AUSTRALIAN COMPETITION & CONSUMER COMMISSION

Petrol prices are not the same: report on petrol prices by major retailer in 2017

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Key messages

The price of petrol is important to many motorists

In the *2017 Monitor of Fuel Consumer Attitudes* commissioned by the Australasian Convenience and Petroleum Marketers Association, 48 per cent of consumers surveyed indicated that price had the biggest influence on their decision about where to buy fuel.

Information about petrol prices of the various major retailers of petrol can assist price-sensitive consumers in deciding where to buy petrol.

Prices vary significantly between major retailers

The Australian Competition and Consumer Commission (ACCC) analysed monthly and annual average retail petrol prices in 2017 to identify the highest and lowest priced major retailers of petrol on average in each of the five largest cities (i.e. Sydney, Melbourne, Brisbane, Adelaide and Perth). Regular unleaded petrol (RULP) prices were analysed in Melbourne, Brisbane, Adelaide and Perth, and E10 (i.e. RULP with up to 10 per cent ethanol) prices were analysed in Sydney.

For the purposes of this analysis, a major retailer is defined as a retailer that determines the retail price of petrol at 10 or more retail sites in the city. The retail sites of non-major retailers are included in the analysis in a 'small independents' category. The BP and Caltex retail sites at which BP and Caltex set the price (i.e. company owned and company operated retail sites and commission agent retail sites) are referred to as BP and Caltex COCO sites.

Annual average prices in 2017

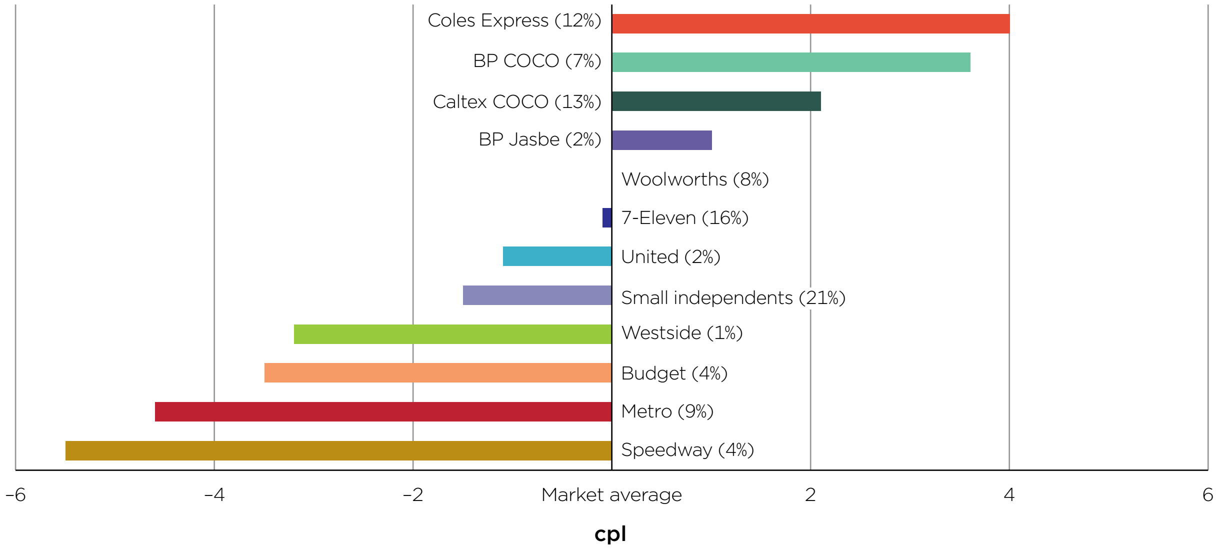
The following charts show the difference between each major retailer's annual average petrol price and the market annual average petrol price in each of the five cities in 2017. It also shows the proportion of retail sites in the city for each major retailer as at 30 June 2017, which provides an indication of the significance of each major retailer's prices in the market.

The charts indicate that in 2017, across the five cities:

- Independent chains were the lowest priced major retailers in each of the five cities (United in Melbourne and Brisbane, Speedway in Sydney, Liberty in Adelaide and Vibe in Perth).
- Coles Express was on average the highest priced major retailer in all five cities.
- The remaining retailers varied between being generally below the market average price in most cities (Woolworths) and generally above it (BP COCO and Caltex COCO).
- There was a range between the highest and lowest average priced major retailer in each city. The average range across the five cities was 6.3 cents per litre (cpl). The largest range was 9.5 cpl in Sydney and the lowest was 3.6 cpl in Melbourne.

These average prices for the major retailers dispel the myth held by some consumers that all petrol prices are the same.

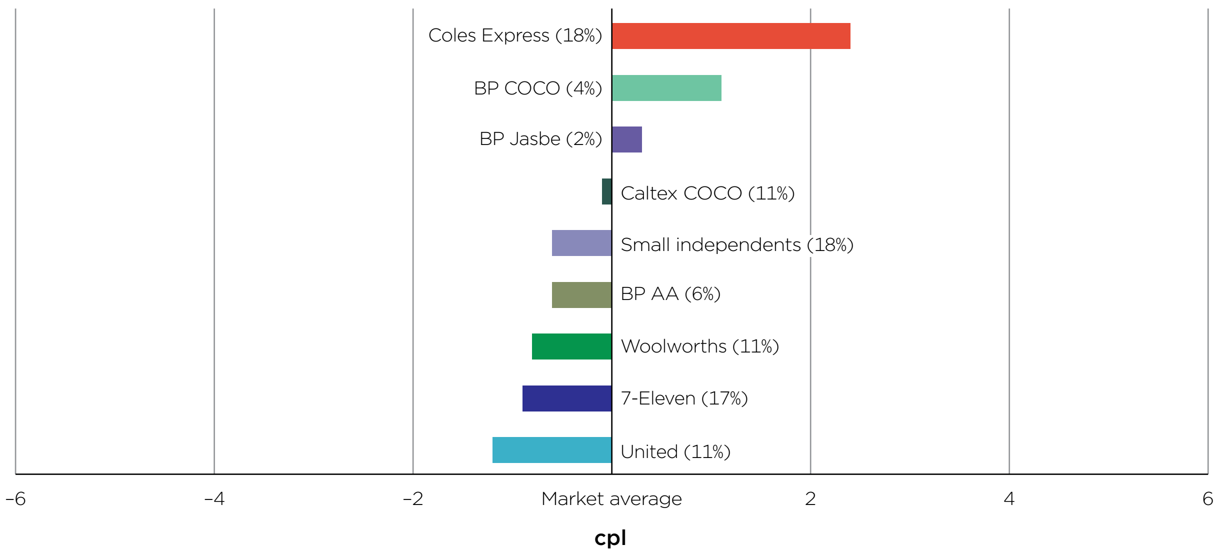
Difference between each major retailer's annual average E10 price and the market annual average E10 price in Sydney in 2017



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

Notes: The number in brackets for each major retailer is the proportion of retail sites in the city for that retailer.
The proportions of retail sites shown in the chart do not total 100 per cent due to rounding.
The annual average Woolworths price was equal to the market average price.
BP Jasbe is a BP-branded independent chain.

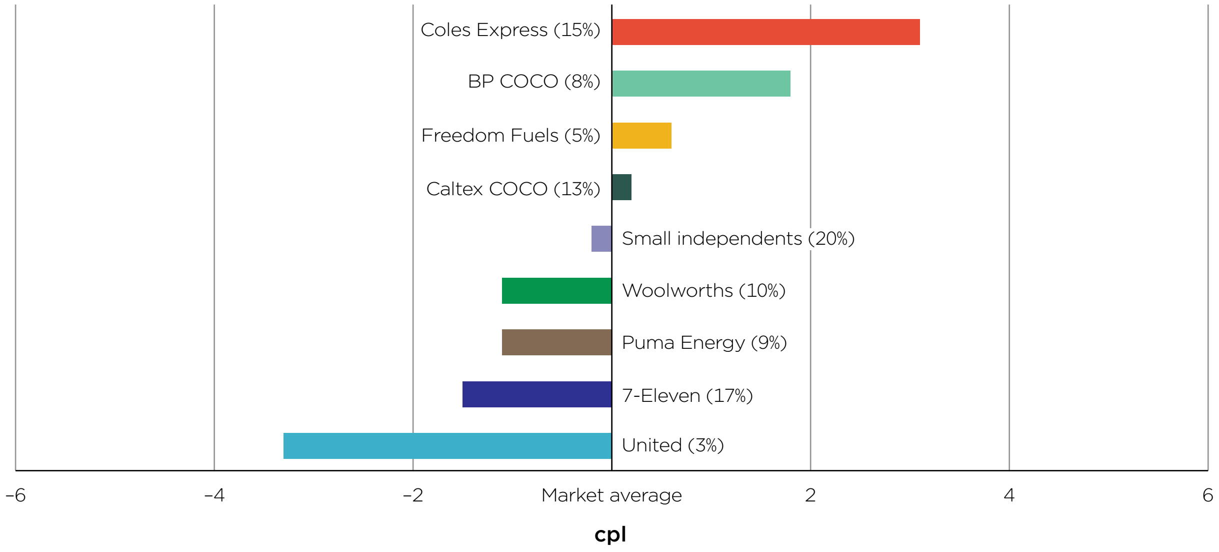
Difference between each major retailer's annual average RULP price and the market annual average RULP price in Melbourne in 2017



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

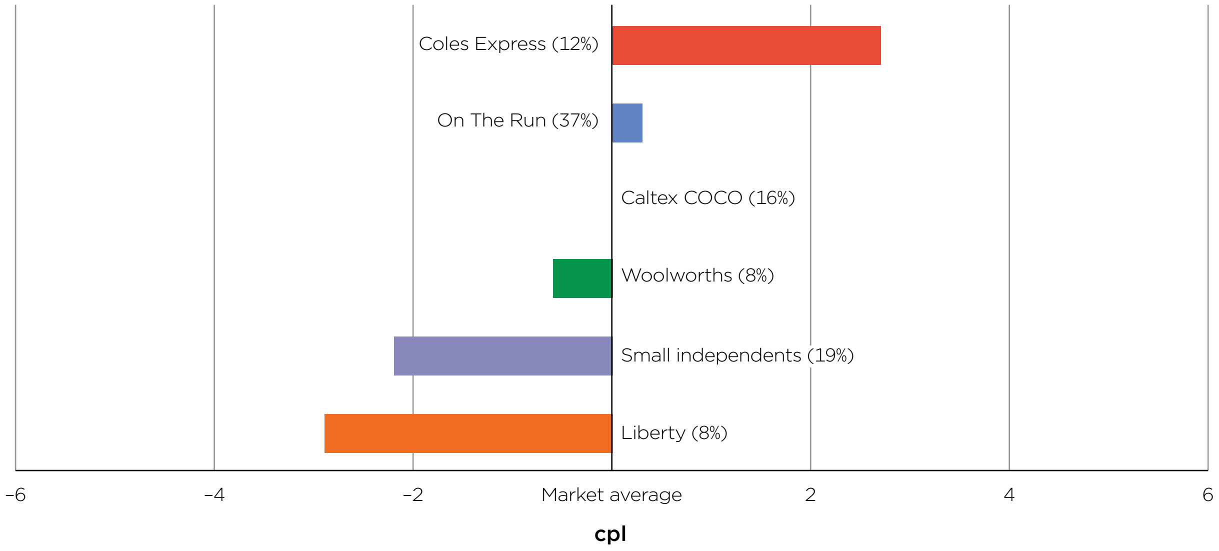
Notes: The number in brackets for each major retailer is the proportion of retail sites in the city for each major retailer.
Prices were unavailable for Liberty retail sites in Melbourne. Therefore, the proportions of retail sites shown in the chart do not total 100 per cent.
BP Jasbe and BP AA are BP-branded independent chains.

Difference between each major retailer's annual average RULP price and the market annual average RULP price in Brisbane in 2017



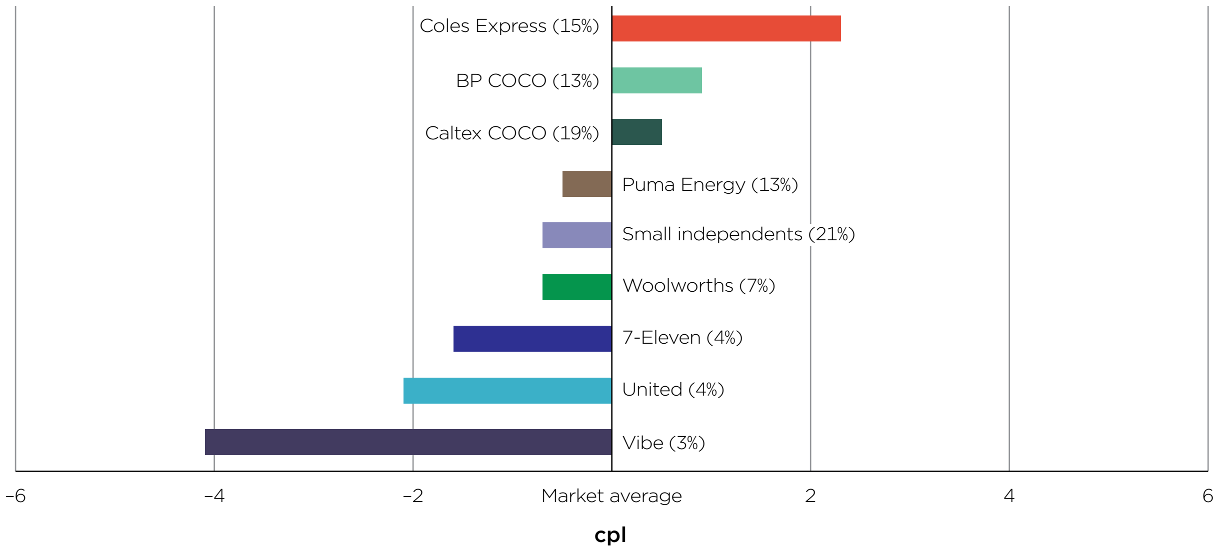
Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.
Note: The numbers in brackets are the proportion of retail sites in the city for each major retailer.

Difference between each major retailer's annual average RULP price and the market annual average RULP price in Adelaide in 2017



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.
Notes: The numbers in brackets are the proportion of retail sites in the city for each major retailer.
The annual average Caltex COCO price was equal to the market average price.

Difference between each major retailer's annual average RULP price and the market annual average RULP price in Perth in 2017



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

Notes: The numbers in brackets are the proportion of retail sites in the city for each major retailer.
The proportions of retail sites shown in the chart do not total 100 per cent due to rounding.

Some caveats about the use of these average prices are described in chapter 2.

Monthly average prices in 2017

The ACCC also analysed average prices of the major retailers in the five cities in 2017 on a monthly basis.

This analysis showed that the relativities between the major retailers varied over the months. For example, while Coles Express was on average the highest priced retailer in all five cities on an annual basis, this was not always the case on a monthly basis. Similarly, in Sydney, Melbourne, Brisbane and Adelaide, the lowest priced major retailer in each city on an annual basis did not always have the lowest price on a monthly basis. The analysis showed, however, that the independent chains (such as 7-Eleven and United) generally had monthly average prices that were lower than market average prices.

The range between the highest and lowest average prices has increased significantly since 2007

The ACCC calculated annual average prices for most major retailers in 2007 and compared them with those in 2017.

A major difference was that the range between the lowest and highest annual average priced retailer increased between the two periods. In 2007, the average range across the five cities was 2.4 cpl, which was just over a third of the average range in 2017 (6.3 cpl). In 2007, the largest range was 3.7 cpl in Perth and the lowest was 1.1 cpl in Melbourne, whereas in 2017 the largest range was 9.5 cpl in Sydney and the lowest was 3.6 cpl in Melbourne.

The greater range of prices in 2017 suggests that a motorist's decision about where to buy petrol is more important in 2017 than it was in 2007.

There were also similarities between the two periods. An independent chain was the lowest priced retailer in all five cities in 2017, and an independent chain had the lowest average price in Sydney, Brisbane and Perth in 2007 (with Woolworths the lowest in Melbourne and Adelaide). The average prices of BP-branded retail sites were above the market average price in all five cities in 2007 and 2017. The average price of Caltex-branded sites were above the market average in the majority of the five cities in the two periods.

Motorists can make savings by buying petrol at the lowest priced retailers

By choosing to buy petrol at lower priced retailers, consumers can make significant savings over time.

The information about the relative average prices of the major retailers contained in this report can be used by motorists, in conjunction with other publicly available fuel price information, to help make more informed purchasing decisions.

There are a variety of fuel price websites and apps that provide information to motorists about petrol prices. These include: the NSW FuelCheck website and app; the Northern Territory MyFuel NT website and app; the WA FuelWatch website; the MotorMouth website and app, and apps operated by GasBuddy, the NRMA, 7-Eleven and Woolworths. There are differences in the quality of the price data available from these websites and apps as well as the frequency with which it is updated.

However, readily available information about current retail petrol prices enables motorists to shop around and purchase petrol at relatively lower priced retail sites. Not only do motorists benefit from those lower prices, but the availability of petrol price data may promote competitive market behaviour. It will reward those retailers that are prepared to compete actively on price, because their pricing behaviour can be seen, and acted upon, by motorists.

Petrol retailers are not the same

There are currently around 7300 retail fuel sites in Australia and these operate under a range of business models. The variety of business models and ownership structures mean that there are different pricing strategies among retail sites, as well as different capital structures and cost bases.

For example, some retailers may consider that they have a ‘premium brand’, an attractive retail site, a good location and a superior convenience store, and set their retail prices higher to reflect these features. Other retailers may consider that they need to set prices below those of many of their local competitors to attract customers to their retail site. Some may have competitive prices to attract consumers into their convenience store where margins are often higher than on sales of fuel.

Some retailers may offer discounts to qualifying customers. Examples of these include shopper docket discount arrangements of the supermarket chains, discount arrangements between some major retailers and state motoring organisations, and discounts associated with fuel cards. These offers may also influence a retailer’s pricing strategy.

These differences need to be borne in mind when considering the average prices of the major retailers. Consumers should remember, however, that there are minimum standards for RULP that all retailers must adhere to, and RULP sold by an independent retailer is typically supplied by the same refinery or import terminal as that sold by a so called ‘premium brand’.

Background

On 20 December 2017, the Treasurer the Hon. Scott Morrison MP, issued a new direction to the ACCC to monitor the prices, costs and profits relating to the supply of petroleum products and related services in Australia. The direction, issued under section 95ZE of the *Competition and Consumer Act 2010* (Cth), took effect from that date and lasts for two years.

The ACCC’s role is to assist consumers to navigate this complex industry. Under the new direction, the ACCC will continue to produce quarterly petrol monitoring reports focusing on price movements in the capital cities and over 190 regional locations across Australia. It will also produce industry reports that will focus on particular aspects of consumer interest in the fuel market in relation to prices, costs and profits. This is the first industry report under the new direction.

1 Introduction

1.1 Price is important to many motorists

According to the *2017 Monitor of Fuel Consumer Attitudes* commissioned by the Australasian Convenience and Petroleum Marketers Association, 48 per cent of consumers surveyed indicated that price had the biggest influence on their decision about where to buy fuel.[1] Other major influences included the location of the service station and the ability to redeem fuel discount vouchers.

The survey also found that 90 per cent of consumers always purchase from the same, or one of the same few, retail sites.[2] When asked whether the price of fuel or the location of the retail site is more important, 61 per cent of consumers indicated that the price of fuel is more important to them.[3]

Information about petrol prices of the various major retailers of petrol can assist these price-sensitive consumers in deciding where to buy petrol.

1.2 There are a range of retail fuel business models with different pricing strategies

There are currently around 7300 retail fuel sites in Australia and these operate under a range of business models. These include:

- Company-owned and company-operated retail sites—these are sites at which the retailer owns the site and sets the retail fuel price.
- Commission agent retail sites—these are sites generally owned by a refiner-marketer or independent chain, and are operated by a third-party that is generally compensated in the form of a commission based on the quantity of petrol sold.
- Franchise retail sites—these are sites where franchisees rent a site and source fuel from the franchisor and brand it accordingly. They may set their own price, or act as a commission agent for the franchisor.

Retail sites may be operated by refiner-marketers (BP and Caltex), supermarket chains (Woolworths and Coles Express), and large and small independent retailers (ranging from large chains, such as 7-Eleven and United, to single retail site operators). In addition to selling fuel, many retail sites have a convenience store attached.

The variety of business models and ownership structures mean that there are different pricing strategies among retail sites, as well as different capital structures and cost bases. For example, some retailers may consider that they have a 'premium brand', an attractive retail site, a good location and a superior convenience store, and set their retail prices higher to reflect these features. Other retailers may consider that they need to set prices below those of many of their local competitors to attract customers to their retail site. Some may have competitive prices to attract consumers into their convenience store, where margins are often higher than on sales of fuel.

These differences need to borne in mind when considering the average prices of the major retailers.

1 Australasian Convenience and Petroleum Marketers Association, *2017 Monitor of Fuel Consumer Attitudes,* p. 17, at: http://acapmag.com.au/wp-content/uploads/2017/11/ACAPMA-2017-National-Monitor-of-Fuel-Consumer-Attitudes-Report-V1.0.pdf, accessed on 4 May 2018.

2 Ibid, page 6.

3 Ibid, page 20.

1.3 Brand does not always mean the same as retailer

While the brand of the retail site will often reflect the owner or price setter of the retail site, this is not always the case.

A refiner-marketer retail site may be owned and operated by the refiner-marketer, and the refiner-marketer sets the retail price. Alternatively, the retail site may be owned and operated by an independent owner that, while selling fuel of that refiner-marketer under the refiner-marketer brand, sets the price independently of the refiner-marketer. This independent owner may operate a number of retail sites or just one.

An example of this is BP-branded retail sites in Melbourne. BP owns and operates a number of retail sites in Melbourne, at which it sets the retail price. An independent chain (BP AA) owns and operates a chain of 48 BP-branded retail sites in Melbourne, at which BP AA sets the retail price. There are also a number of smaller independent owners that sell BP-branded petrol and set the retail price.

It is generally not possible for consumers to distinguish between these types of retail sites, or determine which operator is setting the retail price. The same applies to some retail sites operated by independent chains.

2 Annual average petrol prices by major retailer in 2017

2.1 Annual average prices by major retailer

The ACCC obtained monthly and annual average retail prices in 2017 by major retailer for regular unleaded petrol (RULP) in Melbourne, Brisbane, Adelaide and Perth, and for E10 in Sydney. The ACCC used E10 prices in Sydney instead of RULP because sales of E10 in Sydney in recent years have been generally higher than sales of RULP.

This data has been analysed to identify the highest and lowest priced major retailer in each of the five cities.

For the purposes of this analysis, a major retailer is defined as a retailer that determines the retail price of petrol at 10 or more retail sites in the city. In most cases, a major retailer will also own or operate these retail sites. However, this category also includes commission agent and franchise retail sites (which are owned and/or operated by another entity, but at which the major retailer determines the retail price). The retail sites of non-major retailers are included in the analysis in a 'small independents' category for each city.

In the case of BP and Caltex retail sites, the ACCC has allocated them into three categories, based on its understanding of the business model of these retail sites from information provided by the companies. These three categories are:

- Company owned and operated retail sites and commission agent retail sites (subsequently referred to as COCO). BP and Caltex set the price at these retail sites.
- BP- and Caltex-branded but independently operated chains (i.e. operations of 10 or more BP- or Caltex-branded retail sites where the independent operator, rather than BP or Caltex, sets the price).
- Independent BP- and Caltex-branded retail sites (i.e. operations of less than 10 BP- or Caltex-branded retail sites where the independent operator, rather than BP or Caltex, sets the price). These retail sites are included in the 'small independents' category.

Other methodological issues relating to the compilation of these average prices are described in appendix A.

The source for prices in this report is ACCC calculations based on Informed Sources data and information provided by some of the major retailers.

There are some caveats to be aware of:

- these are annual average prices for many retail sites over time and across a city, and therefore should not be taken to infer the prices at any specific retail site
- prices were not available for all retail sites for all of the period
- all prices are board prices and do not take account of the various discount schemes (such as the shopper docket discount arrangements of the supermarket chains, discount arrangements between some major retailers and state motoring organisations, and discounts associated with fuel cards).

It is important to note that while a particular retailer may have a monthly or annual average price above the market average price, it does not mean they will have higher prices at all times. For example, while a retailer may have a higher price than the market average over a year, at any point in time its board price may be below the market average price.

Despite these caveats, these average prices provide useful information to motorists, which can help them decide where to buy petrol. At a minimum, they dispel the myth held by some consumers that all petrol prices are the same.

This analysis focused on the five largest cities because they generally have a larger range of prices, and more retail sites, than the smaller capital cities (i.e. Canberra, Hobart and Darwin) and regional locations across Australia. As a result, consumers in the five largest cities may benefit most from this information.

The remainder of this chapter provides data on annual average prices in the five cities. Monthly average prices are considered in chapter 4.

2.2 Comparison by city

This section shows the prices of the major retailers in each of the five cities.

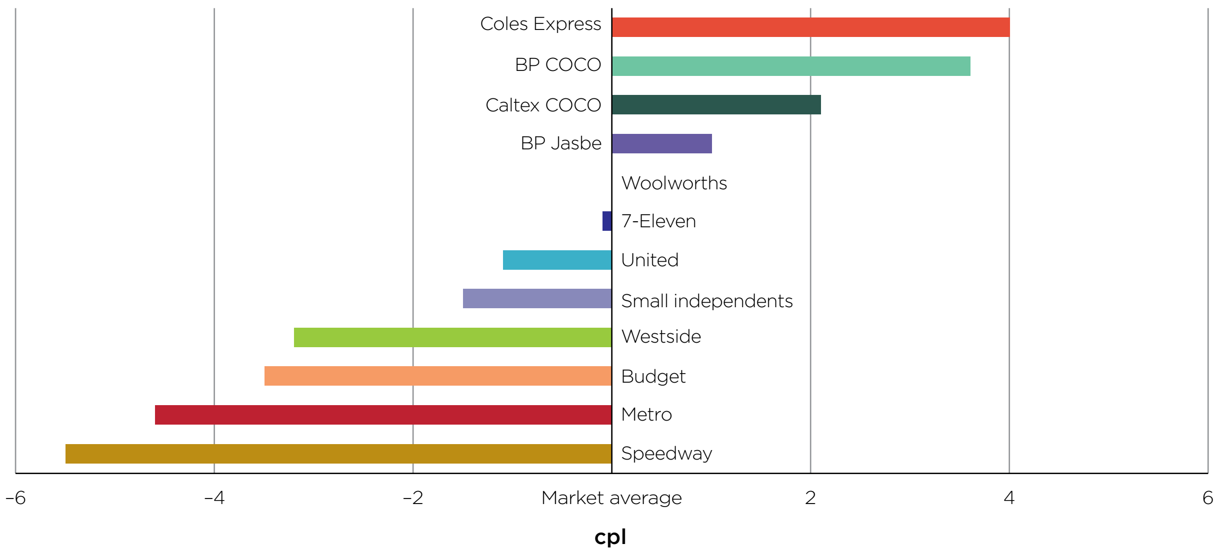
2.2.1 Sydney

In Sydney, an annual average retail E10 price was calculated for 2017 for the following retailers: BP COCO, BP Jasbe (a BP-branded independent chain), Budget, Caltex COCO, Coles Express, Metro, Speedway, United, Westside, Woolworths, 7-Eleven and a 'small independents' category (which comprises independently owned BP- and Caltex-branded retail sites and other independent retail sites).

As at 30 June 2017, there were 843 retail sites in Sydney selling fuel. Annual average prices were available for 659 retail sites in 2017. Therefore, the price data in chart 2.1 covers around 78 per cent of total retail sites in Sydney. Although there is an ethanol mandate in New South Wales, not all retail sites in Sydney sell E10.

Chart 2.1 shows the difference between each major retailer's annual average E10 price and the market annual average E10 price in Sydney in 2017.

Chart 2.1: Difference between each major retailer's annual average E10 price and the market annual average E10 price in Sydney in 2017



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.
Note: The annual average Woolworths price was equal to the market average price.

Chart 2.1 shows that in 2017 in Sydney:

- Speedway's average price was the lowest, at 5.5 cpl below the market average price (124.5 cpl), and Coles Express' average price was the highest, at 4.0 cpl above the market average price
- six retailers (Speedway, Metro, Budget, Westside, United and 7-Eleven) and the 'small independents' category were below the market average price
- the average prices of Coles Express, BP COCO, Caltex COCO and BP Jasbe were above the market average price

- Woolworths' average price was equal to the market average price
- there was a range of 9.5 cpl between the lowest and the highest priced retailers.

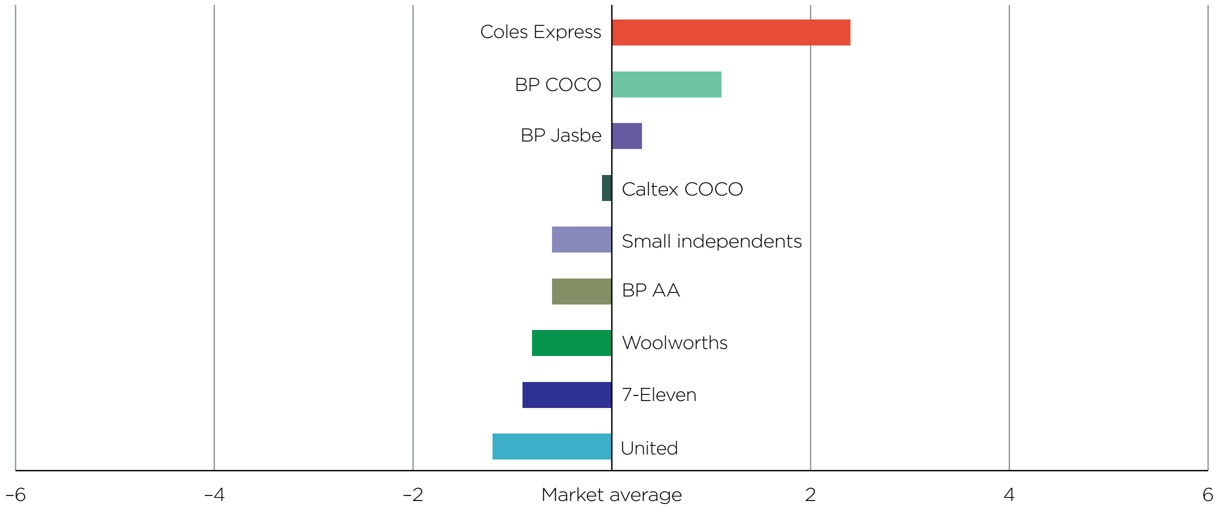
2.2.2 Melbourne

In Melbourne, an annual average retail RULP price was calculated for 2017 for the following retailers: BP AA (a BP-branded independent chain), BP COCO, BP Jasbe, Caltex COCO, Coles Express, United, Woolworths, 7-Eleven and a 'small independents' category (which comprises independently owned BP- and Caltex-branded retail sites and other independent retail sites).[4]

As at 30 June 2017, there were 864 retail sites in Melbourne. Annual average prices were available for 597 retail sites in 2017. Therefore, the price data in chart 2.2 covers around 69 per cent of total retail sites in Melbourne.

Chart 2.2 shows the difference between each major retailer's annual average RULP price and the market annual average RULP price in Melbourne in 2017.

Chart 2.2: Difference between each major retailer's annual average RULP price and the market annual average RULP price in Melbourne in 2017



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.
Note: Prices were unavailable for Liberty retail sites in Melbourne.

Chart 2.2 shows that in 2017 in Melbourne:

- United's average price was the lowest, at 1.2 cpl below the market average price (128.8 cpl), and Coles Express' average price was the highest, at 2.4 cpl above the market average price
- five retailers (United, 7-Eleven, Woolworths, BP AA and Caltex COCO) and the 'small independents' category were below the market average price
- the annual average prices of Coles Express, BP COCO and BP Jasbe were above the market average price
- there was a range of 3.6 cpl between the lowest and the highest priced retailers.

2.2.3 Brisbane

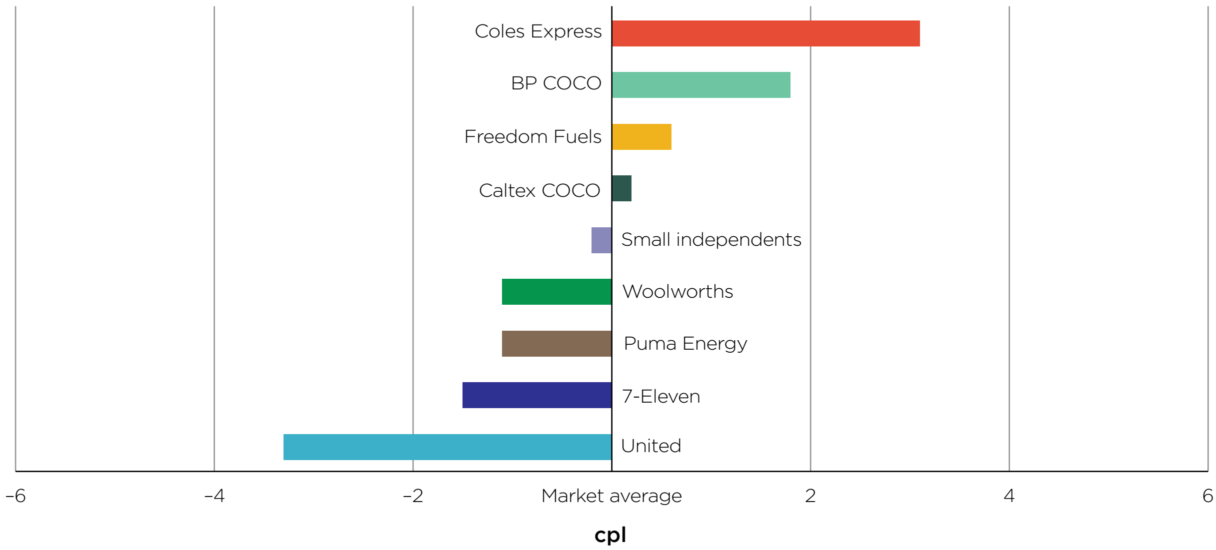
In Brisbane, an annual average retail RULP price was calculated for 2017 for the following retailers: BP COCO, Caltex COCO, Coles Express, Freedom Fuels, Puma Energy, United, Woolworths, 7-Eleven, and a 'small independents' category (which comprises independently owned BP- and Caltex-branded retail sites and other independent retail sites).

4 Caltex acquired the Caltex-branded, independently operated chain Milemaker in Melbourne in May 2017. The Caltex COCO annual average price in 2017 excludes the prices of these retail sites in the first five months of 2017 and includes them thereafter.

As at 30 June 2017, there were 404 retail sites in Brisbane. Annual average prices were available for 306 retail sites in 2017. Therefore, the price data in chart 2.3 covers around 76 per cent of total retail sites in Brisbane.

Chart 2.3 shows the difference between each major retailer's annual average RULP price and the market annual average RULP price in Brisbane in 2017.

Chart 2.3: Difference between each major retailer's annual average RULP price and the market annual average RULP price in Brisbane in 2017



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

Chart 2.3 shows that in 2017 in Brisbane:

- United's average price was the lowest, at 3.3 cpl below the market average price (130.0 cpl), and Coles Express' average price was the highest, at 3.1 cpl above the market average price
- four retailers (United, 7-Eleven, Puma Energy and Woolworths) and the 'small independents' category were below the market average price
- the average prices of Coles Express, BP COCO, Freedom Fuels and Caltex COCO were above the market average price
- there was a range of 6.4 cpl between the lowest and the highest priced retailers.

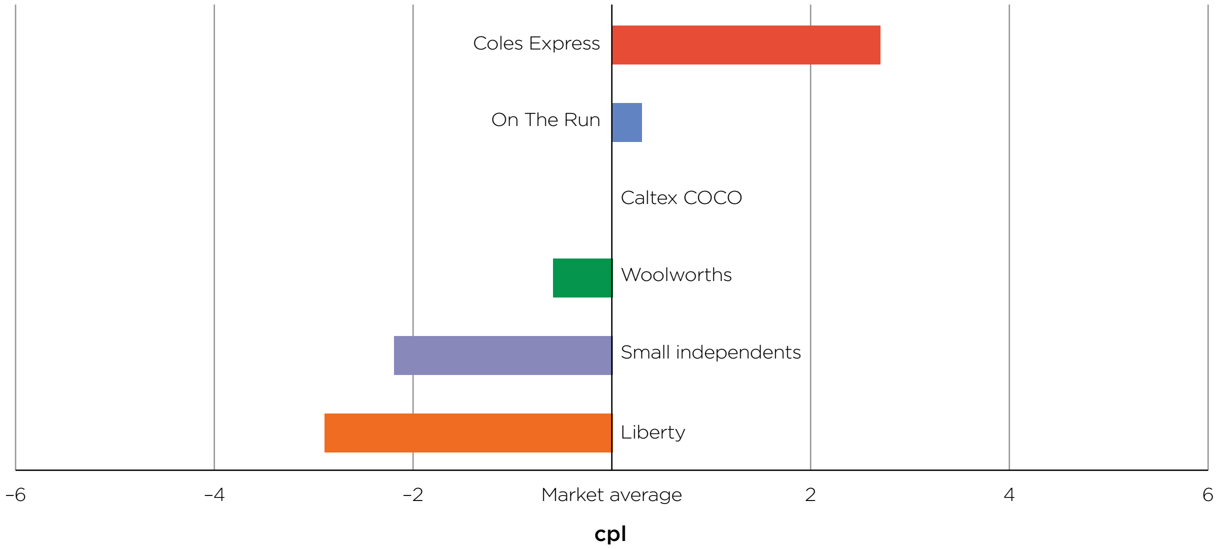
2.2.4 Adelaide

In Adelaide, an annual average retail RULP price was calculated for 2017 for the following retailers: Caltex COCO, Coles Express, Liberty, On The Run, Woolworths, and a 'small independents' category (which comprises independently-owned BP- and Caltex-branded retail sites and other independent retail sites). There is only one BP COCO retail site in Adelaide. As it does not meet the 10 site threshold for a major retailer, it has been included in the 'small independents' category.

As at 30 June 2017, there were 270 retail sites in Adelaide. Annual average prices were available for 216 retail sites in 2017. Therefore, the price data in chart 2.4 covers around 80 per cent of total retail sites in Adelaide.

Chart 2.4 shows the difference between each major retailer's annual average RULP price and the market annual average RULP price in Adelaide in 2017.

Chart 2.4: Difference between each major retailer's annual average RULP price and the market annual average RULP price in Adelaide in 2017



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.
Note: The annual average Caltex COCO price was equal to the market average price.

Chart 2.4 shows that in 2017 in Adelaide:

- Liberty's average price was the lowest, at 2.9 cpl below the market average price (126.3 cpl), and Coles Express' average price was the highest, at 2.7 cpl above the market average price
- two retailers (Liberty and Woolworths) and the 'small independents' category were below the market average price
- the average price of Caltex COCO sites was equal to the market average price
- Coles Express and On The Run average prices were above the market average price
- there was a range of 5.6 cpl between the lowest and the highest priced retailers.

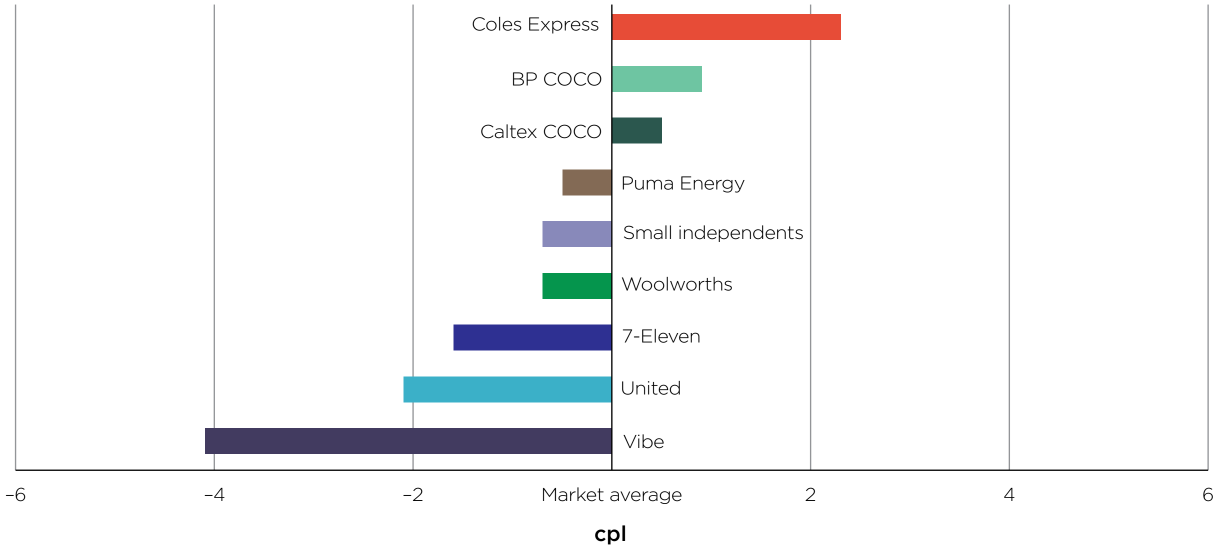
2.2.5 Perth

In Perth, an annual average retail RULP price was calculated for 2017 for the following retailers: BP COCO, Caltex COCO, Coles Express, Puma Energy, United, Vibe, Woolworths, 7-Eleven and a 'small independents' category (which comprises independently-owned BP- and Caltex-branded retail sites and other independent retail sites).

As at 30 June 2017, there were 388 retail sites in Perth. Annual average prices were available for 335 retail sites in 2017. Therefore, the price data in chart 2.5 covers around 86 per cent of total retail sites in Perth.

Chart 2.5 shows the difference between each major retailer's annual average RULP price and the market annual average RULP price in Perth in 2017.

Chart 2.5: Difference between each major retailer's annual average RULP price and the market annual average RULP price in Perth in 2017



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

Chart 2.5 shows that in 2017 in Perth:

- Vibe's average price was the lowest, at 4.1 cpl below the market average price (128.5 cpl), and Coles Express' average price was the highest, at 2.3 cpl above the market average price
- five retailers (Vibe, United, 7-Eleven, Woolworths and Puma Energy) and the 'small independents' category were below the market average price
- average prices of Coles Express, BP COCO and Caltex COCO were above the market average price
- there was a range of 6.4 cpl between the lowest and the highest priced retailers.

2.3 Comparison by major retailer

This section focuses on the major retailers and how their average prices compare across the five cities in 2017.

Data is presented for major retailers that operate in four or more of the five cities. These are: Caltex COCO, Coles Express and Woolworths (which operate in all five cities), and BP COCO, United and 7-Eleven (which operate in four cities).[5] Also presented is data for the 'small independents' category, which is provided for all five cities.

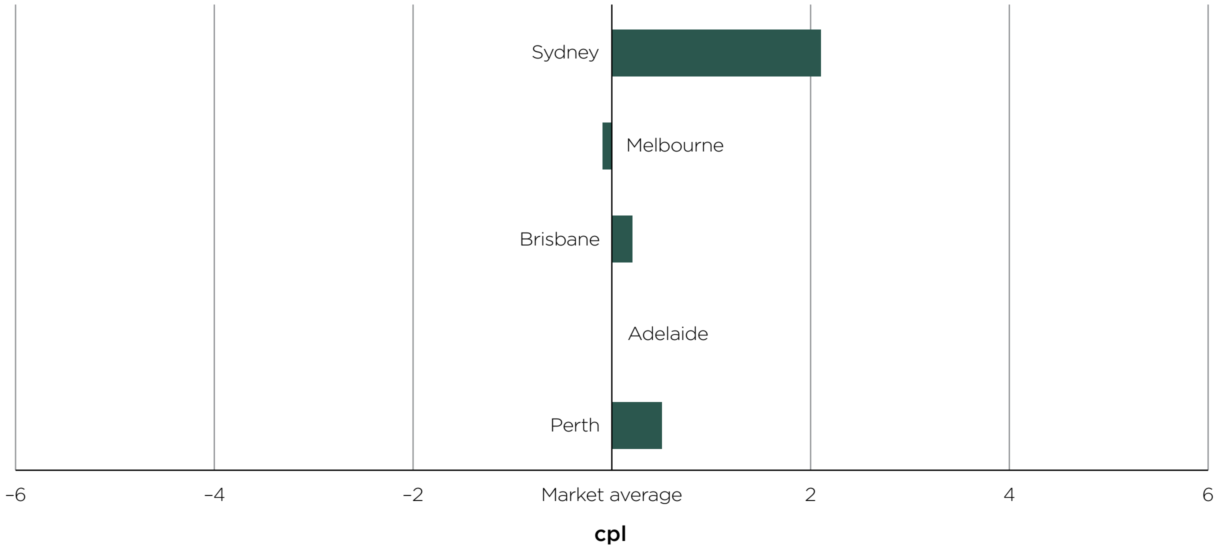
RULP prices are used in Melbourne, Brisbane, Adelaide and Perth, and E10 prices in Sydney.

2.3.1 Caltex COCO

Chart 2.6 shows that Caltex COCO's average prices were higher than the market average price in three cities, ranging from a high of 2.1 cpl in Sydney to a low of 0.2 cpl in Brisbane. In Melbourne, Caltex COCO's average price was 0.1 cpl lower than the market average price, and in Adelaide it was equal to the market average price.

5 As mentioned earlier, although there is one BP COCO site in Adelaide, it does not meet the threshold of 10 retail sites to be considered a major retailer. Similarly, United has only eight retail sites in Adelaide and is not considered a major retailer.

Chart 2.6: Difference between Caltex COCO's annual average petrol price and the market annual average petrol price in each of the five largest cities in 2017



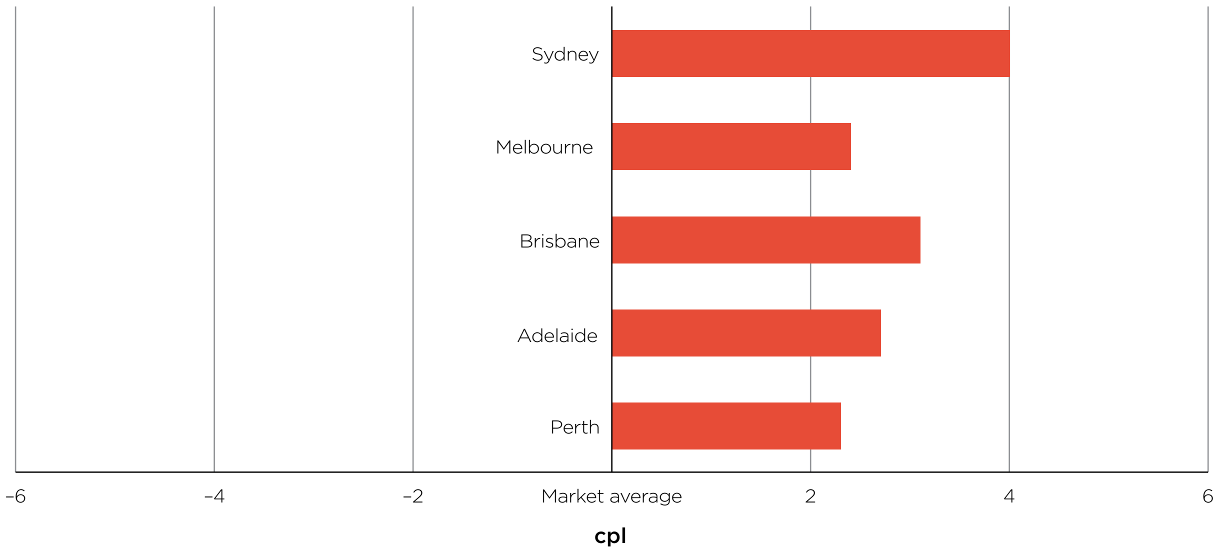
Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.
Note: The annual average Caltex COCO price in Adelaide was equal to the market average price.

On average across the five cities, Caltex COCO's average prices were 0.6 cpl higher than market average prices.

2.3.2 Coles Express

Chart 2.7 shows that Coles Express' average prices were higher than the market average price in all five cities, ranging from a high of 4.0 cpl in Sydney to a low of 2.3 cpl in Perth. These are the board prices and do not account for any shopper docket discounts.

Chart 2.7: Difference between Coles Express' annual average petrol price and the market annual average petrol price in each of the five largest cities in 2017



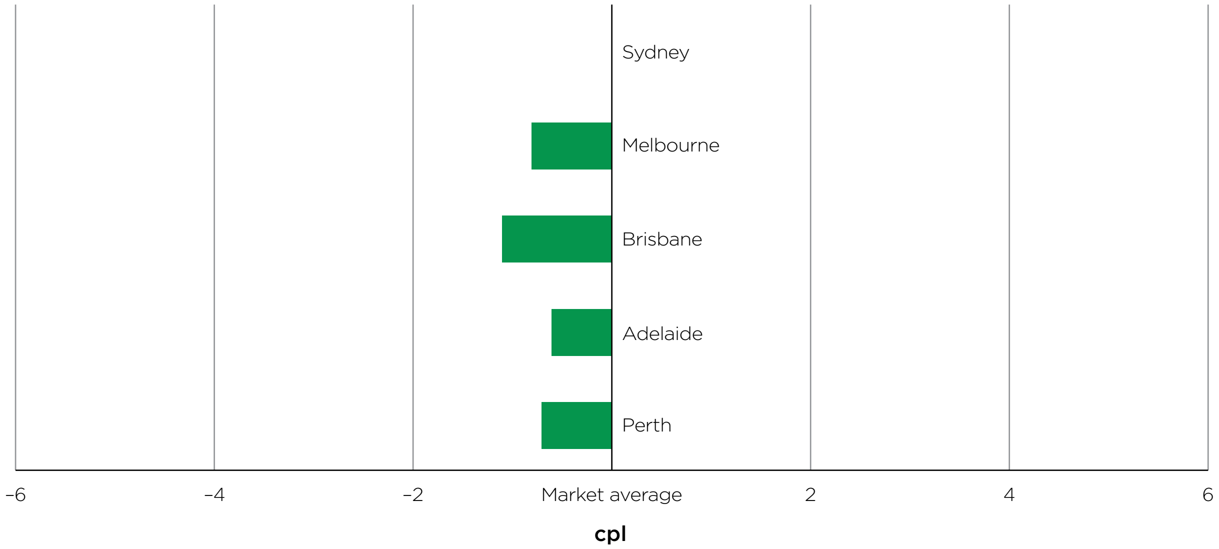
Source: ACCC calculations based on Informed Sources data.

On average across the five cities, Coles Express' average prices were 2.9 cpl higher than market average prices.

2.3.3 Woolworths

Chart 2.8 shows that Woolworths' average prices were lower than the market average price in four cities, ranging from 1.1 cpl lower in Brisbane to 0.6 cpl lower in Adelaide. In Sydney, Woolworths' average price was equal to the market average price. These are the board prices and do not account for any shopper docket discounts.

Chart 2.8: Difference between Woolworths' annual average petrol price and the market annual average petrol price in each of the five largest cities in 2017



Source: ACCC calculations based on Informed Sources data.
Note: The annual average Woolworths price in Sydney was equal to the market average price.

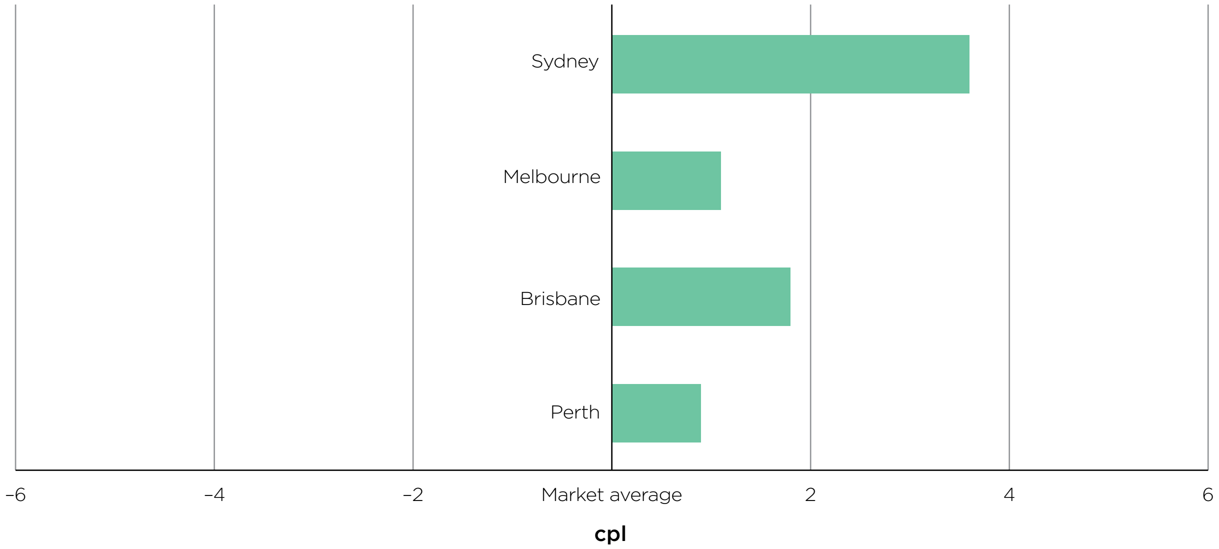
On average across the five cities, Woolworths' average prices were 0.6 cpl lower than market average prices.

2.3.4 BP COCO

While there are BP COCO retail sites operating in all of the five cities, there is only one retail site in Adelaide, which means that it does not meet the threshold of 10 retail sites to be considered a major retailer. Instead, this retail site was incorporated into the 'small independents' category.

Chart 2.9 shows that BP COCO's average prices were higher than the market average price in Sydney, Melbourne, Brisbane and Perth, ranging from a high of 3.6 cpl in Sydney to a low of 0.9 cpl in Perth.

Chart 2.9: Difference between BP COCO's annual average petrol price and the market annual average petrol price in Sydney, Melbourne, Brisbane and Perth in 2017



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

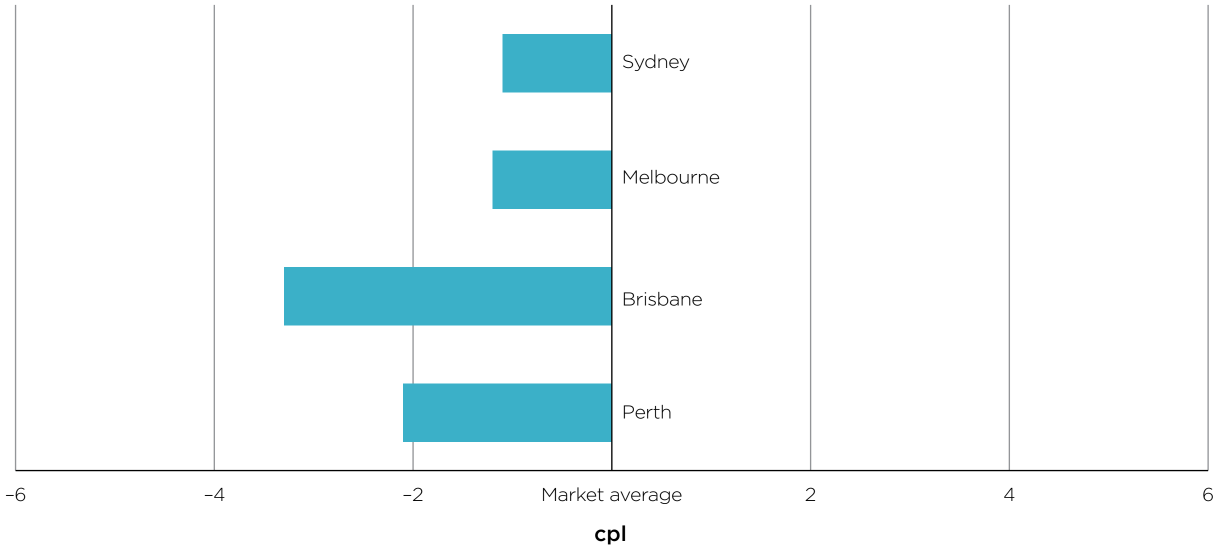
On average across the four cities, BP COCO's average prices were 1.8 cpl higher than market average prices.

2.3.5 United

While there are United retail sites operating in all of the five cities, there are only eight retail sites in Adelaide, which means that they do not meet the threshold of 10 retail sites to be considered a major retailer. Instead, these retail sites were incorporated into the 'small independents' category in Adelaide.

Chart 2.10 shows that United's average prices were lower than the market average price in Sydney, Melbourne, Brisbane and Perth, ranging from 3.3 cpl lower in Brisbane to 1.1 cpl lower in Sydney.

Chart 2.10: Difference between United's annual average petrol price and the market annual average petrol price in Sydney, Melbourne, Brisbane and Perth in 2017



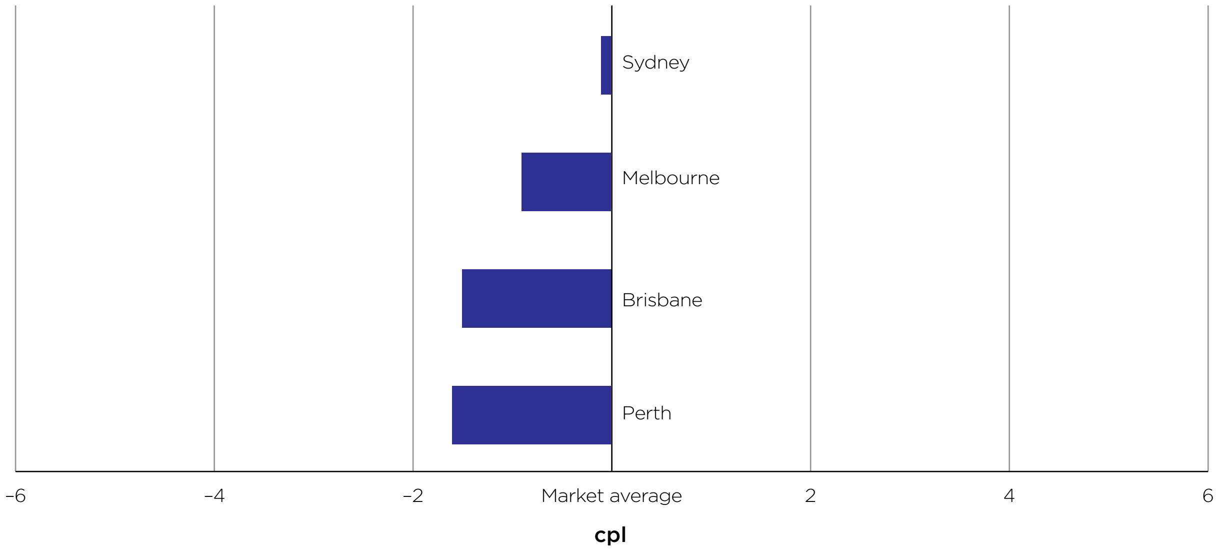
Source: ACCC calculations based on Informed Sources data.

On average across the four cities, United's average prices were 2.0 cpl lower than market average prices.

2.3.6 7-Eleven

7-Eleven operates retail sites in Sydney, Melbourne, Brisbane and Perth. Chart 2.11 shows that 7-Eleven's average prices were lower than the market average price in all four cities, ranging from 1.6 cpl lower in Perth to 0.1 cpl lower in Sydney.

Chart 2.11: Difference between 7-Eleven's annual average petrol price and the market annual average petrol price in Sydney, Melbourne, Brisbane and Perth in 2017



Source: ACCC calculations based on Informed Sources data.

These 7-Eleven average prices are the board prices and take no account of any savings made by motorists using the 7-Eleven Fuel App. The app allows customers to lock in 7-Eleven's best local price, and then redeem it at any 7-Eleven store in Australia within the next seven days.[6]

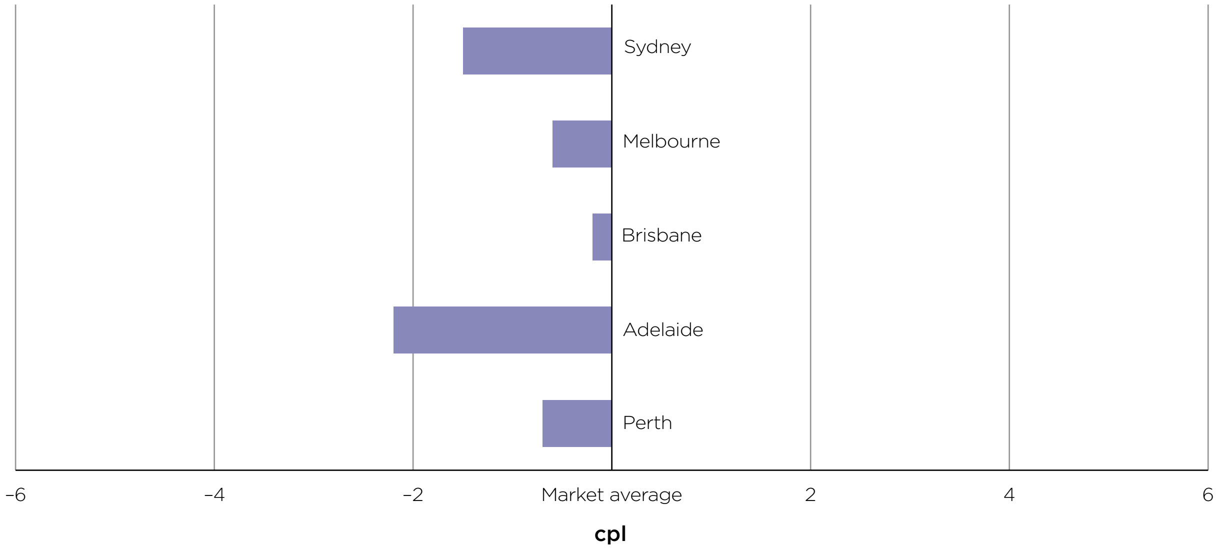
On average across the four cities, 7-Eleven's average prices were 1.1 cpl lower than market average prices.

2.3.7 Small independents

Chart 2.12 shows that annual average prices in the 'small independents' category (which comprises independently-owned BP- and Caltex-branded retail sites and other independent retail sites) were lower than the market average price in all five cities, ranging from 2.2 cpl lower in Adelaide to 0.2 cpl lower in Brisbane.

6 7-Eleven, *One million Australians download 7-Eleven Fuel App*, media release, 29 March 2018, at: https://www.7eleven.com.au/media-centre/article/one-million-australians-download-7-eleven-fuel-app, accessed on 4 May 2018.

Chart 2.12: Difference between the annual average petrol price of the 'small independents' and the market annual average petrol price in each of the five largest cities in 2017



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

On average across the five cities, annual average prices of 'small independents' were 1.0 cpl lower than market average prices.

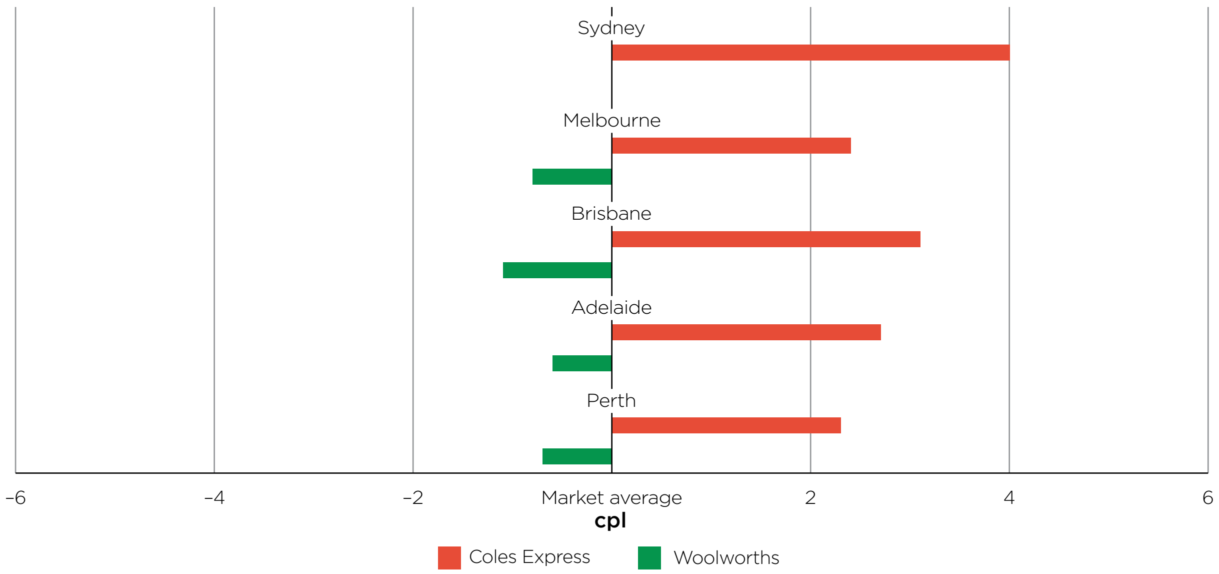
2.4 Comparisons between major retailers

It is also useful to compare some of these major retailers with other, similar retailers.

2.4.1 Supermarket chains

Consumers often consider the two supermarket chains together, but it is clear from chart 2.13 that they have significantly different petrol prices.

Chart 2.13: Difference between Coles Express and Woolworths' annual average petrol prices and the market annual average petrol price in each of the five largest cities in 2017



Source: ACCC calculations based on Informed Sources data.

Note: The annual average Woolworths price in Sydney was equal to the market average price.

The chart shows that Woolworths' average prices in Melbourne, Brisbane, Adelaide and Perth were below the market average price, and equal to the market average price in Sydney. In contrast, Coles Express' average prices were above the market average price in all five cities. These are the board prices and do not account for any shopper docket discounts.

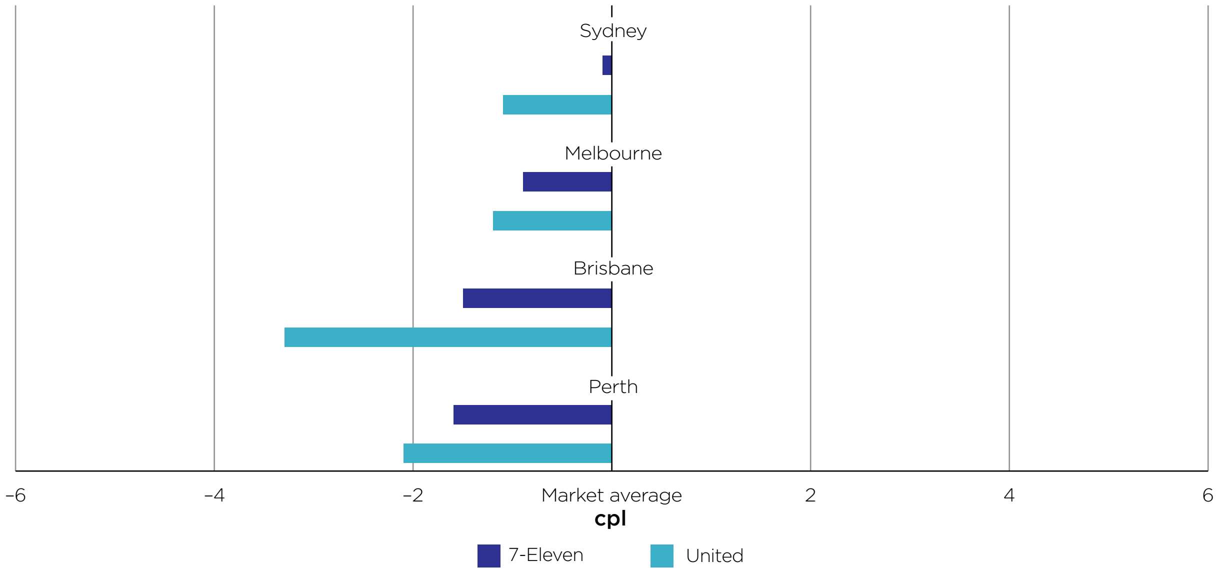
The difference between Woolworths' average prices and Coles Express' average prices was highest in Brisbane (4.2 cpl) and lowest in Perth (3.0 cpl). Across the five cities, the average difference was 3.5 cpl.

2.4.2 Larger independent chains

The two largest independent chains that operate on a national basis are 7-Eleven and United, with both having retail sites in Sydney, Melbourne, Brisbane and Perth.

Chart 2.14 shows that both 7-Eleven and United's average prices were below the market average price in all four cities.

Chart 2.14: Difference between 7-Eleven and United's annual average petrol prices and the market annual average petrol price in Sydney, Melbourne, Brisbane and Perth in 2017



Source: ACCC calculations based on Informed Sources data.

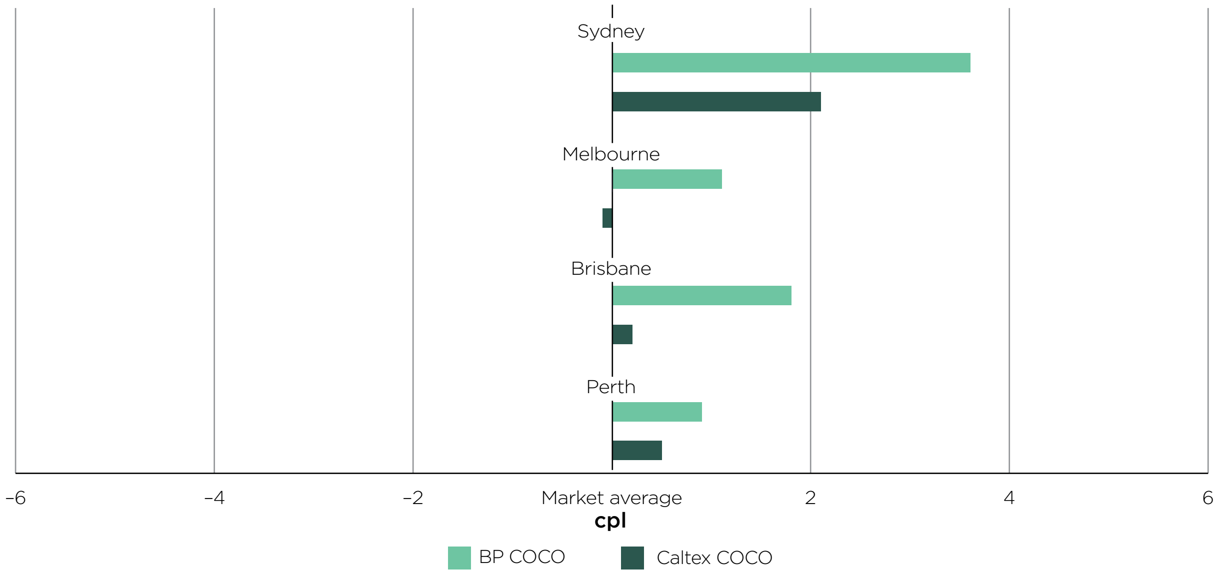
United's average prices were below 7-Eleven's average prices in all cities, with the largest difference in Brisbane (1.8 cpl) and the lowest difference in Melbourne (0.3 cpl). Across the four cities, the average difference was 0.9 cpl.

2.4.3 Refiner-marketers

The two refiner-marketers (BP and Caltex) operate on a national basis, with retail sites in all of the five cities. However, as BP operates only one COCO site in Adelaide, prices in Adelaide are not included in this comparison.

Chart 2.15 shows that BP COCO's average prices were above market average prices in Sydney, Melbourne, Brisbane and Perth, and Caltex COCO's average prices were above market average prices in Sydney, Brisbane and Perth, and below the market average price in Melbourne.

Chart 2.15: Difference between BP COCO and Caltex COCO's annual average petrol prices and the market annual average petrol price in Sydney, Melbourne, Brisbane and Perth in 2017



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

BP COCO's average prices were above Caltex COCO's average prices in all cities, with the largest difference in Brisbane (1.6 cpl) and the lowest difference in Perth (0.4 cpl). Across the four cities, the average difference was 1.2 cpl.

3 Major retailers in the five largest cities

3.1 Retail site numbers in the five largest cities

Using the Informed Sources Netwatch database of retail sites, and information provided to the ACCC by some of the major retailers, the ACCC has estimated the number of retail sites by major retailer in each of the five largest cities as at 30 June 2017.[7]

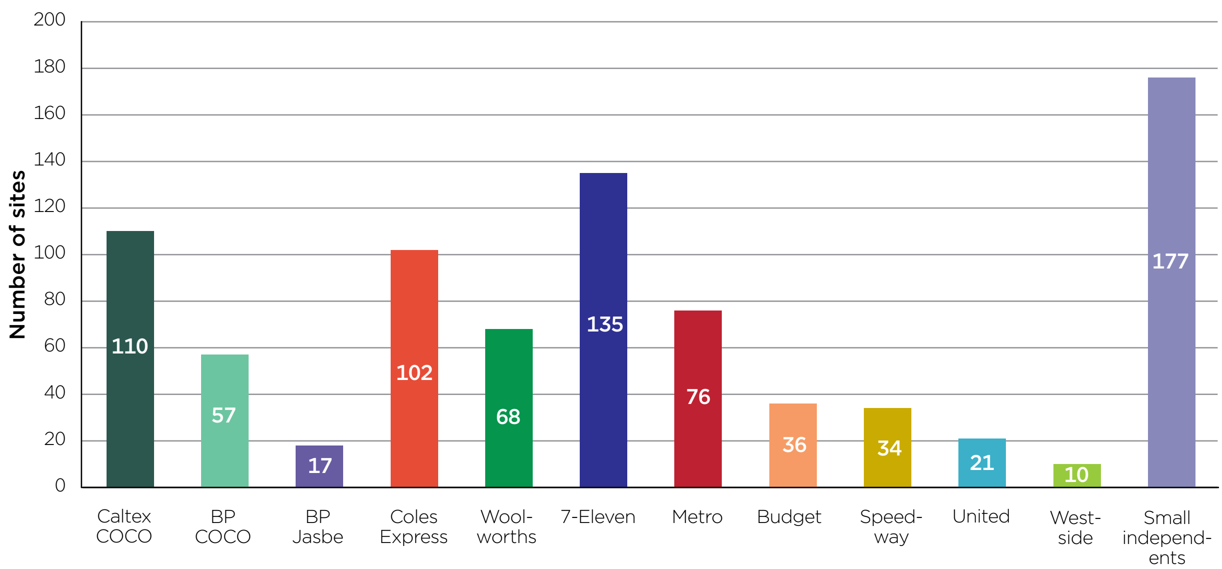
For the purposes of this analysis, a major retailer is defined as a retailer that determines the retail price of petrol at 10 or more retail sites in the city. In most cases, a major retailer will also own or operate these retail sites. However, this category also includes commission agent and franchise retail sites (which are owned and/or operated by another entity, but at which the major retailer determines the retail price). The retail sites of non-major retailers are included in the analysis in the 'small independents' category.

The data in these charts provides an indication of the significance of each major retailer's prices. For example, in Sydney, while Speedway's annual average price was 5.5 cpl below the market average price in 2017, it had only 34 retail sites as at 30 June 2017. In contrast, Coles Express' annual average price was 4.0 cpl above the market average price in 2017, and it had 102 retail sites as at 30 June 2017.

3.1.1 Sydney

As at 30 June 2017, there were 843 fuel retail sites in Sydney. Chart 3.1 shows the major retailers operating in the Sydney market. The five largest major retailers (7-Eleven, Caltex COCO, Coles Express, Metro and Woolworths) account for around 58 per cent of total retail sites in Sydney.

Chart 3.1: Number of retail sites by major retailer in Sydney as at 30 June 2017



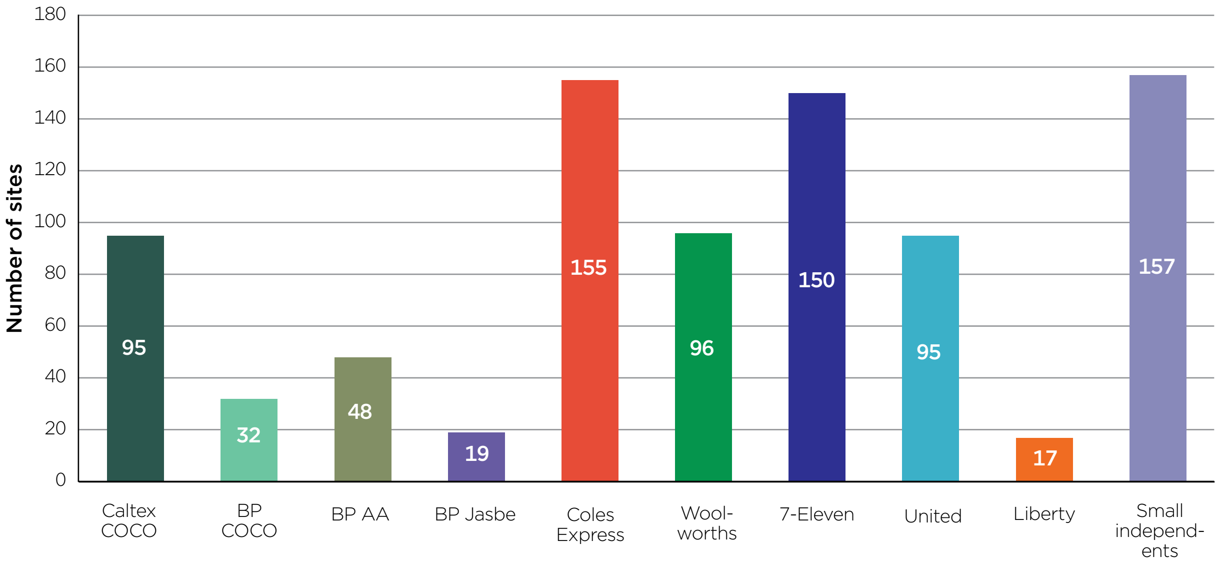
Source: ACCC calculations based on Informed Sources Netwatch data and information provided by some major retailers.

3.1.2 Melbourne

As at 30 June 2017, there were 864 fuel retail sites in Melbourne. Chart 3.2 shows the major retailers operating in the Melbourne market. The five largest major retailers (Coles Express, 7-Eleven, Woolworths, Caltex COCO and United) account for around 68 per cent of total retail sites in Melbourne.

7 The data on BP and Caltex retail sites is as at the end of March 2017. While the number of these sites is unlikely to have changed substantially in the three months to 30 June, these numbers should be regarded as indicative only.

Chart 3.2: Number of retail sites by major retailer in Melbourne as at 30 June 2017

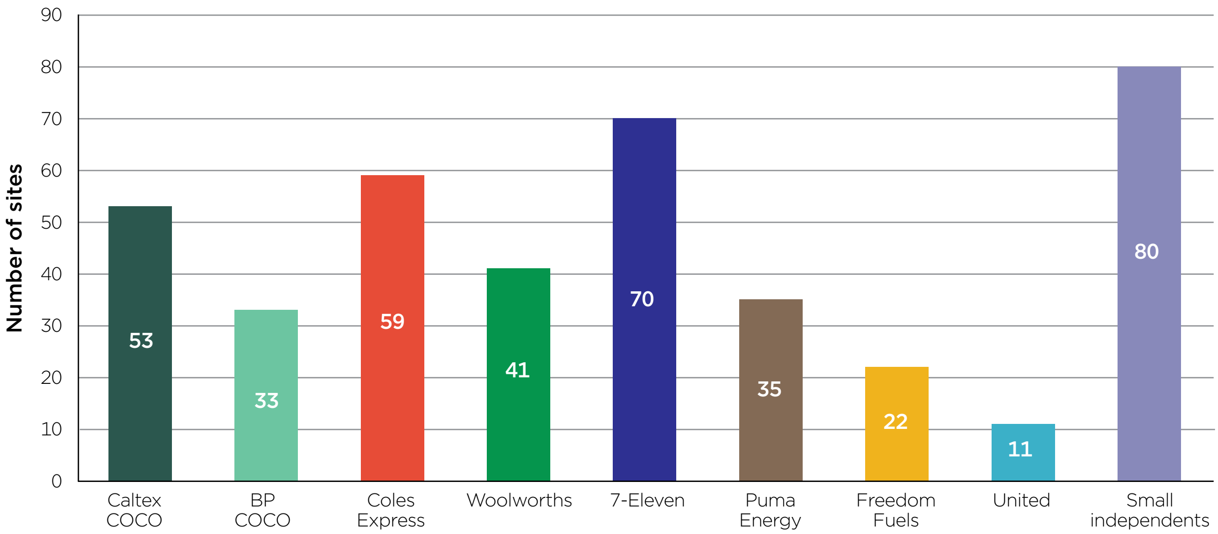


Source: ACCC calculations based on Informed Sources Netwatch data and information provided by some major retailers.

3.1.3 Brisbane

As at 30 June 2017, there were 404 fuel retail sites in Brisbane. Chart 3.3 shows the major retailers operating in the Brisbane market. The five largest major retailers (7-Eleven, Coles Express, Caltex COCO, Woolworths and Puma Energy) account for around 64 per cent of total retail sites in Brisbane.

Chart 3.3: Number of retail sites by major retailer in Brisbane as at 30 June 2017

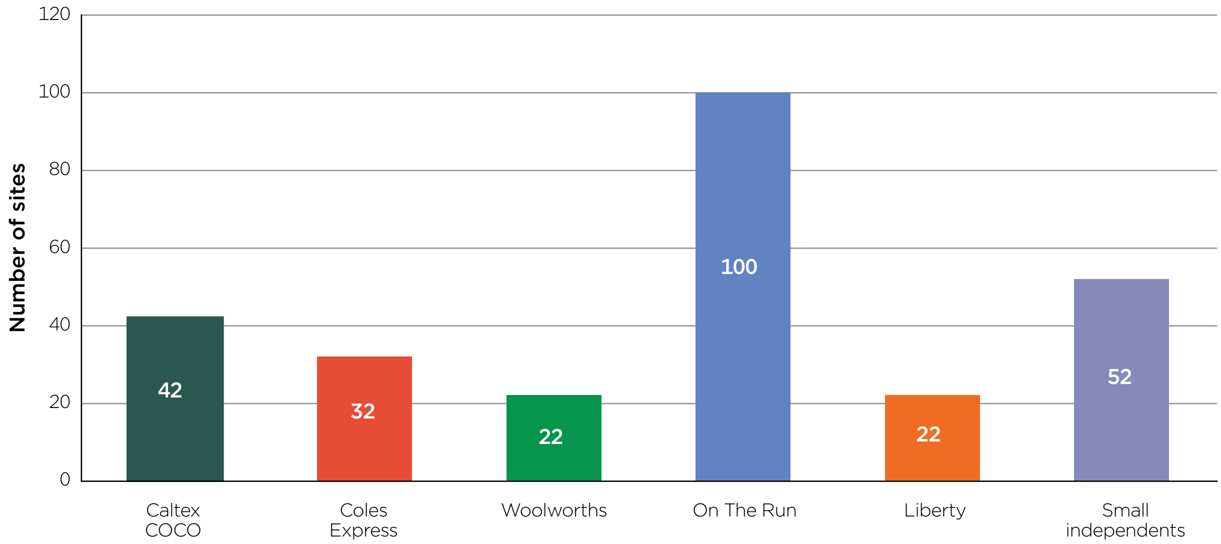


Source: ACCC calculations based on Informed Sources Netwatch data and information provided by some major retailers.

3.1.4 Adelaide

As at 30 June 2017, there were 270 fuel retail sites in Adelaide. Chart 3.4 shows the major retailers operating in the Adelaide market. There are only five major retailers (On The Run, Caltex COCO, Coles Express, Woolworths and Liberty) in Adelaide and they account for around 81 per cent of total retail sites in Adelaide. As mentioned previously, BP COCO has only one retail site in Adelaide and this has been included in the 'small independents' category.

Chart 3.4: Number of retail sites by major retailer in Adelaide as at 30 June 2017

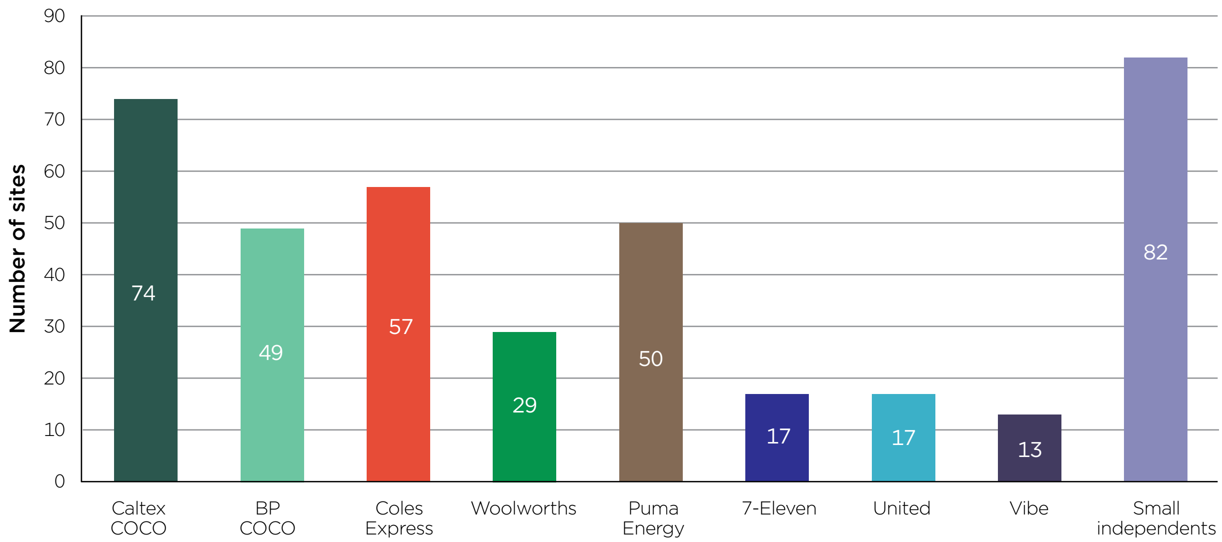


Source: ACCC calculations based on Informed Sources Netwatch data and information provided by some major retailers.

3.1.5 Perth

As at 30 June 2017, there were 388 fuel retail sites in Perth. Chart 3.5 shows the major retailers operating in the Perth market. The five largest major retailers (Caltex COCO, Coles Express, Puma Energy, BP COCO and Woolworths) account for around 67 per cent of total retail sites in Perth.

Chart 3.5: Number of retail sites by major retailer in Perth as at 30 June 2017



Source: ACCC calculations based on Informed Sources Netwatch data and information provided by some major retailers.

4 Monthly average petrol prices by major retailer in 2017

4.1 Monthly average prices by major retailer

This chapter breaks down the annual average prices by major retailer in chapter 1 into monthly average prices over 2017. The aim is to see how the relativities between the major retailers change over the year.

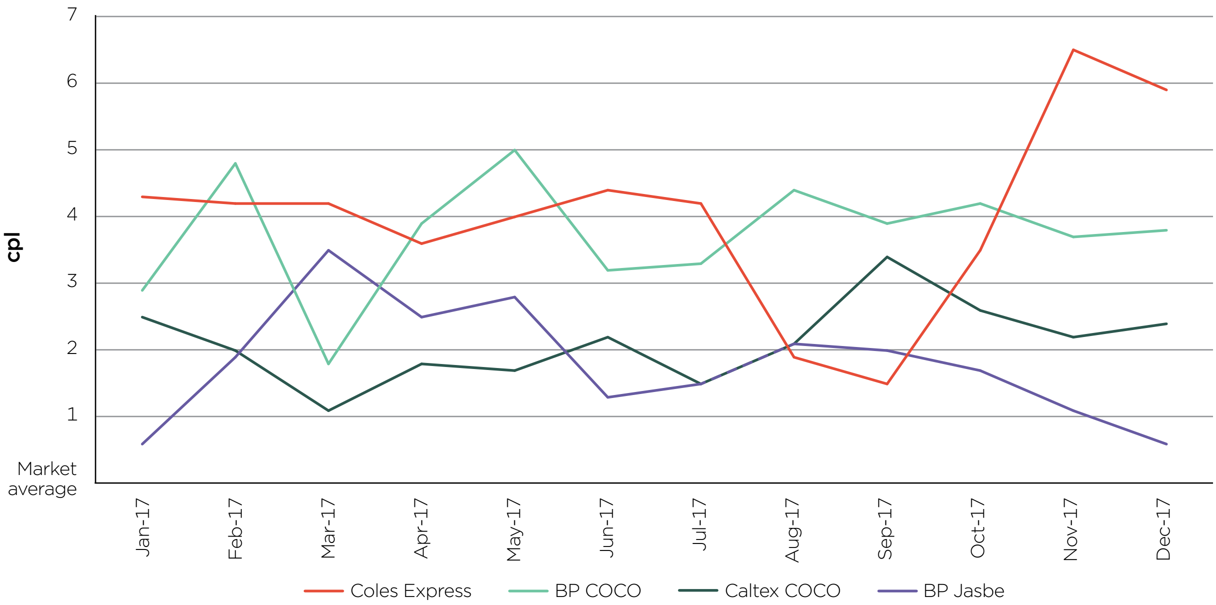
When comparing retail prices between cities, or with international and wholesale prices, the ACCC generally tends to examine prices over the medium term (three months or more), as this can reduce the effect of short-term influences, such as price cycles or lags. However, in this case, as the analysis is comparing the prices of the major retailers in the same city at the same time, examination of monthly prices is considered appropriate.

For clarity, the price data for each city is presented in two charts.

4.2 Sydney

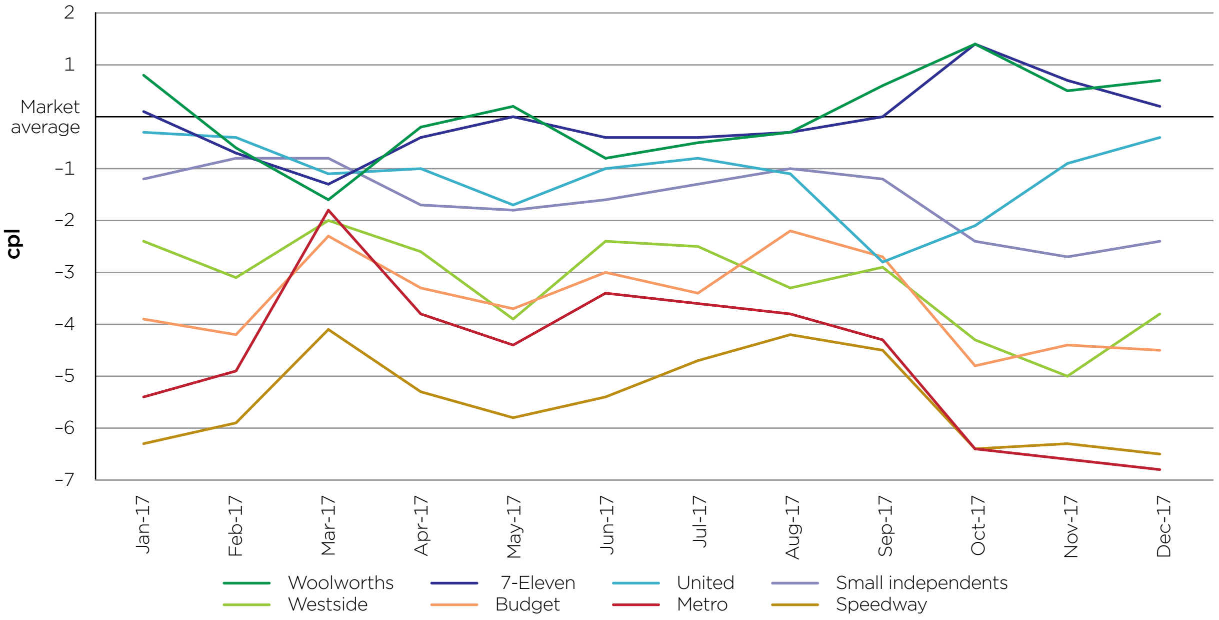
Chart 4.1 shows the monthly average difference from the market average price for those major retailers that had annual average prices above the market average price in 2017 in Sydney. Chart 4.2 shows the monthly average difference from the market average price for those major retailers that had annual average prices below or equal to the market average price in Sydney.

Chart 4.1: Monthly average difference from the market average price for those retailers that had annual average prices above the market average price in 2017 in Sydney



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

Chart 4.2: Monthly average difference from the market average price for those retailers that had annual average prices below or equal to the market average price in 2017 in Sydney



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

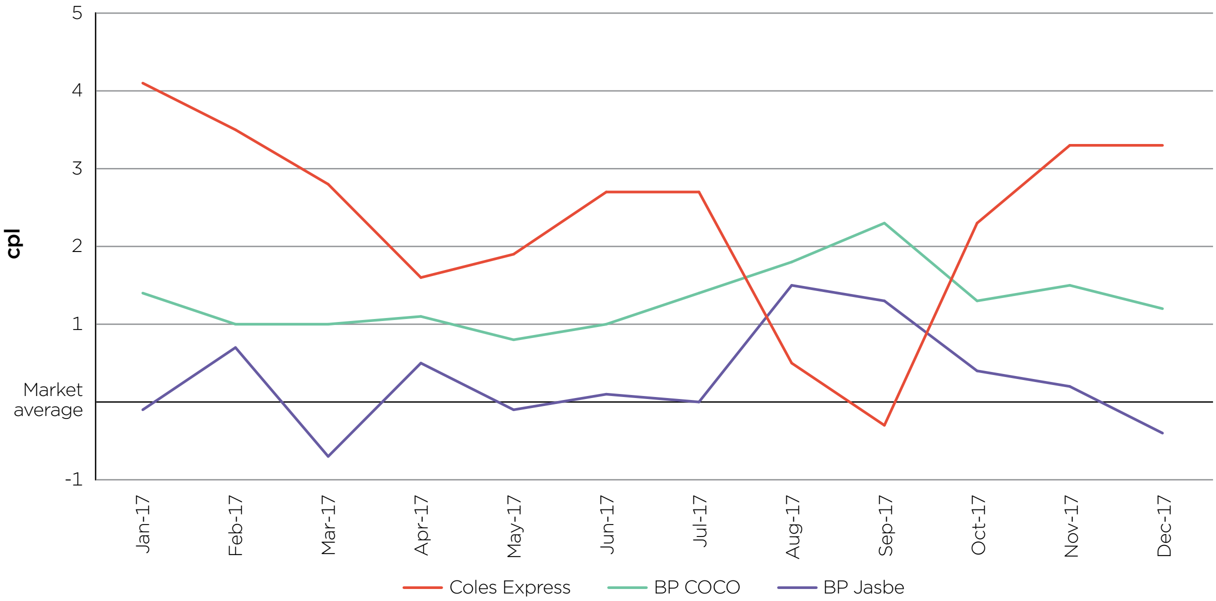
The charts show that in Sydney in 2017:

- Coles Express' monthly average prices were the highest in six months, and BP COCO's monthly average prices were the highest in the other six months
- Coles Express, BP COCO, BP Jasbe and Caltex COCO's monthly average prices were all above the market average price in every month
- Woolworths' monthly average prices were above the market average price in six months, and 7-Eleven's monthly average prices were above the market average price in four months, and equal to the market average price in two months
- Speedway's monthly average prices were the lowest in 10 months, with Metro's monthly average prices the lowest in the other two months
- the monthly average prices of Speedway, Metro, Budget, Westside, United and the 'small independents' category were below the market average price in every month.

4.3 Melbourne

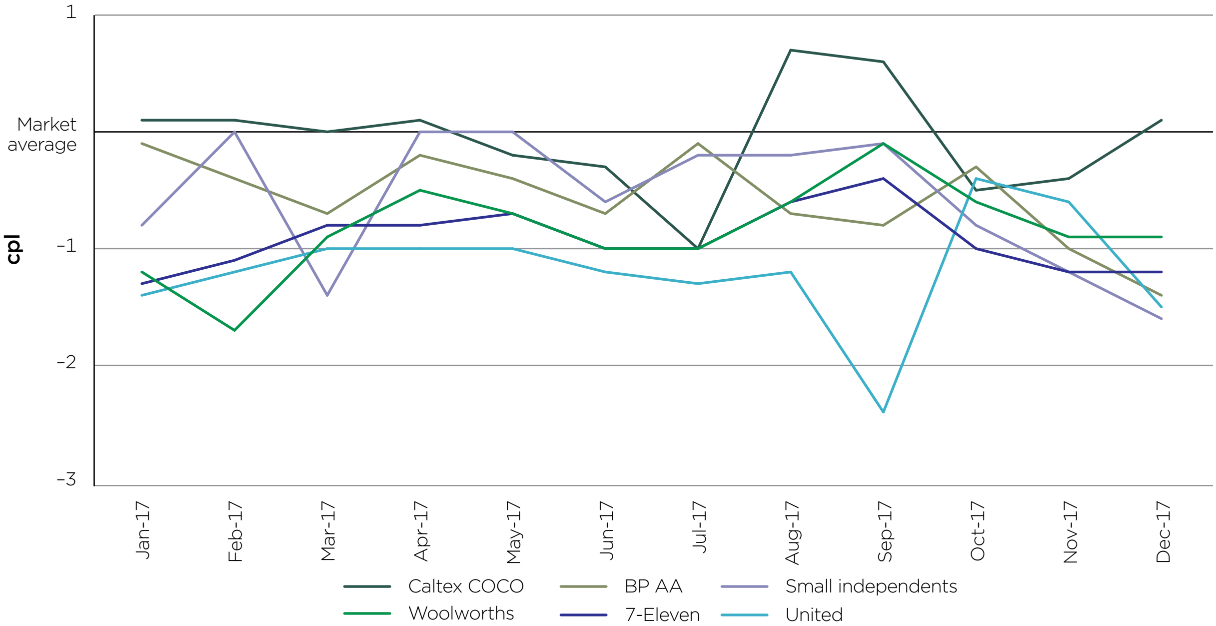
Chart 4.3 shows the monthly average difference from the market average price for those major retailers that had annual average prices above the market average price in 2017 in Melbourne. Chart 4.4 shows the monthly average difference from the market average price for those major retailers that had annual average prices below or equal to the market average price in Melbourne.

Chart 4.3: Monthly average difference from the market average price for those retailers that had annual average prices above the market average price in 2017 in Melbourne



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

Chart 4.4: Monthly average difference from the market average price for those retailers that had annual average prices below or equal to the market average price in 2017 in Melbourne



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

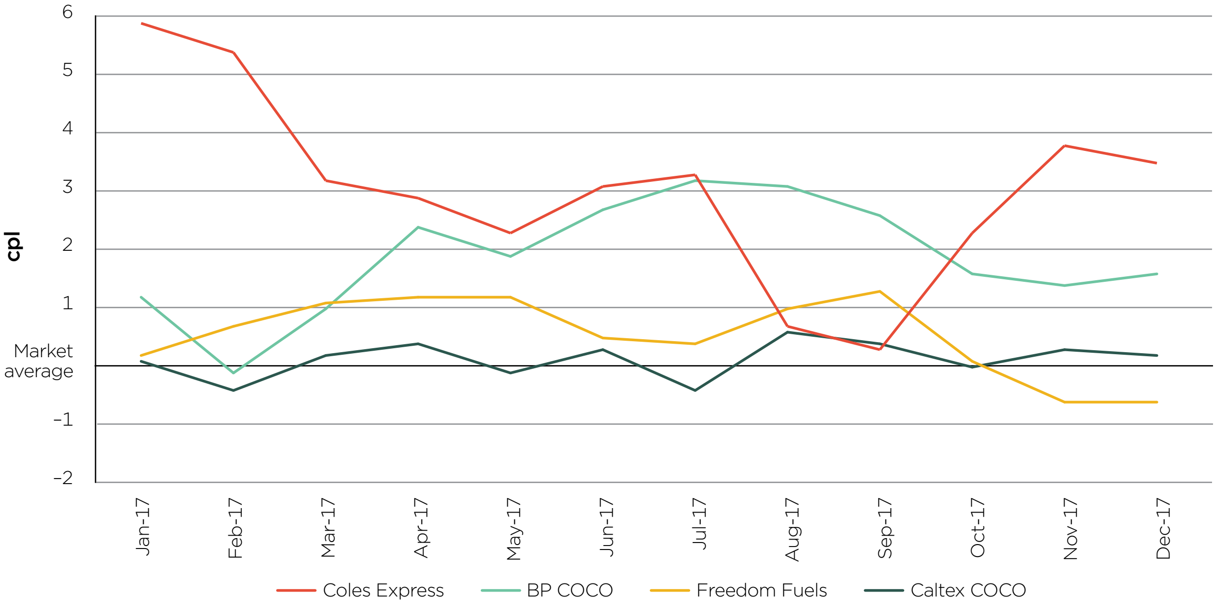
The charts show that in Melbourne in 2017:

- Coles Express' monthly average prices were the highest in 10 months, with BP COCO's monthly average prices being the highest in the other two months
- BP COCO's monthly average prices were above the market average price in every month
- Coles Express' monthly average prices were above the market average price in every month, except September
- United's monthly average prices were the lowest in seven months
- Woolworths, 7-Eleven, United and BP AA's monthly average prices were below the market average in every month.

4.4 Brisbane

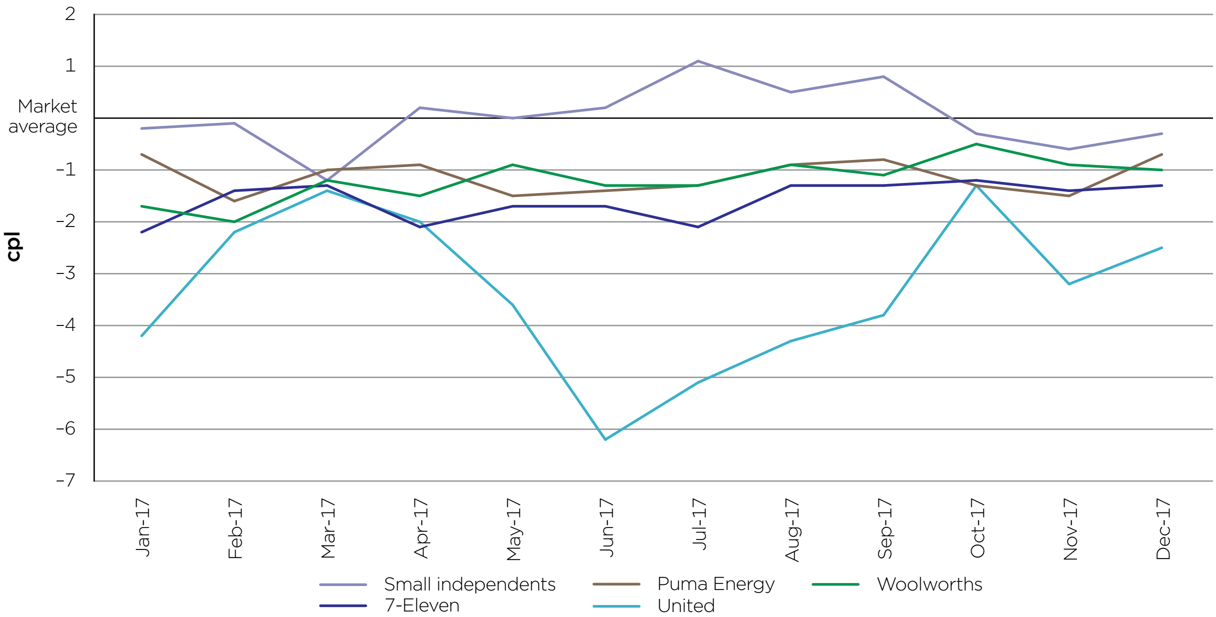
Chart 4.5 shows the monthly average difference from the market average price for those major retailers that had annual average prices above the market average price in 2017 in Brisbane. Chart 4.6 shows the monthly average difference from the market average price for those major retailers that had annual average prices below or equal to the market average price in Brisbane.

Chart 4.5: Monthly average difference from the market average price for those retailers that had annual average prices above the market average price in 2017 in Brisbane



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

Chart 4.6: Monthly average difference from the market average price for those retailers that had annual average prices below or equal to the market average price in 2017 in Brisbane



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

The charts show that in Brisbane in 2017:

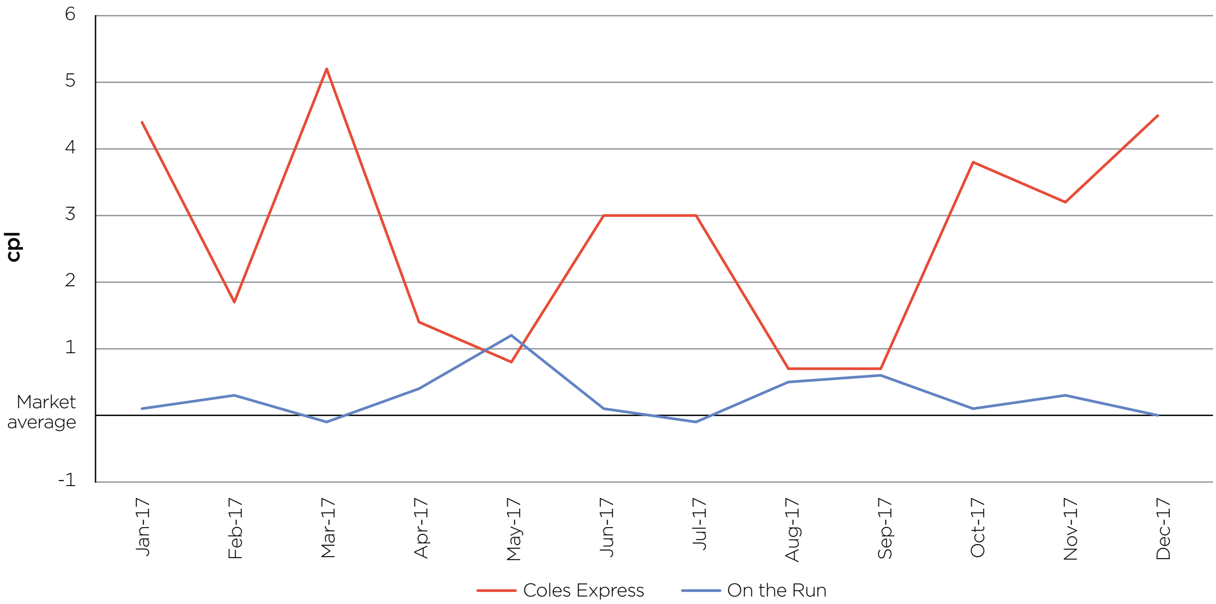
- Coles Express' monthly average prices were the highest in 10 months, with BP COCO's monthly average prices the highest in the other two months
- Coles Express' monthly average prices were above the market average price in every month

- BP COCO's monthly average prices were above the market average price in every month, except February
- United's monthly average prices were the lowest in 11 months, with 7-Eleven's average price the lowest in the other month
- Woolworths, 7-Eleven, United and Puma Energy monthly average prices were below the market average price in every month.

4.5 Adelaide

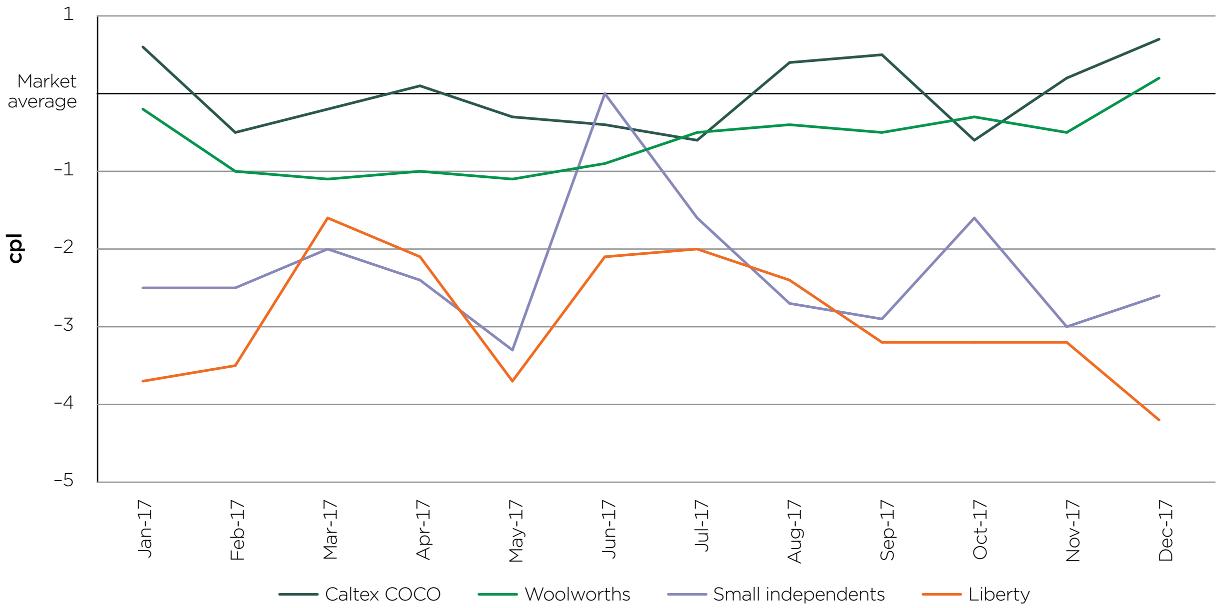
Chart 4.7 shows the monthly average difference from the market average price for those major retailers that had annual average prices above the market average price in 2017 in Adelaide. Chart 4.8 shows the monthly average difference from the market average price for those major retailers that had annual average prices below or equal to the market average price in Adelaide.

Chart 4.7: Monthly average difference from the market average price for those retailers that had annual average prices above the market average price in 2017 in Adelaide



Source: ACCC calculations based on Informed Sources data.

Chart 4.8: Monthly average difference from the market average price for those retailers that had annual average prices below or equal to the market average price in 2017 in Adelaide



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

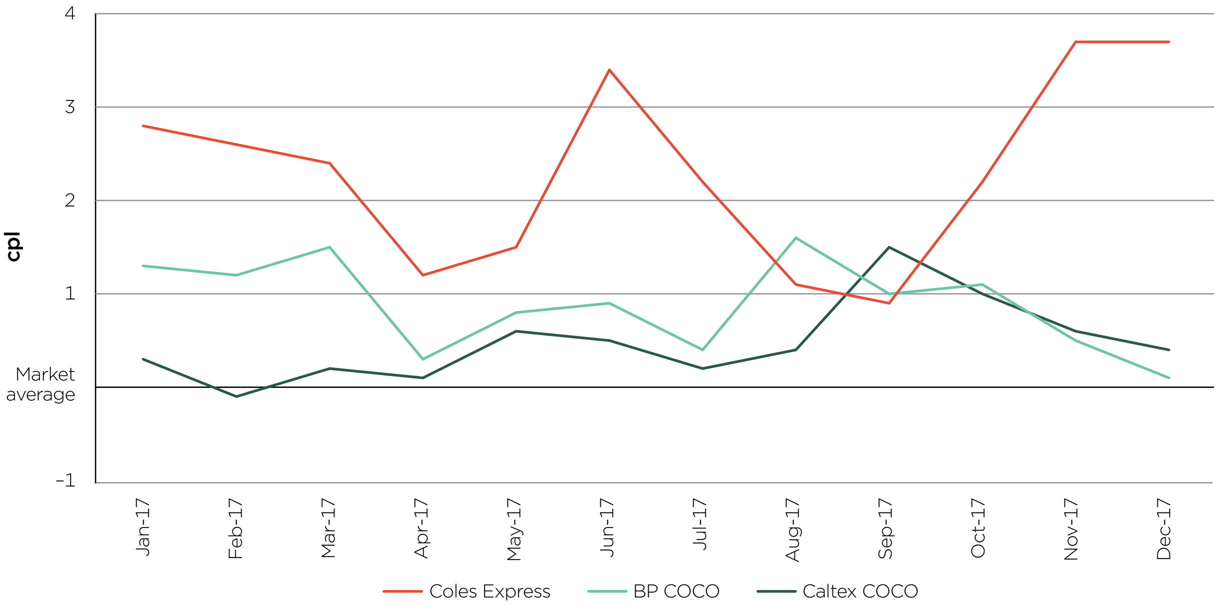
The charts show that in Adelaide in 2017:

- Coles Express' monthly average prices were the highest in 11 months, with On The Run's monthly average price the highest in the other month
- Coles Express' monthly average prices were above the market average price in every month
- Liberty's monthly average prices were the lowest in nine months, with monthly average prices in the 'small independents' category the lowest in the other three months
- Liberty's monthly average prices were below the market average price in every month
- Woolworths' monthly average prices were below the market average price in every month, except December
- monthly average prices in the 'small independents' category were below the market average price in every month, except June when they were equal to the market average price.

4.6 Perth

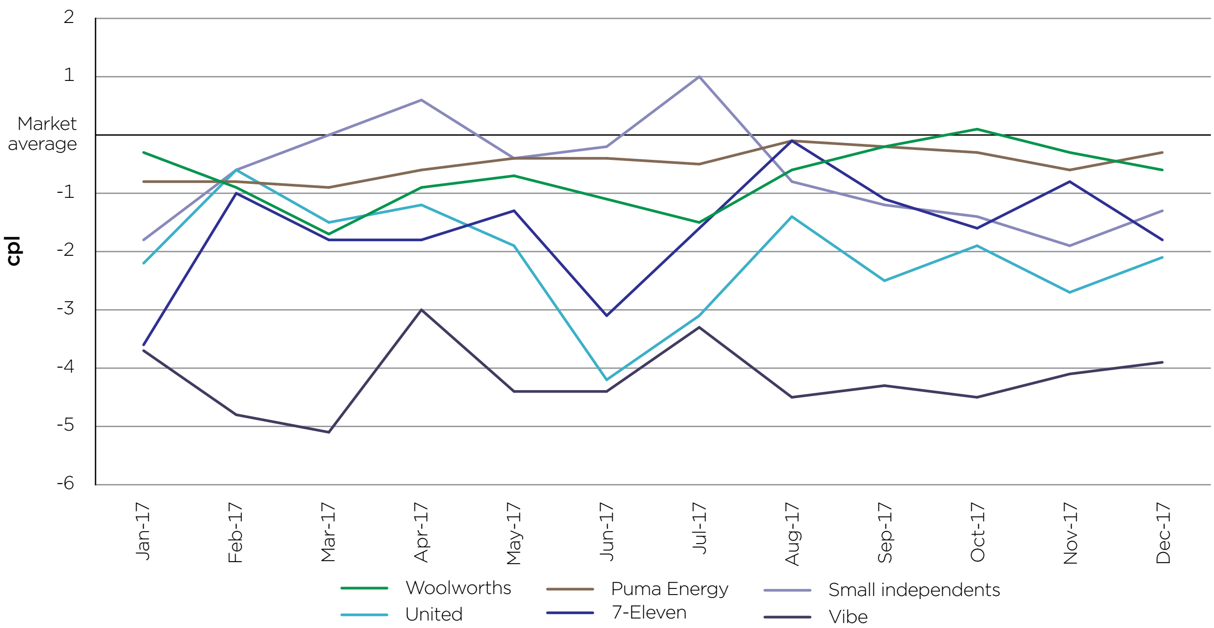
Chart 4.9 shows the monthly average difference from the market average price for those major retailers that had annual average prices above the market average price in 2017 in Perth. Chart 4.10 shows the monthly average difference from the market average price for those major retailers that had annual average prices below or equal to the market average price in Perth.

Chart 4.9: Monthly average difference from the market average price for those retailers that had annual average prices above the market average price in 2017 in Perth



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

Chart 4.10: Monthly average difference from the market average price for those retailers that had annual average prices below or equal to the market average price in 2017 in Perth



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

The charts show that in Perth in 2017:

- Coles Express' monthly average prices were the highest in 10 months, with BP COCO and Caltex COCO's monthly average prices each being the highest in one of the other two months

- Coles Express and BP COCO's monthly average prices were above the market average price in every month
- Caltex COCO's monthly average prices were above the market average price in every month, except February
- Vibe's monthly average prices were the lowest in every month
- Vibe, 7-Eleven, United and Puma Energy's monthly average prices were below the market average price in every month
- Woolworths' monthly average prices were below the market average price in every month, except October.

4.7 Summary

Analysis of monthly average prices in 2017 indicates that the relativities between the average prices of the major retailers varies over time.

For example, while Coles Express was on average the highest priced major retailer in all five cities on an annual basis, this was not always the case on a monthly basis. In no city was Coles Express the highest in every month of 2017. The most frequently it was highest was 11 months in Adelaide, and the least frequently was six months in Sydney. In one month in Melbourne, Coles Express' monthly average prices were below the market average price.

Similarly, in Sydney, Melbourne, Brisbane and Adelaide the lowest priced major retailer in each city on an annual basis did not always have the lowest price on a monthly basis. Only in Perth was the major retailer that had the lowest annual average price (Vibe) always lowest on a monthly basis throughout 2017.

The analysis showed, however, that the independent retail chains (such as 7-Eleven and United) generally had monthly average prices that were lower than market average prices.

5 Changes over the last 10 years

This chapter examines annual average differences from market average petrol prices by major retailer in 2007 in the five largest cities, and compares them with those in 2017.

A number of significant changes have occurred in the Australian petrol retail market over the last 10 years. These changes include:

- the acquisition of Matilda by Neumann in 2007
- the exit of Mobil from retailing in 2010, and the acquisition of the Mobil retail sites by 7-Eleven and On The Run
- the acquisition of Gull and Peak by Ausfuel in 2010, and the subsequent acquisition of Ausfuel and Neumann by Puma Energy in 2013
- the acquisition of BP COCO retail sites in Adelaide by On The Run in 2014.

This means that the number of major retailers, and their share of the market, in the five cities is different between 2007 and 2017.

The ACCC calculated annual average prices by major retailer in 2007 in the five largest cities and derived their annual average differences from market average prices. The 2007 prices are nominal prices and not adjusted for inflation.

There are a couple of methodological points to note with the comparison of 2007 with 2017.

Brand data in 2007 for BP and Caltex retail sites was unable to be dis-aggregated into the three categories of retail sites (COCO, branded independent chains and small independents) that was possible for the price data for 2017. Therefore, to enable a like-for-like comparison, the ACCC calculated annual average prices for all BP and Caltex retail sites for 2017, and derived the annual average difference from market average prices, so that they can be compared with BP and Caltex calculations for 2007.

This means that while the comparison of the two periods is largely comparing average differences from market average prices between major retailers, in the case of BP and Caltex, this comparison is between brand average differences.

RULP price data is used in Sydney in 2007, whereas E10 price data is used in 2017. All prices in the other cities are for RULP.

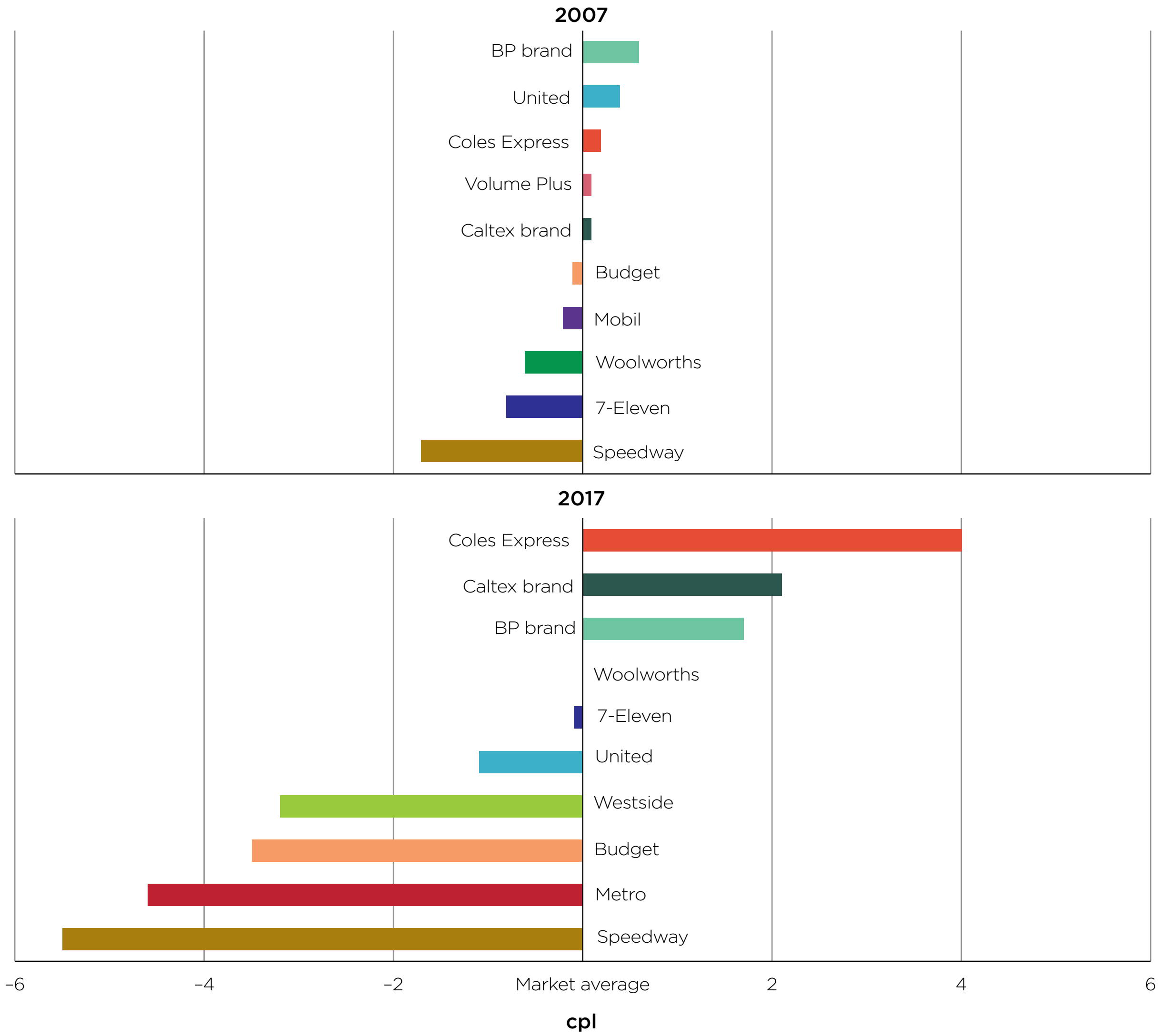
A description of the methodology relating to the compilation of these average prices is provided in Appendix A.

5.1 Sydney

In Sydney, an average retail RULP price for 2007 was calculated for the following: BP, Budget, Caltex, Coles Express, Mobil, Speedway, United, Volume Plus, Woolworths and 7-Eleven.

Chart 5.1 shows the difference between each major retailer's annual average petrol price, BP and Caltex brand annual average petrol prices, and the market annual average petrol price in Sydney in 2007 and 2017.

Chart 5.1: Difference between each major retailer's annual average petrol price, BP and Caltex brand annual average petrol prices, and the market annual average petrol price in Sydney in 2007 and 2017



Source: ACCC calculations based on Informed Sources data.
Notes: RULP prices are used in Sydney in 2007 and E10 prices are used in 2017.
The annual average Woolworths price in 2017 was equal to the market average price.

Chart 5.1 shows that in 2007 in Sydney:

- Speedway's average price was the lowest (at 1.7 cpl below the market average price of 125.0 cpl) and BP's annual average price was the highest (at 0.6 cpl above the market average price)
- the average prices of Speedway, 7-Eleven, Woolworths, Mobil and Budget were below the market average price
- the average prices of BP, United, Coles Express, Volume Plus and Caltex were above the market average price
- there was a range of 2.3 cpl between the lowest and the highest average prices.

A comparison of 2007 with 2017 shows that:

- the range between the lowest and the highest average prices in 2017 (9.5 cpl) was around four times the range in 2007 (2.3 cpl)
- the market annual average E10 price in 2017 was 124.5 cpl and the nominal market annual average RULP price in 2007 was 125.0 cpl
- Speedway's average price was the lowest in both 2007 and 2017

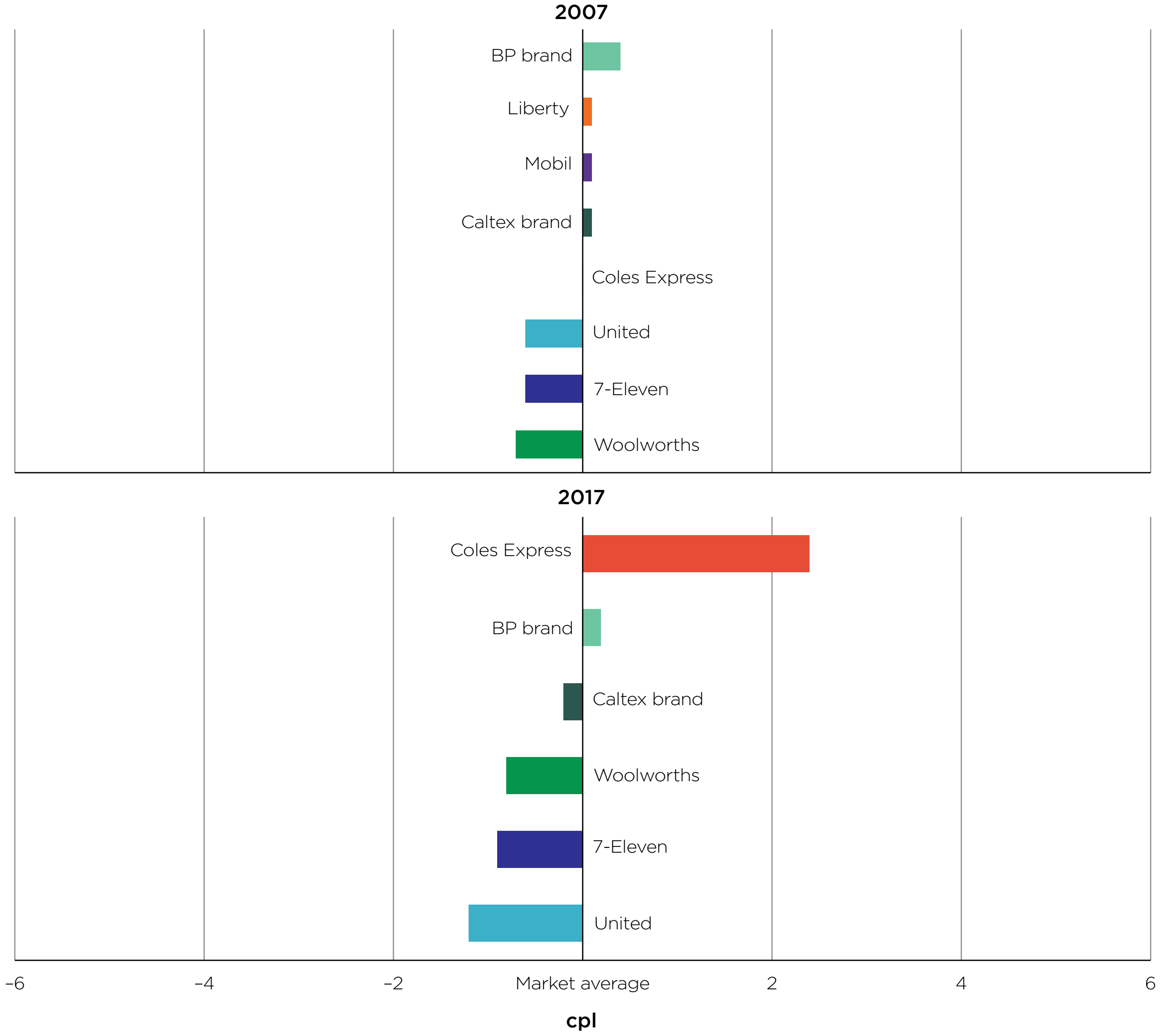
- in 2017, Coles Express had the highest average price, whereas in 2007 BP had the highest average price
- BP, Caltex and Coles Express' average prices were above the market average price in both 2017 and 2007
- United's average price changed from being above the market average price in 2007 to below the market average price in 2017
- 7-Eleven and Woolworths' average prices were closer to the market average in 2017 than they were in 2007
- in 2017, only independent chains had average prices below the market average price, whereas in 2007 a refiner-marketer (Mobil) also had an average price below the market average price.

5.2 Melbourne

In Melbourne, an average retail RULP price for 2007 was calculated for the following: BP, Caltex, Coles Express, Liberty, Mobil, United, Woolworths and 7-Eleven.

Chart 5.2 shows the difference between each major retailer's annual average RULP price, BP and Caltex brand annual average prices, and the market annual average RULP price in Melbourne in 2007 and 2017.

Chart 5.2: Difference between each major retailer's annual average RULP price, BP and Caltex brand annual average prices, and the market annual average RULP price in Melbourne in 2007 and 2017



Source: ACCC calculations based on Informed Sources data.

Notes: Prices were unavailable for Liberty retail sites in 2017.
The annual average Coles Express price in 2007 was equal to the market average price.

Chart 5.2 shows that in 2007 in Melbourne:

- Woolworths' average price was the lowest (at 0.7 cpl below the market average price of 125.4 cpl) and BP's average price was the highest (at 0.4 cpl above the market average price)
- the average prices of Woolworths, 7-Eleven, and United were below the market average price
- the average prices of BP, Liberty, Mobil and Caltex were above the market average price
- the average price of Coles Express was equal to the market average price
- there was a range of 1.1 cpl between the lowest and highest average prices.

A comparison of 2007 with 2017 shows that:

- the range between the lowest and the highest average prices in 2017 (3.6 cpl) was around three times the range in 2007 (1.1 cpl)
- the market annual average price in 2017 was 128.8 cpl and the nominal market annual average price in 2007 was 125.4 cpl
- in 2017, United had the lowest average price, whereas in 2007 Woolworths had the lowest average price
- in 2017, Coles Express had the highest average price, whereas in 2007 BP had the highest average price

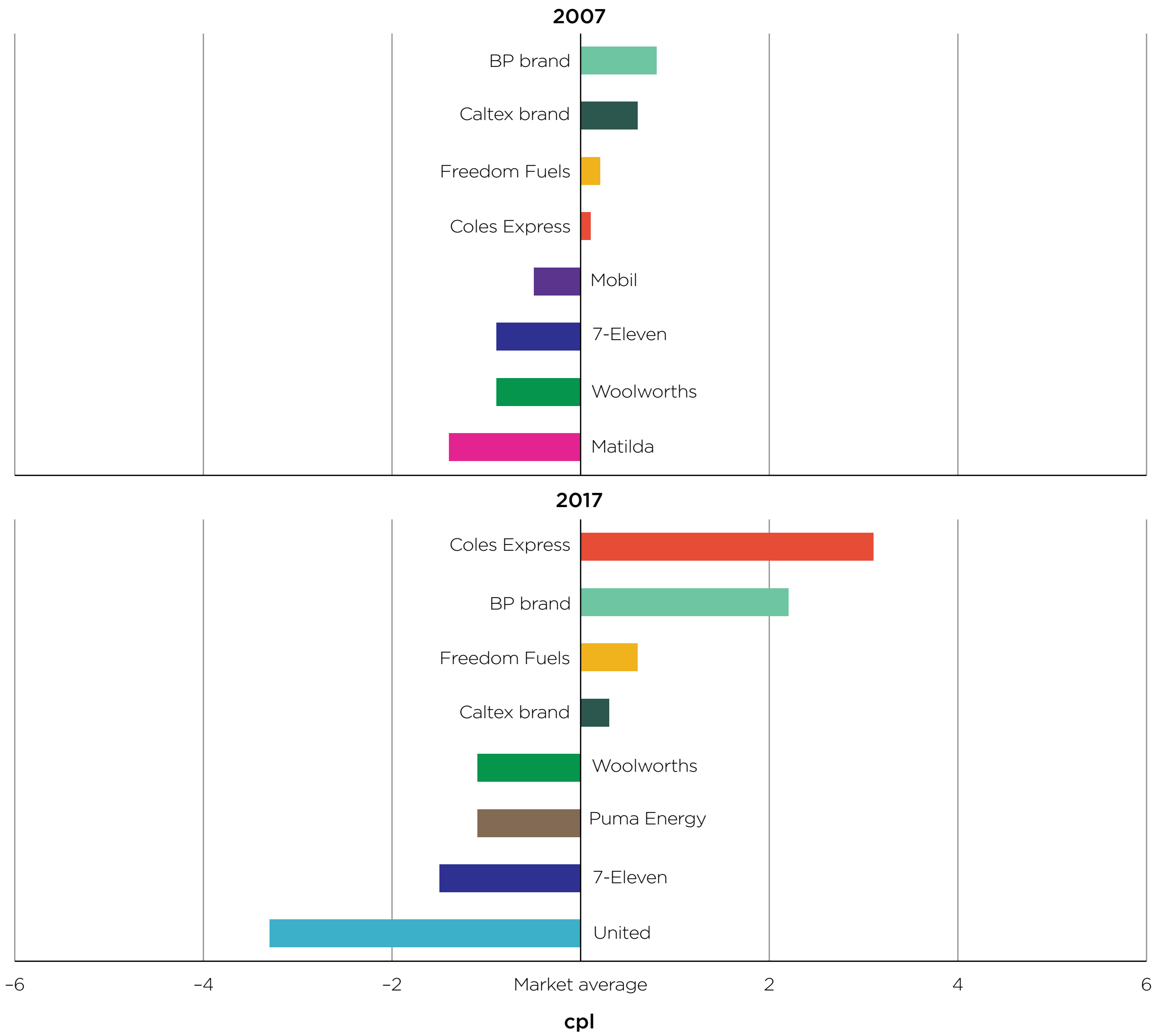
- Woolworths, United and 7-Eleven's average prices were below the market average price in both 2007 and 2017
- BP's average price was above the market average price in both 2017 and 2007.

5.3 Brisbane

In Brisbane, an average retail RULP price for 2007 was calculated for the following: BP, Caltex, Coles Express, Freedom Fuels, Matilda, Mobil, Woolworths and 7-Eleven.

Chart 5.3 shows the difference between each major retailer's annual average RULP price, BP and Caltex brand annual average prices, and the market annual average RULP price in Brisbane in 2007 and 2017.

Chart 5.3: Difference between each major retailer's annual average RULP price, BP and Caltex brand average annual prices, and the market annual average RULP price in Brisbane in 2007 and 2017



Source: ACCC calculations based on Informed Sources data.
Note: Prices were unavailable for United retail sites in 2007.

Chart 5.3 shows that in 2007 in Brisbane:

- Matilda's average price was the lowest (at 1.4 cpl below the market average price of 118.0 cpl) and BP's average price was the highest (at 0.8 cpl above the market average price)
- the average prices of Matilda, Woolworths, 7-Eleven and Mobil were below the market average price

- the average prices of BP, Caltex, Freedom Fuels and Coles Express were above the market average price
- there was a range of 2.2 cpl between the lowest and the highest average prices.

A comparison of 2007 with 2017 shows that:

- the range between the lowest and highest average prices in 2017 (6.4 cpl) was around three times the range in 2007 (2.2 cpl)
- the market annual average price in 2017 was 130.0 cpl and the nominal market annual average price in 2007 was 118.0 cpl[8]
- in 2017, United had the lowest average price, whereas in 2007 Matilda had the lowest average price
- in 2017, Coles Express had the highest average price, whereas in 2007 BP had the highest average price
- the average prices of BP, Caltex, Freedom Fuels and Coles Express were above the market average price in both 2007 and 2017.

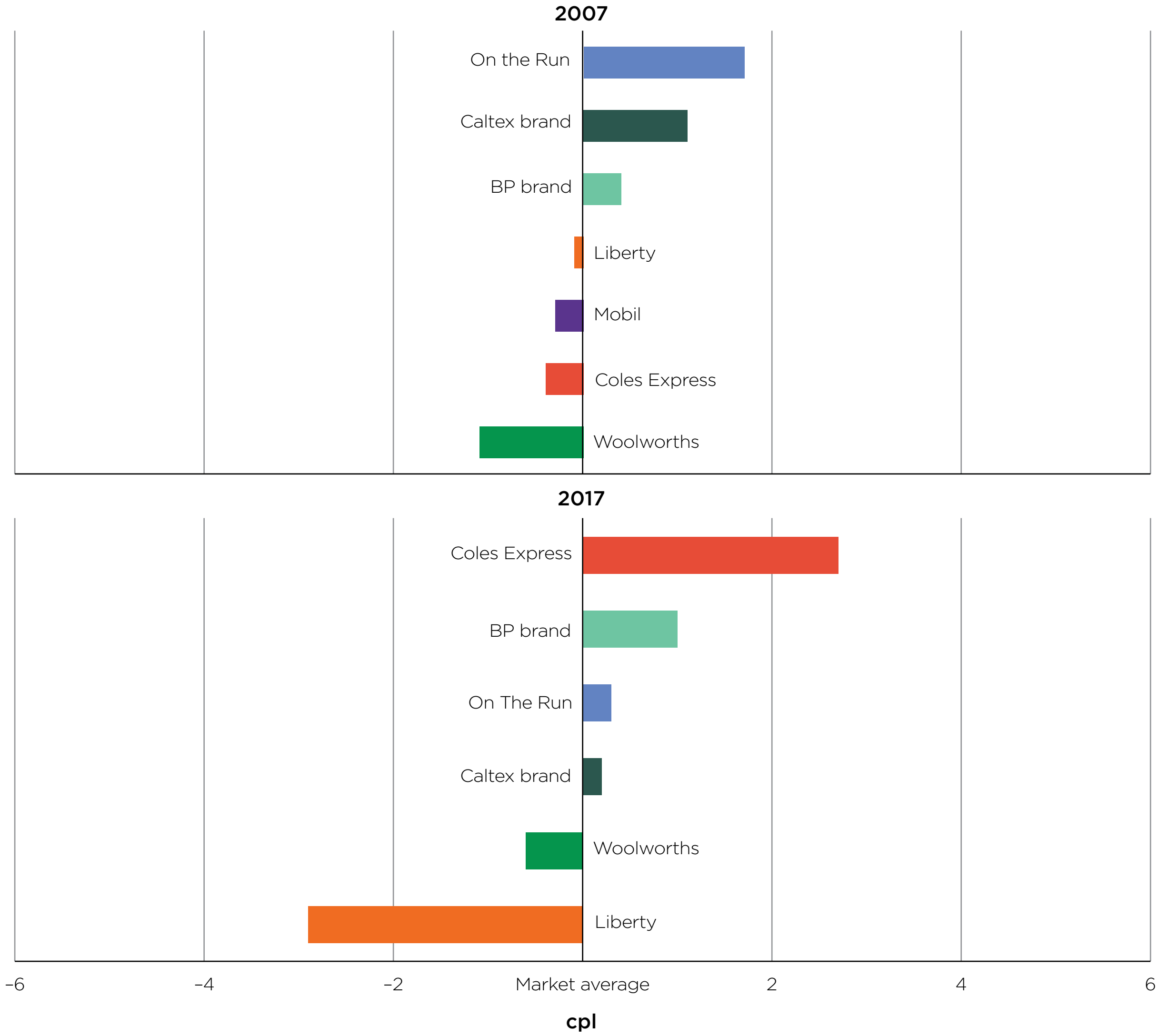
5.4 Adelaide

In Adelaide, an average retail RULP price for 2007 was calculated for the following: BP, Caltex, Coles Express, Liberty, Mobil, On The Run and Woolworths.

Chart 5.4 shows the difference between each major retailer's annual average RULP price, BP and Caltex brand annual average prices, and the market annual average RULP price in Adelaide in 2007 and 2017.

8 Brisbane retail prices were significantly lower than those in the other four cities in 2007, due to the Queensland Government petrol subsidy at the retail level (of around 9.2 cpl, when GST is included). This subsidy ceased from 1 July 2009.

Chart 5.4: Difference between each major retailer's annual average RULP price, BP and Caltex brand annual average prices, and the market annual average RULP price in Adelaide in 2007 and 2017



Source: ACCC calculations based on Informed Sources data.

Chart 5.4 shows that in 2007 in Adelaide:

- Woolworths' average price was the lowest (at 1.1 cpl below the market average price of 124.6 cpl) and On The Run's average price was the highest (at 1.7 cpl above the market average price)
- the average prices of Woolworths, Coles Express, Mobil and Liberty were below the market average price
- the average prices of On The Run, Caltex and BP were above the market average price
- there was a range of 2.8 cpl between the lowest and the highest average prices.

A comparison of 2007 with 2017 shows that:

- the range between the lowest and the highest average prices in 2017 (5.6 cpl) was double the range in 2007 (2.8 cpl)
- the market annual average price in 2017 was 126.3 cpl and the nominal market annual average price in 2007 was 124.6 cpl
- in 2017, Liberty had the lowest average price, whereas in 2007 Woolworths had the lowest average price
- in 2017, Coles Express had the highest average price, whereas in 2007 Coles Express' average price was below the market average price

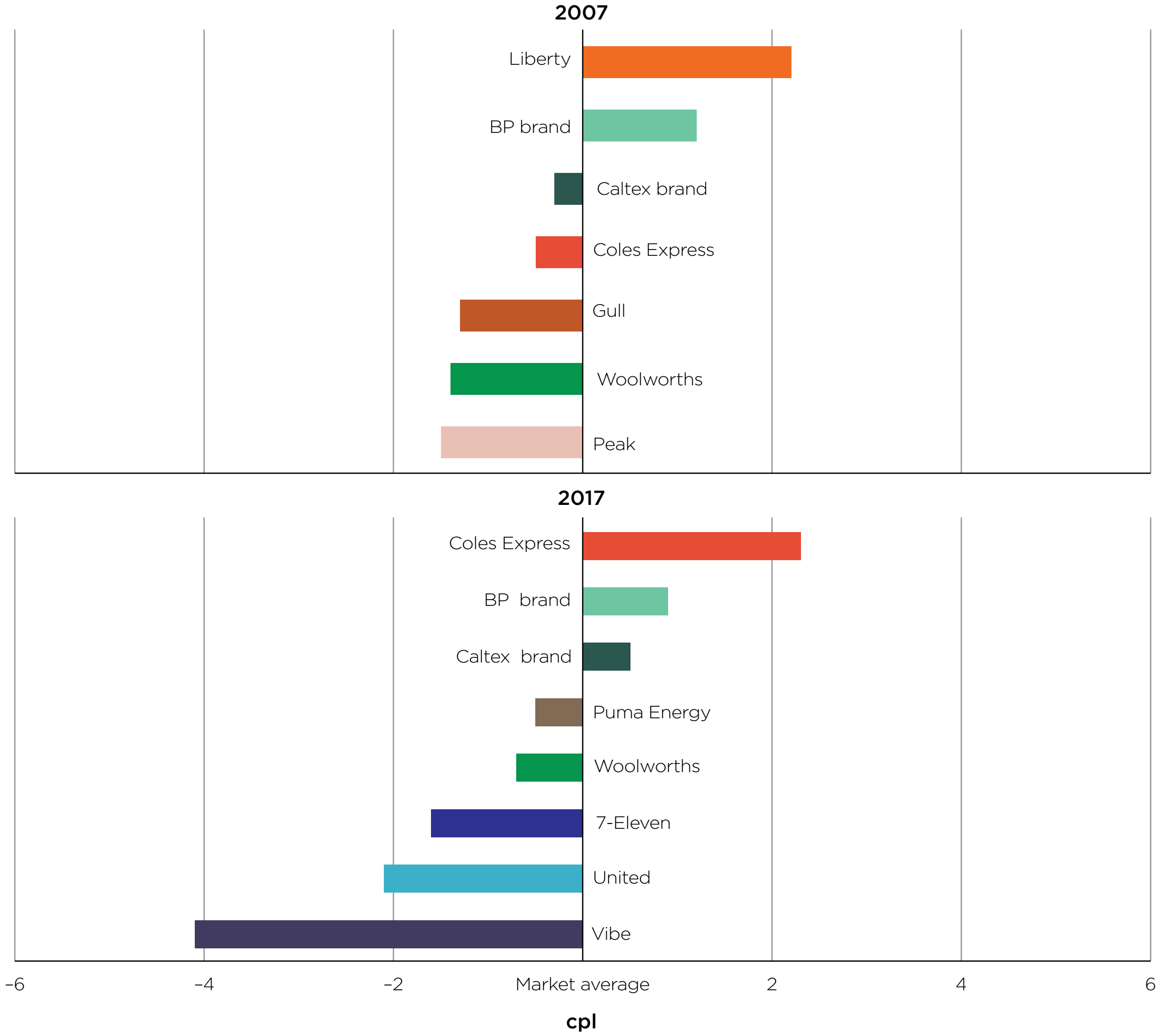
- only Liberty and Woolworths had average prices below the market average price in both 2017 and 2007
- BP, Caltex and On The Run average prices were above the market average price in both 2007 and 2017.

5.5 Perth

In Perth, an average retail RULP price for 2007 was calculated for the following: BP, Caltex, Coles Express, Gull, Liberty, Peak and Woolworths.

Chart 5.5 shows the difference between each major retailer's annual average RULP price, BP and Caltex brand annual average prices, and the market annual average RULP price in Perth in 2007 and 2017.

Chart 5.5:: Difference between each major retailer's annual average RULP price, BP and Caltex brand annual average prices, and the market annual average RULP price in Perth in 2007 and 2017



Source: ACCC calculations based on Informed Sources data.
Note: In 2017 Liberty did not have sufficient retail sites to be included in the analysis.

Chart 5.5 shows that in 2007 in Perth:

- Peak's average price was the lowest (at 1.5 cpl below the market average price of 125.3 cpl) and Liberty's average price was the highest (at 2.2 cpl above the market average price)
- the average prices of Peak, Woolworths, Gull, Coles Express and Caltex were below the market average price

- the average prices of Liberty and BP were above the market average price
- there was a range of 3.7 cpl between the lowest and the highest average prices.

A comparison of 2007 with 2017 shows that:

- the range between the lowest and the highest average prices in 2017 (6.4 cpl) was 2.7 cpl more than the range in 2007 (3.7 cpl)
- the market annual average price in 2017 was 128.5 cpl and the nominal market annual average price in 2007 was 125.3 cpl
- in 2017, Vibe had the lowest average price, whereas in 2007 Peak had the lowest average price
- in 2017, Coles Express had the highest average price, whereas in 2007 Coles Express' average price was below the market average price
- only Woolworths had an average price below the market average price in both 2017 and 2007
- only BP had an average price above the market average price in both 2007 and 2017
- in 2007, Liberty had the highest average price, but in 2017 it did not have sufficient retail sites to be included in the comparison.

5.6 Comparison between 2007 and 2017

A number of significant changes have occurred since 2007 across the five cities.

The range between the lowest and the highest annual average prices was significantly higher in 2017 compared with 2007. In 2017, the average range across the five cities was 6.3 cpl (with the largest range being 9.5 cpl in Sydney and the lowest being 3.6 cpl in Melbourne). In 2007, the average range across the five cities was 2.4 cpl (with the largest range being 3.7 cpl in Perth and the lowest being 1.1 cpl in Melbourne).

Factors that may have contributed to this increasing range include: the increasing duration of the petrol price cycles in most of these cities over the last 10 years and the change in pricing behaviour by Coles Express.

In 2007, the duration of petrol price cycles in the four eastern capitals (i.e. Sydney, Melbourne, Brisbane, Adelaide) was generally weekly, and prices generally tended to trough on the same day each week. In some cities this became known as "cheap Tuesday". In 2017, the duration of petrol price cycles in the four eastern capitals was much less predictable and ranged from 11 days to 61 days. In contrast, in Perth in 2007 the duration of petrol price cycles was generally fortnightly. In 2017, price cycles in Perth regularly had a duration of 7 days.

In 2017, Coles Express was the highest priced retailer in all five cities, whereas in 2007 it was never the highest priced retailer. In 2007, Coles Express' annual average prices were above the market average price in Sydney and Brisbane, below the market average price in Adelaide and Perth and equal to the market average price in Melbourne.

In 2007, BP had the highest average prices in Sydney, Melbourne and Brisbane, with On The Run the highest in Adelaide and Liberty in Perth.

There were also similarities between the two periods.

The annual average prices of the refiner-marketers were above the market annual average price in all or most of the five cities in both 2007 and 2017. BP's average prices were above the market average price in all five cities in both 2007 and 2017, and as noted above, in 2007 BP had the highest average prices in Sydney, Melbourne and Brisbane. Caltex's average prices were above the market average price in Sydney, Brisbane and Adelaide in both 2007 and 2017.

Independent chains were the lowest priced retailers in all of the five cities in 2017 (United in Melbourne and Brisbane, Speedway in Sydney, Liberty in Adelaide and Vibe in Perth). Independent chains also had the lowest average price in Sydney, Brisbane and Perth in 2007 (with Woolworths the lowest in Melbourne and Adelaide).

Woolworths' average prices were below the market annual average price in both 2007 and 2017 in all of the five cities except in Sydney in 2017 when they were equal to the market average price. In 2007, Woolworths' average prices were the lowest in Melbourne and Adelaide.

Appendix A: Methodology

This appendix outlines the methodology used to compile the average retail petrol price data for 2017 and 2007.

The source for prices in this report is ACCC calculations based on Informed Sources data and information provided by some of the major retailers.

2017 price data

In January 2018, the ACCC obtained from Informed Sources monthly and annual average retail petrol prices by major brand in the five largest cities for 2017. Prices were also obtained for other retail sites that had a price available, and these were included in a 'small independents' category.

Data in Melbourne, Brisbane, Adelaide and Perth was for RULP and data for Sydney was for E10.

Informed Sources calculated these prices as follows:

- daily average prices for each retail site were calculated
- these prices were used to calculate monthly and annual averages for each retail site
- these prices were then averaged to calculate an average price for each major brand.

For a retail site to be included in the monthly and annual averages, it had to have a price available for 85 per cent of days during each month or across the year.

Informed Sources obtains site-specific price data by various means, the main ones being:

- electronic transfer from specific retailers that participate in the Oil Price Watch service
- manual collection of prices by drivers
- collection of publicly available data from FuelWatch in Western Australia, and from FuelCheck in New South Wales.

Coles Express ceased to be a member of the Informed Sources Oil Price Watch service in April 2016.

In the case of BP and Caltex retail sites, the ACCC obtained site-specific monthly and annual average prices for each retail site and then, based on its understanding of the operation of these retail sites from information provided by the companies, allocated them into three categories:

- company owned and operated retail sites and commission agent retail sites
  - these are retail sites at which BP and Caltex set the price
  - these are referred to as COCO retail sites in the report
- BP- and Caltex-branded but independently operated chains (i.e. that operate 10 or more retail sites and set the price)
  - these include BP Jasbe in Sydney and Melbourne, and BP AA in Melbourne
- the remaining BP- and Caltex-branded retail sites were included in the 'small independents' category in each city.

In Melbourne, the calculation of the Caltex COCO annual average price was slightly different, to account for Caltex's acquisition of Milemaker retail sites in mid-May 2017.

The ACCC created monthly average prices for Caltex COCO retail sites in 2017, excluding Milemaker sites in the first five months and including them thereafter. The annual average price for Caltex COCO retail sites is an average of the 12 monthly average figures.

2017 retail site data

Retail site data as at 30 June 2017 was derived from the Informed Sources Netwatch database.

This was supplemented by information provided to the ACCC by BP and Caltex about price setters at their respective branded sites as at the end of March 2017. Site numbers would not have changed significantly between then and 30 June 2017.

2007 price data

In 2007, the ACCC received daily average prices by brand for the five largest cities as part of its petrol monitoring arrangements.

The daily average prices were used by the ACCC to calculate annual averages for 2007 for the major retailers. The data in all cities was for RULP.

The 2007 annual average prices for BP and Caltex included all three categories of retail sites for these refiner-marketer brands noted above. To facilitate a like-for-like comparison, the ACCC calculated average prices for all BP and Caltex retail sites in 2017, so that the average prices, and the average difference from the market average, could be compared with the 2007 calculations.