retail price of diesel across the five largest cities in 2011–12.

Chart 8.17 Components of annual average retail diesel price in the five largest cities: 2011–12



Source: ACCC calculations based on Informed Sources, Platts and RBA data

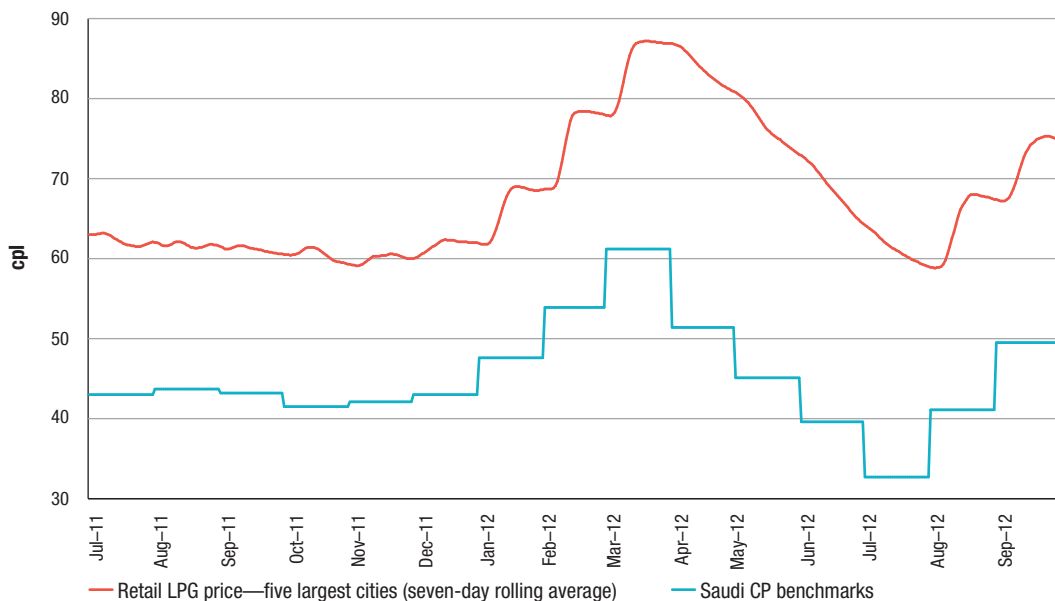
The international price of refined diesel (Gasoil 10 ppm) accounted for more than half of the average price of diesel in 2011–12. The proportion of the average pump price represented by other costs and margins in 2011–12 (12 per cent) remained the same as in 2010–11.

8.7.3 LPG prices

Retail LPG prices compared with the Saudi CP benchmarks

Chart 8.18 shows seven-day rolling average retail LPG prices in the five largest cities and monthly Saudi CP benchmarks over the period 1 July 2011 to 30 September 2012. As the Saudi CP benchmarks only change at the start of each month, the relationship between movements in the international benchmark prices and retail prices for LPG is somewhat different from petrol and diesel.

Chart 8.18 Seven-day rolling average retail LPG prices in the five largest cities and monthly Saudi CP benchmarks: 1 July 2011 to 30 September 2012



Source: ACCC calculations based on Informed Sources, RBA and LPG Australia data

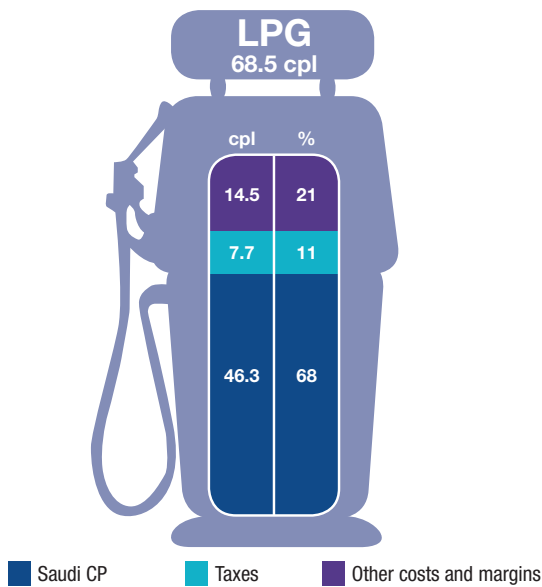
The chart shows that LPG retail prices broadly tracked movements in the international benchmark prices over the period.

The Saudi CP benchmarks reached an all-time high of 61.2 cpl in March 2012, as a result of high demand for heating fuels and geopolitical tensions in Iran. However, demand fell away moving into the Northern Hemisphere summer, and benchmark prices subsequently fell to a low of 32.7 cpl in July 2012. Saudi CP benchmarks increased to 49.5 cpl in September 2012 as South Korea, Japan and China increased their propane stocks ahead of the northern winter.

Components of LPG prices

Chart 8.19 shows the components of the annual average retail price of LPG across the five largest cities in 2011–12.

Chart 8.19 Components of annual average retail LPG price in the five largest cities: 2011–12



Source: ACCC calculations based on Informed Sources, LPG Australia and RBA data

Over two-thirds of the average price of LPG in 2011–12 was accounted for by the Saudi CP benchmarks. The proportion of the price accounted for by other costs and margins in 2011–12 (21 per cent) was broadly the same as last year (20 per cent).

Other costs and margins make up a relatively larger proportion of the retail price for LPG compared with those for petrol and diesel, because of higher transportation and storage costs for LPG, and the low rate of excise imposed on LPG.

