Australian Competition & Consumer Commission

Report on the Australian petroleum market

—March quarter 2017

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Key messages

Retail petrol prices in the five largest cities increased in the March quarter 2017

In the March quarter 2017 average retail petrol prices across the five largest cities (Sydney, Melbourne, Brisbane, Adelaide and Perth) were 129.1 cents per litre (cpl).[1] This was an increase of 7.1 cpl from the December quarter 2016 (122.0 cpl). During the quarter, daily average prices (on a seven day rolling average basis) across the five largest cities were in a 12 cpl band between 123 cpl and 135 cpl.

Quarterly average prices in the March quarter 2017 were the highest since the September quarter 2015 (in both nominal and real terms).

Perth prices were the highest of the five largest cities

Retail prices in Perth were the highest of the five largest cities in the March quarter 2017. The average retail petrol price in Perth in the quarter was 132.1 cpl, which was 3.8 cpl higher than the average across the other four largest cities.

The March quarter 2017 is the first quarter since the cessation of the Queensland fuel subsidy in July 2009 in which Brisbane has not had the highest average prices among the five largest cities.

International crude oil and refined petrol prices were higher following the OPEC cartel agreement

The increase in retail prices in the March quarter 2017 was primarily due to higher international crude oil and refined petrol prices.

The average price of Brent crude oil in the March quarter 2017 was around USD 54 per barrel, an increase of USD 5 per barrel from the average in the December quarter 2016. This increase was influenced by sustained higher prices in January and February 2017 following the production cuts announced by the Organisation of the Petroleum Exporting Countries (OPEC) in late 2016. Brent crude oil prices decreased towards the end of the March quarter 2017, mainly due to increased shale oil output and rising inventories in the United States. Movements in international refined petrol prices followed those in crude oil prices.

In the March quarter 2017 the average AUD–USD exchange rate was largely unchanged from the previous quarter, increasing by USD 0.01 to USD 0.76.

Margins in Perth and Melbourne were the highest since the ACCC began monitoring them

Gross indicative retail differences (GIRDs) are a broad indicator of retail margins. They are calculated by subtracting average wholesale prices (or terminal gate prices (TGPs)) from average retail 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.

TGPs vary across brands and across cities. TGPs reflect the wholesale price of petrol only, and exclude other retail operating costs (such as branding, transportation, and labour). As they do not include costs, GIRDs should not be confused with actual retail profits.

In the March quarter 2017 average GIRDs in the five largest cities increased by 1.0 cpl to 12.3 cpl. They were 0.1 cpl lower than the record high of 12.4 cpl in December quarter 2015. Annual average GIRDs over the four quarters to March 2017 were 11.2 cpl. This was around the same as the average GIRDs over the four quarters to March 2016 (11.1 cpl).

1 In this report references to petrol are to regular unleaded petrol (RULP) unless otherwise specified.

GIRDs in Melbourne, Adelaide and Perth increased in the March quarter 2017, and GIRDs in Sydney and Brisbane decreased. GIRDs in Perth (15.0 cpl) and Melbourne (13.4 cpl) were the highest quarterly average GIRDs in real terms since the ACCC began monitoring them in 2002.

As noted in previous ACCC quarterly reports, a number of retailers have advised the ACCC that the increase in GIRDs may partly reflect actual and anticipated regulatory and compliance costs, especially in NSW. However, the ACCC believes that the increase in GIRDs in recent quarters cannot be adequately explained by the increase in these costs.

More state and territory governments announced measures to promote fuel price transparency

The Northern Territory Government announced in January 2017 that it would introduce MyFuel NT, a territory-wide real-time mandatory retail fuel price reporting scheme (identical to the NSW FuelCheck scheme). The scheme will give consumers free access (via website or mobile app) to live prices from every fuel retailer in the Territory so they can easily search for the cheapest fuel. MyFuel NT is expected to be in place in the second half of 2017.

The Tasmanian Government announced in March 2017 that it would provide a one-off grant of $60 000 to the Royal Automobile Club of Tasmania to support a crowd-sourced Tasmanian fuel price app in partnership with GasBuddy. GasBuddy, which launched in Australia in March 2016, is a free mobile app that provides public access to service station petrol prices sourced from consumer-submitted data.

Filling up at or near the bottom of the petrol price cycle can make a significant difference for motorists

In the last 10 years the average size of the price cycle increase in the five largest cities has more than doubled, from around 9 cpl in 2007 to around 20 cpl in 2016. At some individual retail sites the price increase from trough to peak will be even greater.

In the March quarter 2017 the average price cycle increase across the five largest cities was 19.3 cpl. The average price cycle increase was highest in Adelaide (24.8 cpl) and lowest in Perth (13.2 cpl).

Buying petrol at or near the trough of the price cycle rather than the peak can make a significant difference for motorists. For example, the difference for motorists in Adelaide filling up an average 60-litre petrol tank at the price cycle trough rather than the peak would be in the region of $15.

Motorists can use the range of fuel price websites and apps to help them decide when in the price cycle they buy petrol, and also at which specific site.

The city-country price differential increased

The ACCC monitors fuel prices in all capital cities and around 190 regional locations across Australia. The average differential between prices in these regional locations and prices in the five largest cities in the March quarter 2017 was 5.9 cpl. This was 2.5 cpl higher than the average differential in the December quarter 2016 (3.4 cpl).

The average differential between regional prices and those in the five largest cities over the year to March 2017 was 4.4 cpl. This was 0.9 cpl lower than the annual average city-country differential in the previous year (5.3 cpl).

In March 2017 average prices in 165 regional locations (around 87 per cent of monitored regional locations) were higher than average prices in the five largest cities.

Latest ACCC market study finds that increased transparency is the key to improving competition in the Cairns petrol market

The ACCC's report on the Cairns petrol market was released on 30 May 2017. It is the fourth regional market study to be released by the ACCC, after studies on Darwin, Launceston and Armidale.

The report found that from 2012–13 petrol prices in Cairns were significantly higher than those in the five largest cities. They were also generally higher than in smaller surrounding towns such as Innisfail. The main reasons for the higher prices in Cairns were: higher wholesale prices; higher retail operating costs per litre; higher retail margins on petrol; and higher profits.

A key finding of the study was that the Cairns market lacks a vigorous and effective competitor. Following the introduction of a United retail site in Innisfail in February 2016 with a competitive pricing strategy, retail petrol prices in Innisfail were around 2.5 cpl lower than those in Cairns. This is significant given that Cairns is around 20 times larger than Innisfail.

Greater transparency of petrol prices can also help promote effective price competition and lead to lower prices. Readily available information about current retail petrol prices enables motorists to shop around and purchase fuel at relatively lower priced retail sites. Not only can motorists benefit from those lower prices, but the availability of fuel price data should promote more competitive market behaviour.

The report concluded that if competition among retailers in Cairns was more effective, the ACCC would expect retail petrol prices and margins in the future to be in the region of 4–5 cpl lower than their current levels. This would mean annual savings to motorists in aggregate in Cairns of up to $3 500 000 per year on petrol purchases.

The Cairns report also examined retail margins and profits in Brisbane and found them to be very high. The ACCC will examine the high retail prices, margins and profits in Brisbane in more detail in a separate, short, dedicated report. The ACCC intends to release this report in August 2017.

Darwin petrol prices increased relative to the five largest cities

In November 2015 the ACCC released its first regional market study on the Darwin petrol market. The report noted that the average differential between prices in Darwin and the five largest cities in 2012–13 and 2013–14 was over 19 cpl. Since then, there has been a substantial decrease in the differential—it reached a record low in the June quarter 2016 (-2.0 cpl) and increased to 10.3 cpl in the March quarter 2017. This was 6.3 cpl higher than the December quarter 2016.

The ACCC's Darwin report noted that motorists were paying around 10 cpl more than they should have been in a competitive market. This was based on a comparison of GIRDs in Darwin compared with those in the larger capital cities.

The ACCC has compared actual retail prices in Darwin with estimated retail prices calculated on a competitive cost basis. This calculation reflects the fact that costs (such as freight and operating costs per litre) are higher in Darwin, and assumes that retail margins in Darwin should be broadly similar to long-term average retail margins in the five largest cities.

This competitive cost-based price provides a benchmark against which to compare current price levels. It is not static and will change as its underlying elements change over time. If retail prices are constantly above this benchmark price for a sustained period of time, this may reflect a less competitive market and mean that questions should be asked about those prices to local retailers.

Petrol prices in Darwin are currently below this measure, and have been since around November 2015.

Launceston prices increased significantly in the quarter and remain above a competitive cost-based price

In July 2016 the ACCC released its second market study on the Launceston petrol market. The report found that between 2012–13 and the first half of 2015–16, motorists in Launceston paid on average around 12 cpl more for petrol than motorists in the five largest cities. In the March quarter 2017 this differential was 14.4 cpl, the highest quarterly differential since the December quarter 2014 (17.1 cpl).

In the March quarter 2017 prices in Launceston were 143.5 cpl, an increase of 15.0 cpl from the previous quarter. This increase was more than double the increase in prices in the five largest cities over the same period (7.1 cpl).

A comparison of actual retail prices in Launceston with estimated retail prices calculated on a competitive cost basis shows that Launceston prices remained above this benchmark price. This may reflect the absence of vigorous and effective competition in Launceston.

Armidale prices also increased in the quarter and remain above a competitive cost-based price

In November 2016 the ACCC released its third market study, on the Armidale petrol market. The report found that relatively weak retail competition in Armidale, reflected by a lack of price discounting, contributed to prices being on average 8 cpl higher than those in the five largest cities between 2012–13 and 2014–15.

Quarterly average E10 prices increased by 11.3 cpl in the March quarter 2017. The differential between prices in Armidale and the five largest cities was 11.1 cpl in the March quarter 2017, an increase of 4.2 cpl from the December 2016 quarter.

A comparison of actual retail prices in Armidale with estimated retail prices calculated on a competitive cost basis shows that petrol prices in Armidale are currently above a competitive cost-based price, although the difference between the two prices narrowed in the March quarter 2017.

As result of relatively low taxes, Australia has the fourth-lowest petrol prices in the OECD

In the December quarter 2016 (the latest data available), Australia had the fourth-lowest retail petrol prices among countries in the Organisation for Economic Co-operation and Development (OECD). This applied to both RULP and premium unleaded petrol (PULP) 95. The relatively low rate of taxation on fuel in Australia is the main reason for lower retail petrol prices in Australia.

Once tax is excluded:

- the price of PULP 95 in Australia is the fourth-highest in the OECD out of 33 member countries selling PULP 95
- the price of RULP in Australia is the fifth-highest in the OECD out of 10 member countries selling RULP.

A degree of caution needs to be exercised when comparing international petrol prices, because fuel quality standards differ among countries, as does the availability and use of fuel types.

Diesel and automotive LPG prices increased

Diesel and automotive LPG prices in the five largest cities increased in the March quarter 2017:

- average retail diesel prices increased by 6.0 cpl in the quarter, from 125.2 cpl in the December 2016 quarter to 131.2 cpl in the March quarter 2017
- average retail automotive LPG prices increased by 7.1 cpl in the quarter, from 66.9 cpl in the December quarter 2016 to 74.0 cpl in the March quarter 2017.

1 Developments in the petroleum industry

1.1 Increase in fuel excise

In the 2014–15 Budget the Australian Government announced that it would reintroduce biannual indexation, by the Consumer Price Index, of excise and excise-equivalent customs duty for all fuels except aviation fuels. Under these arrangements excise is generally increased on 1 February and 1 August each year. The announced excise changes took effect from 10 November 2014.

On 1 February 2017 excise on petrol and diesel increased by 0.5 cpl to 40.1 cpl. Excise on automotive LPG increased by 0.2 cpl to 13.1 cpl.[2]

1.2 Promotion of fuel price transparency by state and territory governments

In the March quarter 2017 the Northern Territory and Tasmanian Governments announced measures to promote fuel price transparency.

1.2.1 Northern Territory

On 13 January 2017 the Northern Territory Government announced that it would introduce MyFuel NT, a territory-wide real-time mandatory retail fuel price reporting scheme (identical to the NSW FuelCheck scheme).[3] The scheme will give consumers free access (via website or mobile app) to live data from every fuel retailer in the Territory so they can easily search for the cheapest fuel.

The Northern Territory Treasury released a consultation paper which provided an overview of the Territory Government's proposal to implement MyFuel NT and sought input from stakeholders. The feedback would be used to help inform the development of MyFuel NT, including the design of administrative and technological systems to minimise the compliance burden and maximise utility for consumers. Submissions were due by 3 February 2017.

MyFuel NT is expected to be in place in the second half of 2017.

1.2.2 Tasmania

On 4 March 2017 the Tasmanian Government announced that it would provide a one-off grant of $60,000 to the Royal Automobile Club of Tasmania to support a crowd-sourced Tasmanian fuel price app in partnership with GasBuddy.[4] GasBuddy, which launched in Australia in March 2016, is a free mobile app that provides public access to service station petrol prices sourced from consumer-submitted data.

The Tasmanian Government stated that by using GasBuddy, Tasmanian motorists would easily be able to find timely and accurate fuel prices in their area, and also submit fuel price updates themselves. The Government noted that this arrangement would deliver better fuel price information for Tasmanian motorists without the need for legislation and ongoing costs for taxpayers.

2 Australian Taxation Office, *Excise rates for fuel*, at https://www.ato.gov.au/Business/Excise-and-excise-equivalent-goods/Fuel-excise/Excise-rates-for-fuel/, accessed on 6 June 2017.

3 The Honourable Nicole Manison, Northern Territory Treasurer, *MyFuel NT to give purchase power to Territory consumers*, media release, 13 January 2017, at http://newsroom.nt.gov.au/mediaRelease/22730, and Northern Territory Department of Treasury and Finance, *MyFuel NT Consultation Paper*, 13 January 2017, at http://www.treasury.nt.gov.au/Economy/Pages/MyFuelNT.aspx, accessed on 6 June 2017.

4 Matthew Groom, Minister for State Growth, *Win for motorists with fuel price app*, media release, 4 March 2017, at http://www.premier.tas.gov.au/releases/win_for_motorists_with_fuel_price_app, accessed on 6 June 2017.

1.2.3 New South Wales

On 24 February 2017 the New South Wales (NSW) Government announced that its online, real-time fuel price monitoring system FuelCheck had reached 1.3 million hits in February 2017, six months after it was introduced in August 2016.[5]

Analysis by the NSW Government of FuelCheck data over its first six months of operation showed that compared with major brands, independents and small petrol retailers remain the best value for consumers.

FuelCheck is an online tool providing consumers with real-time fuel price information covering every retail site across NSW.[6] It is accessible on any device connected to the internet, including smartphones, tablets, desktop computers and laptops. FuelCheck enables NSW motorists to: find the cheapest fuel being sold anywhere in NSW; get directions to any retail site in NSW; search for fuel by type or brand; and submit a complaint to NSW Fair Trading if the price at the pump does not match what is shown on FuelCheck.

1.3 Ethanol mandates

1.3.1 Queensland

The Queensland ethanol mandate took effect from 1 January 2017. The mandate requires that 3 per cent of the total volume of RULP sales and ethanol-blended fuel sales by liable retailers must be bio-based petrol, such as E10 (i.e. RULP with up to 10 per cent ethanol). The ethanol mandate will increase to 4 per cent from 1 July 2018.[7]

1.3.2 NSW

In NSW, the *Biofuels Act 2007* prescribes that 6 per cent of all petrol sold in NSW by 'volume fuel retailers' be ethanol, and that 2 per cent of all diesel sold be biodiesel.[8] In December 2015 the NSW Government announced that reforms would be introduced to improve the retail fuel industry's performance against the biofuels mandates. These reforms took effect from 1 January 2017.

The key reforms include:

- The new laws apply to 'volume fuel retailers'. A volume fuel retailer is a person or business who: operates or controls one or more volume fuel service stations (i.e. a service station that sells three or more types of petrol or diesel and sells more than 900 000 litres of petrol and diesel per quarter, in two consecutive quarters); or operates or controls the operation of 20 or more service stations, none of which are volume fuel service stations.
- Volume fuel retailers are required to meet the ethanol mandate; the biodiesel mandate; and a requirement to ensure that a petrol-ethanol blend, such as E10, is available for retail customers and is as accessible as any other type of petrol offered at the service station.
- Service stations selling four or fewer fuel types must list all their fuel prices on the price board, and service stations selling more than four fuel types must list a minimum of four fuel prices. It is mandatory to list the price of E10, LPG or diesel if these are offered for sale at the service station, but otherwise the service station operator is free to choose which fuels are listed on the price board.
  - The previous requirement to display the top-selling fuels no longer applies.

5 Matt Kean MP, Minister for Innovation and Better Regulation, *FuelCheck a hit with NSW Motorists*, media release, 24 February 2017, at https://www.finance.nsw.gov.au/about-us/media-releases/fuelcheck-hit-nsw-motorists, accessed on 6 June 2017.

6 Victor Dominello MP, NSW Minister for Innovation and Better Regulation, *Real Time Fuel Price Website Empowers Motorists*, media release, 24 August 2016, at https://www.finance.nsw.gov.au/about-us/media-releases/real-time-fuel-price-website-empower-motorists, accessed on 6 June 2017.

7 Queensland Department of Energy and Water Supply, *Queensland biofuel mandate*, https://www.dews.qld.gov.au/electricity/renewables/fuels/mandate, accessed on 6 June 2017.

8 New South Wales Department of Fair Trading, *Service stations biofuels requirements*, at http://www.fairtrading.nsw.gov.au/ftw/Businesses/Specific_industries_and_businesses/Service_stations.page, accessed on 6 June 2017.

- The price listed on the fuel price board must be the standard retail price. This means the price available to anyone (without discounts or other special offers) expressed as the price per litre.

1.3.3 NSW IPART ethanol monitoring issues paper

On 16 March 2017 the NSW Independent Pricing and Regulatory Tribunal (IPART) released an issues paper seeking comments on its proposed approach to monitoring the wholesale and retail markets for ethanol used in fuel blends like E10.[9]

Under the *Biofuels Act 2007*, IPART determines a wholesale price for ethanol based on an estimated import price for ethanol. IPART is also required to monitor the retail market for E10 and report on the effect of its determinations.

IPART's proposed approach to monitoring will observe retail prices for E10 and consider any changes in the petrol and wholesale ethanol markets to ensure its pricing methodology remains appropriate. IPART also proposes to compare wholesale and retail margins on RULP and E10, and to seek information from fuel wholesalers and ethanol producers.

IPART will release a draft report on its findings in October 2017 and will seek submissions before providing a final report to the Minister for Innovation and Better Regulation by December 2017.

1.4 Productivity Commission report on the regulation of Australian agriculture

On 28 March 2017 the Productivity Commission released a report following its inquiry into the regulation of Australian agriculture.[10] The inquiry focused on regulations that have a material impact on the competitiveness and productivity of Australian agriculture.

The report examined arrangements to support the biofuel industry, including excise arrangements and ethanol mandates. It concluded that:

> *... these arrangements deliver negligible environmental benefits and impose unnecessary costs on farmers and the community. The Australian, New South Wales and Queensland Governments should remove these arrangements by the end of 2018.*[11]

1.5 Fuel price boards

In the March quarter 2017 the Northern Territory and Queensland governments announced measures relating to fuel price boards.

Western Australia, NSW, South Australia and Victoria currently have legislation relating to fuel price boards.

1.5.1 Northern Territory

The Northern Territory MyFuel NT scheme was announced on 13 January 2017. It proposes to introduce minimum standards for retail fuel price display boards that will prohibit retailers displaying conditionally discounted prices. However, discount advertisements will still be permitted.

9 Independent Pricing and Regulatory Tribunal, *IPART seeks comment on ethanol market monitoring*, media release, 16 March 2017, at https://www.ipart.nsw.gov.au/Home/Industries/Transport/Reviews/Ethanol/Ethanol-market-monitoring/16-Mar-2017-Media-Release/Media-Release-Ethanol-market-monitoring-March-2017, accessed on 6 June 2017.

10 Productivity Commission, *Regulation of Australian Agriculture, Inquiry Report No. 79, 15 November 2016*, at http://www.pc.gov.au/inquiries/completed/agriculture/report/agriculture.pdf, accessed on 6 June 2017.

11 ibid., p. 42.

1.5.2 Queensland

On 26 February 2017 the Queensland Government announced that it has commenced community and industry consultation on fuel price board reform.[12] The government plans to ban the display of discounted prices on fuel price boards. The new regulations are expected to be signed off by mid-year and service station owners will have six months to implement the changes which would take effect from 1 January 2018.

12 The Honourable Mark Bailey, Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply, *Fuel price board reforms to protect motorists and end real price confusion*, media release, 26 February 2017, at http://statements.qld.gov.au/Statement/2017/2/26/fuel-price-board-reforms-to-protect-motorists-and-end-real-price-confusion, accessed on 6 June 2017.

2 ACCC activities

2.1 ACCC and the petrol industry

The main role of the ACCC is to enforce the *Competition and Consumer Act 2010* (the Act) across the Australian economy, including the fuel industry. The ACCC's activities under the Act include enforcement and compliance, mergers and acquisitions assessments, authorisations and notifications, and administration of the Oilcode.

Wholesale and retail petrol prices in Australia are determined by market forces. Through its petrol monitoring reports, market studies and other information channels, the ACCC promotes transparency in the Australian petroleum industry and improved public awareness of the factors that determine retail petrol prices.

2.2 Activities during the March quarter 2017

2.2.1 Regional petrol market studies

The in-depth regional market studies aim to explain why petrol prices are higher in certain regional locations and where profit is being made in the petrol supply chain. The ACCC uses its mandatory information gathering powers to obtain relevant information for the studies.

Work continued in the March quarter 2017 on the Cairns petrol market study, which was the fourth regional market study after Darwin, Launceston and Armidale.

2.2.2 Monitoring of fuel price information sharing undertakings

In the March quarter 2017, the ACCC continued to monitor the undertakings provided by Informed Sources (Australia) Pty Ltd (Informed Sources) and petrol retailers in 2015. The undertakings require that Informed Sources will not supply a petrol price information exchange service unless it makes available the same retail petrol price information that it provides to petrol retailers to:

- Australian consumers
- third party information service providers, consumer organisations, motorist organisations, research organisations and regulatory agencies carrying on business or operating in Australia, on reasonable commercial terms.

Site-specific, near real-time data has been available to consumers through Informed Sources' MotorMouth app since 20 May 2016 and is also available through third party organisations.

The purpose of the undertakings is to reduce the potential for adverse effects on competition arising from the exchange of near real-time retail price information between petrol retailers by assisting consumers to make more informed decisions about when and where to purchase petrol.

2.2.3 Assessment of proposed mergers in the Australian fuel retail market

BP—proposed acquisition of Woolworths Limited's network of retail service station sites

On 10 March 2017, the ACCC commenced a review of BP Australia Pty Ltd's (BP) proposed acquisition of Woolworths Limited's (Woolworths) network of retail service station sites. The ACCC has set a provisional date of 13 July 2017 to announce its decision on the review. This decision may be a final decision or a release of a Statement of Issues.

BP supplies fuel to approximately 1400 BP-branded service stations throughout Australia. Of these sites, BP or its agents control (and set the retail price at) 347 sites.[13] At the remaining sites (approximately 1050), prices are set independently by third-party site operators.

Woolworths' retail fuel business currently operates in a co-branded alliance with Caltex Australia Petroleum Pty Ltd (Caltex)—both as a wholesale fuel customer of Caltex, and as an alliance

13 BP sets the price of diesel only at a further 34 diesel commission agency sites.

partner with Caltex in the redemption of shopper docket fuel discounts. Woolworths' retail fuel business currently operates 528 sites throughout Australia.

On 28 April 2017, BP made an application for authorisation on behalf of Woolworths and BP Resellers for conduct relating to certain elements of a proposed commercial alliance between BP and Woolworths. The application relates to Woolworths' shopper docket discount scheme, the Woolworths Loyalty Rewards Program, and BP and Woolworths' plans to establish a co-branded retail convenience store offering on certain BP service station sites, to be known as Metro@BP. The ACCC anticipates publishing a final determination in September or October 2017.

Caltex proposed acquisition of assets from Milemaker Petroleum

The ACCC also reviewed the acquisition of Milemaker Petroleum Pty Ltd by Caltex during the quarter. This review was completed after the end of the quarter, and is discussed further in section 2.3.

2.2.4 Stakeholder engagement and communications activity

In the March quarter 2017 the ACCC responded to fuel-related media enquiries on price and competition issues. Responses were also prepared for Ministerial and other correspondence on fuel-related competition and consumer matters, including fuel price movements in regional and metropolitan locations and the ACCC's current fuel monitoring activities.

In the quarter the fuel-related pages on the ACCC website received 103 284 page views. Of this total the petrol price cycle webpage received 84 915 page views, making it the second most viewed page on the ACCC website in the quarter.

2.3 ACCC decided to not oppose Caltex's proposed acquisition of Milemaker

On 17 November 2016, the ACCC commenced a review of Caltex's proposed acquisition of the retail petrol business of Milemaker Petroleum Pty Ltd in Victoria. On 4 May 2017 the ACCC announced its decision to not oppose the proposed acquisition.

Caltex is involved in the importation, production, wholesale distribution and retail supply of fuel in Australia. Milemaker operated 47 service stations in Victoria which trade under the Caltex brand but operate independently of Caltex. Milemaker proposed to sell 46 sites to Caltex, and retain one.

After extensive analysis, the ACCC concluded that Milemaker contributed to downwards pressure on fuel prices in Melbourne, and the proposed acquisition would be likely to remove that contribution. However there were also several other vigorous competitors with more sites in Melbourne than Milemaker. The ACCC concluded that the presence of those other retailers should limit the loss of competition and maintain competitive pressure.

2.4 Cairns petrol market study

On 30 May 2017 the ACCC released its fourth regional petrol market study, which examined the Cairns petrol market.[14] It is based on extensive analysis of a large amount of data from the companies operating in Cairns, obtained under the compulsory gathering powers of the Act. The key points of the Cairns petrol report are provided in appendix A.

The ACCC will now review the overall lessons learned from the four regional market studies and how they may apply in other locations, and will aim to conclude this work by the end of this year.

The Cairns report also examined retail margins and profits in Brisbane and found them to be very high. The ACCC will examine the high retail prices, margins and profits in Brisbane in more detail in a separate, short, dedicated report. The ACCC intends to release this report in August 2017.

14 ACCC, *Cairns drivers hit by high petrol profits*, media release, 30 May 2017, at https://www.accc.gov.au/media-release/cairns-drivers-hit-by-high-petrol-profits.

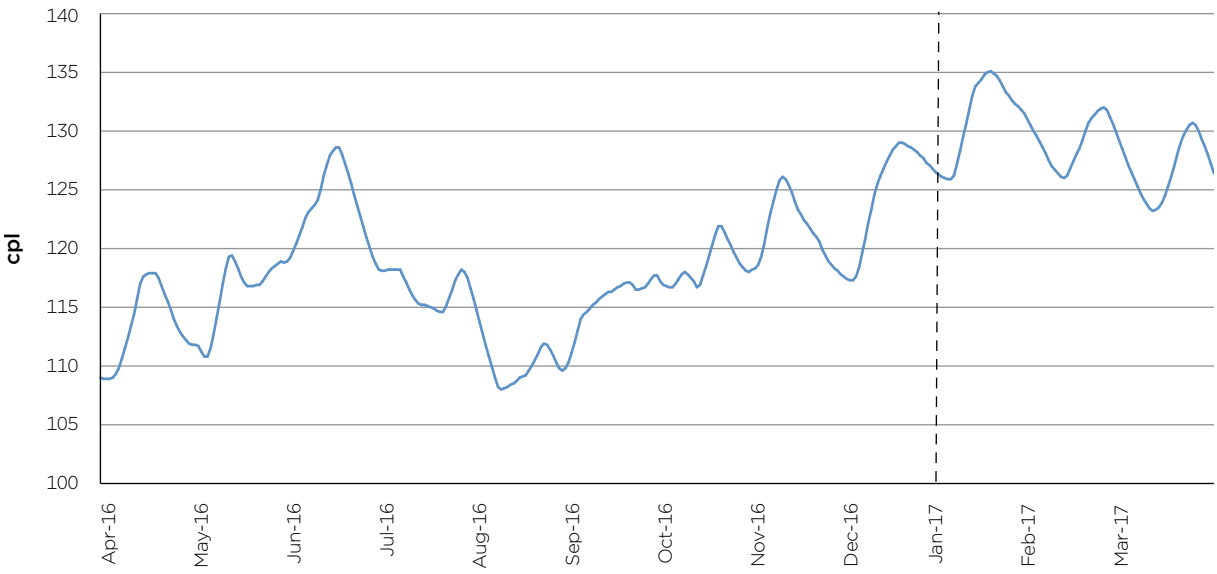
3 Retail petrol price movements in the capital cities

This chapter focuses on petrol prices across the five largest cities (Sydney, Melbourne, Brisbane, Adelaide and Perth).[15] It also examines retail prices in the three smaller capital cities (Canberra, Hobart and Darwin). Petrol prices in regional locations across Australia are discussed in chapter 4.

3.1 Retail prices over the year to March 2017

Chart 3.1 shows that seven-day rolling average retail petrol prices in the five largest cities steadily increased from a low of 108.0 cpl in August 2016 to a high of 135.1 cpl in January 2017.

Chart 3.1: Seven-day rolling average retail petrol prices in the five largest cities: 1 April 2016 to 31 March 2017[16]



Source: ACCC calculations based on FUELtrac data.

Note: The area to the right of the dotted vertical line in this and subsequent charts represents the March quarter 2017.

In the March quarter 2017 seven-day rolling average prices varied between 123 cpl and 135 cpl. Quarterly average prices were 129.1 cpl, an increase of 7.1 cpl from the December quarter 2016. Quarterly average prices in the March quarter 2017 were the highest since the September quarter 2015 (in both nominal and real terms).

3.2 Retail prices compared with Mogas 95 prices

Retail petrol prices in Australia are primarily determined by international refined petrol prices. The relevant benchmark is the price of Singapore Mogas 95 Unleaded (Mogas 95).

Chart 3.2 shows that retail petrol prices in the five largest cities and Mogas 95 prices moved in a broadly similar pattern in the year to March 2017.

15 From 1 July 2014 the ACCC has used E10 prices instead of RULP prices for Sydney in the average price for the five largest cities.

16 A seven-day rolling average price is the average of the current day's price and prices on the six previous days. Traditionally, the ACCC has used a seven-day rolling average to smooth out the influence of petrol price cycles in the larger capital cities on price movements. This has been less effective in recent years because the duration of price cycles in most of the larger capital cities has become significantly greater than seven days.

Chart 3.2: Monthly average retail petrol prices in the five largest cities and Mogas 95 prices: April 2016 to March 2017

Source: ACCC calculations based on FUELtrac, Platts and RBA data.

In the year to March 2017:

- monthly average Mogas 95 prices varied by 15.4 cpl, from a low of 43.5 cpl in July 2016 to a high of 58.9 cpl in January 2017
- monthly average retail prices in the five largest cities varied by 21.8 cpl, from a low of 109.9 cpl in August 2016 to a high of 131.7 cpl in January 2017.

Quarterly average Mogas 95 prices were 56.4 cpl in the March quarter 2017, which was 3.6 cpl higher than the previous quarter.

More detail on recent movements in international refined petrol prices is provided in chapter 5.

3.3 Gross indicative retail differences

Average gross indicative retail differences (GIRDs) in the five largest cities were 12.3 cpl in the March quarter 2017, an increase of 1.0 cpl from the previous quarter. They were 0.1 cpl lower than the record high of 12.4 cpl in December quarter 2015.

GIRDs 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. While not many wholesale transactions occur at the TGP, they can be regarded as indicative wholesale prices. TGPs vary across companies and across cities. TGPs reflect the wholesale price of petrol only, and exclude other retail operating costs (such as branding, transportation, and labour). While GIRDs should not be confused with actual retail profits, they are a broad indicator of gross retail margins.

Quarterly average GIRDs in the March quarter 2017 were the highest since the December quarter 2015, when they were 12.4 cpl (the highest since the ACCC began monitoring them in 2002).

Table 3.1 shows that, in the five largest cities over the year to March 2017:

- Average GIRDs in the March quarter 2017 were highest in Perth (15.0 cpl), followed by Melbourne (13.4 cpl) and Brisbane (13.2 cpl).
  - GIRDs in Perth and Melbourne were the highest in real terms since the ACCC began monitoring them in 2002.
- Sydney had the lowest GIRDs in the March quarter 2017 (9.2 cpl). Adelaide had the second-lowest GIRDs (10.7 cpl).

- Quarterly average GIRDs varied significantly over the period and across cities, ranging from a high of 15.0 cpl (in Perth in the March quarter 2017) to a low of 8.1 cpl (in Adelaide in the June quarter 2016).
- Average GIRDs over the year to March 2017 were 11.2 cpl. This was around the same as the average GIRDs over the year to March 2016 (11.1 cpl).
  - They were highest in Brisbane (13.2 cpl) and lowest in Adelaide (9.4 cpl).

As noted in previous ACCC quarterly reports, a number of retailers have advised the ACCC that the increase in GIRDs may partly reflect actual and anticipated regulatory and compliance costs, especially in NSW.[17] However, the ACCC believes that the increase in GIRDs in recent quarters cannot be totally explained by the increase in these costs.

17 As noted in the *Report on the Australian petroleum market September quarter 2016* (page 1), these costs included: clean air regulations; underground petroleum storage systems regulations; the ethanol mandate; FuelCheck; and fuel price board specifications. Retailers also mentioned regulatory costs associated with the Queensland ethanol mandate, other costs associated with capital expenditure to maintain or upgrade sites, and increases in operating costs, freight and litigation.

Table 3.1: Quarterly average retail petrol prices, TGPs and GIRDs in the five largest cities: June quarter 2016 to March quarter 2017

Location	Quarter	Retail prices cpl	TGPs cpl	GIRDs cpl
Five largest cities	Jun-16	118.0	107.0	11.0
	Sep-16	114.2	103.8	10.4
	Dec-16	122.0	110.7	11.3
	Mar-17	129.1	116.8	12.3
	Year to Mar 2017	**120.8**	**109.5**	**11.3**
Sydney	Jun-16	117.4	106.1	11.3
	Sep-16	114.0	103.0	11.0
	Dec-16	119.7	109.7	10.0
	Mar-17	124.8	115.6	9.2
	Year to Mar 2017	**119.0**	**108.6**	**10.4**
Melbourne	Jun-16	119.2	107.0	12.2
	Sep-16	113.8	103.8	10.0
	Dec-16	123.0	110.7	12.3
	Mar-17	130.2	116.8	13.4
	Year to Mar 2017	**121.5**	**109.5**	**12.0**
Brisbane	Jun-16	122.2	107.4	14.8
	Sep-16	115.2	104.2	11.0
	Dec-16	125.1	111.1	14.0
	Mar-17	130.5	117.3	13.2
	Year to Mar 2017	**123.2**	**110.0**	**13.2**
Adelaide	Jun-16	115.2	107.1	8.1
	Sep-16	113.1	103.9	9.2
	Dec-16	120.3	110.8	9.5
	Mar-17	127.7	117.0	10.7
	Year to Mar 2017	**119.1**	**109.7**	**9.4**
Perth	Jun-16	116.0	107.4	8.6
	Sep-16	114.8	104.2	10.6
	Dec-16	122.0	111.2	10.8
	Mar-17	132.1	117.1	15.0
	Year to Mar 2017	**121.2**	**110.0**	**11.2**

Source: ACCC calculations based on data from FUELtrac, BP, Caltex, Mobil, Viva Energy and WA FuelWatch.
Note: Retail prices, TGPs and GIRDs in Sydney are for E10.

3.4 Price cycles in the five largest cities

Retail petrol prices in the five largest cities in Australia move in cycles. These price cycles do not generally occur in the three smaller capital cities or in most regional locations. Price cycles are the result of the pricing policies of fuel retailers and the competitive dynamic between them. They only occur at the retail level; wholesale prices do not exhibit similar cyclical movements.

3.4.1 Number of price cycles in the year to March 2017

Table 3.2 shows that over the year to March 2017 the number of price cycles each quarter was relatively stable in all cities except for Sydney. Sydney had two cycles in the March quarter 2017, half the number in each of the previous three quarters. Melbourne had nine price cycles over the year to March 2017, the lowest number of any city. Perth had the most price cycles: it had a regular weekly cycle for the whole year.

Table 3.2 Number of price cycles per quarter in the five largest cities: June quarter 2016 to March quarter 2017

Quarter	Sydney	Melbourne	Brisbane	Adelaide	Perth
Jun-16	4	3	3	4	13
Sep-16	4	2	2	3	13
Dec-16	4	2	3	3	13
Mar-17	2	2	2	3	13
Year to Mar 2017	**14**	**9**	**10**	**13**	**52**

Source: ACCC calculations based on FUELtrac data.

3.4.2 Price cycle increases in the year to March 2017

In the last 10 years the average price cycle increase in the five largest cities has more than doubled, from around 9 cpl in 2007 to around 20 cpl in 2016. At some individual retail sites the price increase from trough to peak will be even greater.

In the March quarter 2017 the average price cycle increase across the five largest cities was 19.3 cpl. The average price cycle increase was highest in Adelaide (24.8 cpl) and lowest in Perth (13.2 cpl). Motorists in Adelaide filling up an average 60-litre petrol tank at the price cycle trough rather than the peak could save in the region of $15 per tank.

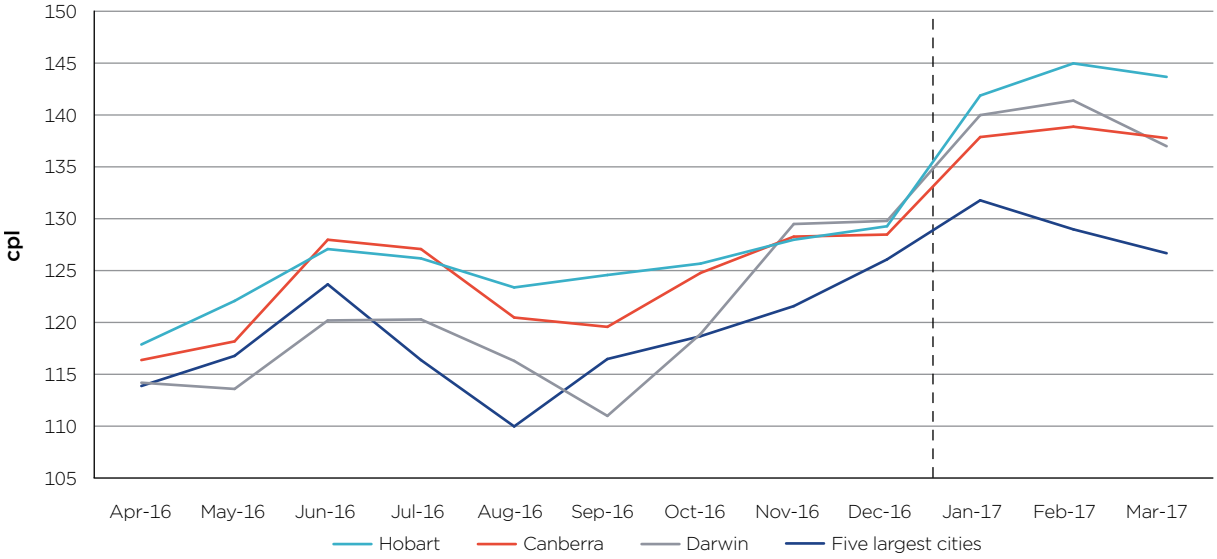
3.5 Prices in the three smaller capital cities

The differential between retail petrol prices in the three smaller capital cities (Canberra, Darwin and Hobart) and the five largest cities was very high in the March quarter 2017.

Chart 3.3 shows that in the year to March 2017 monthly average retail petrol prices:

- in Hobart and Canberra were always higher than in the five largest cities
- in Darwin were generally higher than those in the five largest cities, but in May, June and September 2016 they were lower
  - in September 2016 Darwin prices were 5.3 cpl lower than the five largest cities, which was the lowest price relative to the five largest cities since the ACCC began monitoring Darwin prices in 2004
- in Hobart were the highest of the smaller capital cities in eight of the last 12 months.

Chart 3.3: Monthly average retail petrol prices in Canberra, Hobart and Darwin and the five largest cities: April 2016 to March 2017



Source: ACCC calculations based on FUELtrac data.

In the March quarter 2017 average retail prices in:

- Hobart were 143.4 cpl, or 14.3 cpl higher than in the five largest cities (129.1 cpl)
- Canberra were 138.1 cpl (9.0 cpl higher)
- Darwin were 139.4 cpl (10.3 cpl higher).

Factors that may lead to relatively higher prices in Canberra, Hobart and Darwin are similar to those factors influencing prices in regional locations outlined in section 4.1.

Recent movements in Darwin retail prices are discussed further in section 4.4.

3.6 Retail prices of the different petrol grades

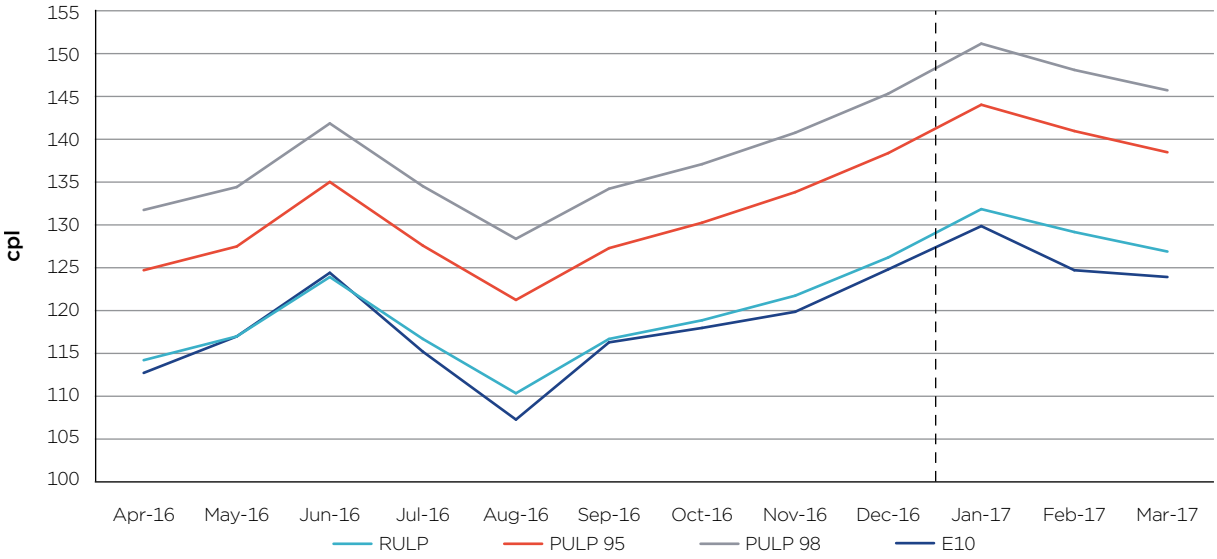
Chart 3.4 shows that retail prices of the different grades of unleaded petrol—RULP, PULP 95, PULP 98 and E10—all moved in a similar manner over the year to March 2017.[18]

Monthly average prices reached a 12-month high in January 2017 for all grades. They were:

- 130.0 cpl for E10
- 132.0 cpl for RULP
- 144.3 cpl for PULP 95
- 151.5 cpl for PULP 98.

18 E10 prices are for Sydney, Melbourne and Brisbane only. RULP prices in Sydney are used in section 1.6 to calculate average RULP prices in the five largest cities.

Chart 3.4 Monthly average retail prices of RULP, PULP 95, PULP 98 and E10 in the five largest cities: April 2016 to March 2017



Source: ACCC calculations based on FUELtrac data.

In the March quarter 2017 the average differential in the five largest cities between:

- RULP and PULP 95 prices was 12.0 cpl (an increase of 0.1 cpl from the previous quarter)
- RULP and PULP 98 prices was 19.3 cpl (an increase of 0.4 cpl)
- E10 and RULP prices was 3.1 cpl (an increase of 1.6 cpl).

Retail prices of the different grades of petrol move in a similar manner because they are all influenced by international refined petrol benchmark prices (which in turn predominantly move in line with changes in the price of crude oil).

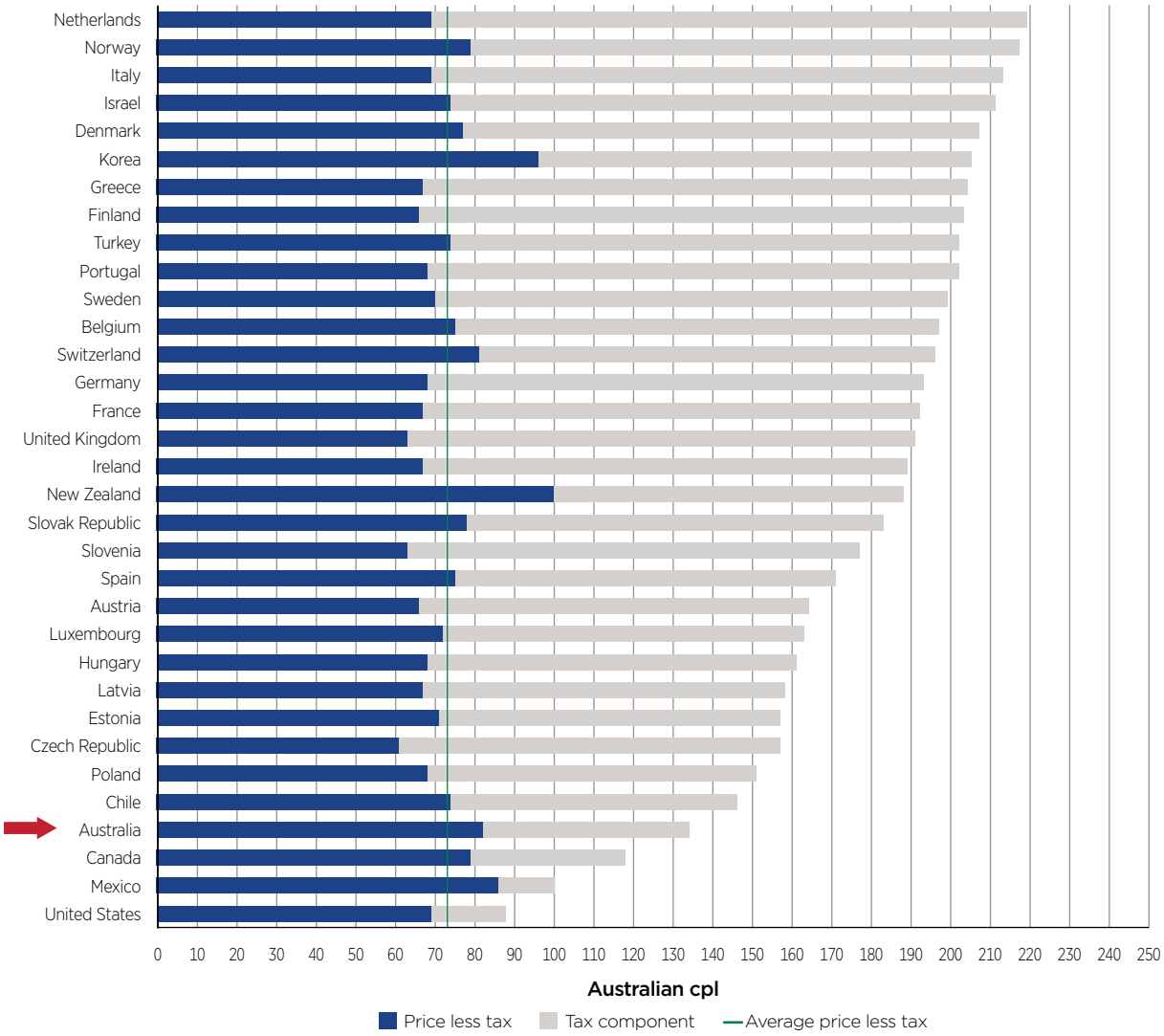
However, the price differentials between the various types of petrol vary over time. For example, retailers will generally set the price of PULP at a fixed premium to RULP. Premiums are adjusted from time to time in response to factors such as changes in international benchmark differentials and local supply and demand conditions.

3.7 Petrol prices in Australia and other OECD countries

Compared with other developed countries Australia's retail petrol prices are relatively low. However, a degree of caution needs to be exercised when comparing international petrol prices, because fuel quality standards differ among countries, as does the availability and use of fuel types.

Chart 3.5 shows average retail PULP 95 prices—both including and excluding taxes—among 33 countries in the Organisation for Economic Cooperation and Development (OECD) in the December quarter 2016 (the latest data available). It shows that of these countries Australia had the fourth-lowest retail PULP 95 prices.

Chart 3.5: Average retail PULP 95 prices and taxes in OECD countries: Australian cpl, December quarter 2016



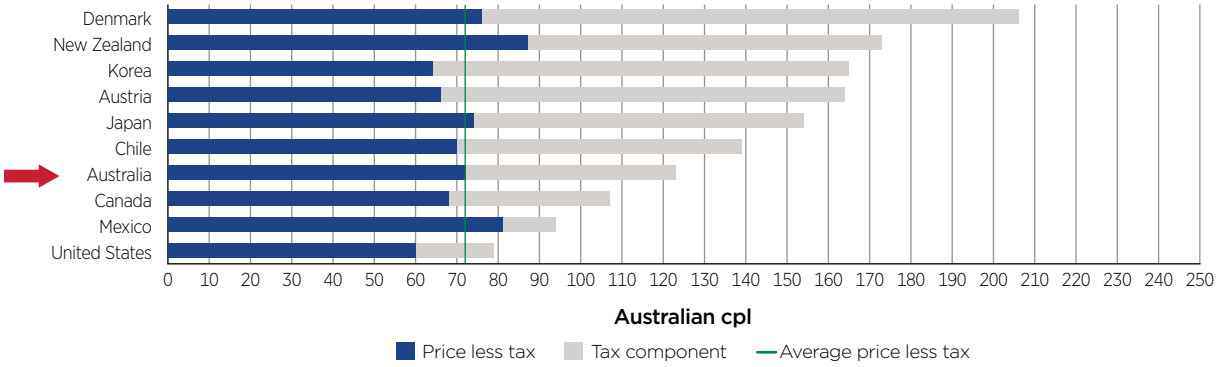
Source: Department of the Environment and Energy, *Australian Petroleum Statistics*, issue 248, March 2017.

Notes: All international prices shown are for PULP 95 RON, except for New Zealand (96 RON).

The main reason for the lower retail petrol prices in Australia is the relatively low rate of taxation on fuel. In the December quarter 2016 taxes made up around 39 per cent of retail PULP 95 prices in Australia. This is much lower than in many OECD countries: the average tax component on PULP 95 prices in the OECD was around 59 per cent in the December quarter 2016. Excluding taxes, PULP 95 prices in Australia were fourth-highest of the OECD countries.

Chart 3.6 shows average retail RULP prices—both including and excluding taxes—among 10 OECD countries in the December quarter 2016. In the majority of OECD countries RULP is not sold in significant quantities. The chart shows that, as with PULP 95, Australia had the fourth-lowest retail RULP prices in the OECD. Excluding taxes, RULP prices in Australia were fifth-highest of the OECD countries.

Chart 3.6: Average retail RULP prices and taxes in OECD countries: Australian cpl, December quarter 2016



Source: Department of the Environment and Energy, *Australian Petroleum Statistics*, issue 248, March 2017.

4 Retail petrol price movements in regional locations

The ACCC monitors fuel prices in all capital cities and around 190 regional locations across Australia. These locations are identified in appendix B.

4.1 Influences on regional petrol prices

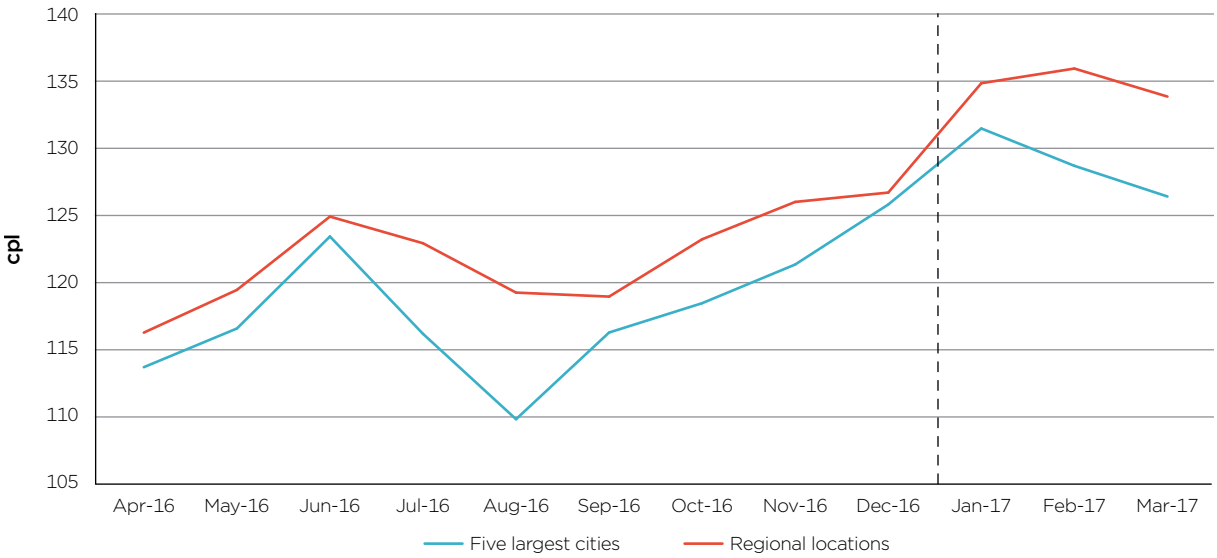
Movements in retail petrol prices in regional locations are largely driven by changes in international refined petrol prices and the AUD–USD exchange rate, as they are in the five largest cities.

However, prices are generally higher in regional locations. A number of factors may contribute to these higher prices: a lower level of local competition; lower volumes of fuel sold; distance/location factors; and lower convenience store sales. The influence of these factors varies significantly from location to location. This means that there may be substantial differences in prices between specific regional locations.

4.2 Regional petrol prices in aggregate

Chart 4.1 shows that monthly average prices in the regional locations in aggregate (regional prices) increased by 7.2 cpl over the March quarter 2017—from 126.8 cpl in December 2016 to 134.0 cpl in March 2017. The increase in regional prices was significantly more than the increase in prices in the five largest cities over the same period (0.6 cpl).

Chart 4.1: Monthly average retail petrol prices in regional locations in aggregate and the five largest cities: April 2016 to March 2017



Source: ACCC calculations based on FUELtrac data.

The average differential between regional prices and prices in the five largest cities in the March quarter 2017 was 5.9 cpl. This was 2.5 cpl higher than in the December quarter 2016 (3.4 cpl).

The average differential between regional prices and those in the five largest cities over the year to March 2017 was 4.4 cpl. Monthly average differentials varied substantially over the year to March 2017, ranging from a high of 9.4 cpl in August 2016 to a low of 0.8 cpl in December 2016. In March 2017 average prices in 165 regional locations were higher than in the five largest cities.

While retail petrol prices in regional locations generally follow movements in the international price of refined petrol, they often do not respond as quickly—either up or down—as prices in the five largest cities. For example, in February 2017 monthly average petrol prices in the five largest cities decreased in response to a decrease in international refined petrol prices, while regional prices continued to increase.

Further information on petrol price movements in the March quarter 2017 in all locations monitored by the ACCC is presented in appendix B.

4.3 Prices in each of the states and the Northern Territory

Charts 4.2 to 4.8 show seven-day rolling average retail petrol prices in regional locations in each state and the Northern Territory, along with those of the respective capital city, from 1 April 2016 to 31 March 2017.[19] The charts also show the differential between prices in regional locations in the state/territory and the respective capital city in the months of December 2016 and March 2017, and in calendar year 2016.

In March 2017 monthly average regional prices were higher than average capital city prices in all states except Victoria and Tasmania.

The charts show that price comparisons between capital cities and regional locations are significantly influenced by price cycles in a number of the capital cities over the short term.

Chart 4.2: Seven-day rolling average petrol prices in Sydney and NSW regional locations: 1 April 2016 to 31 March 2017

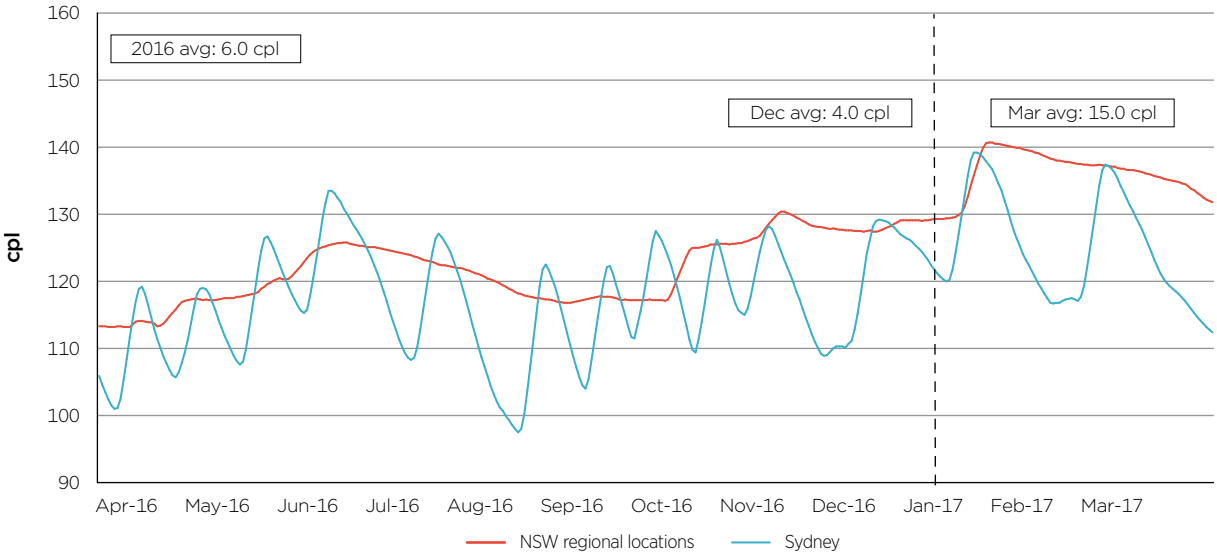
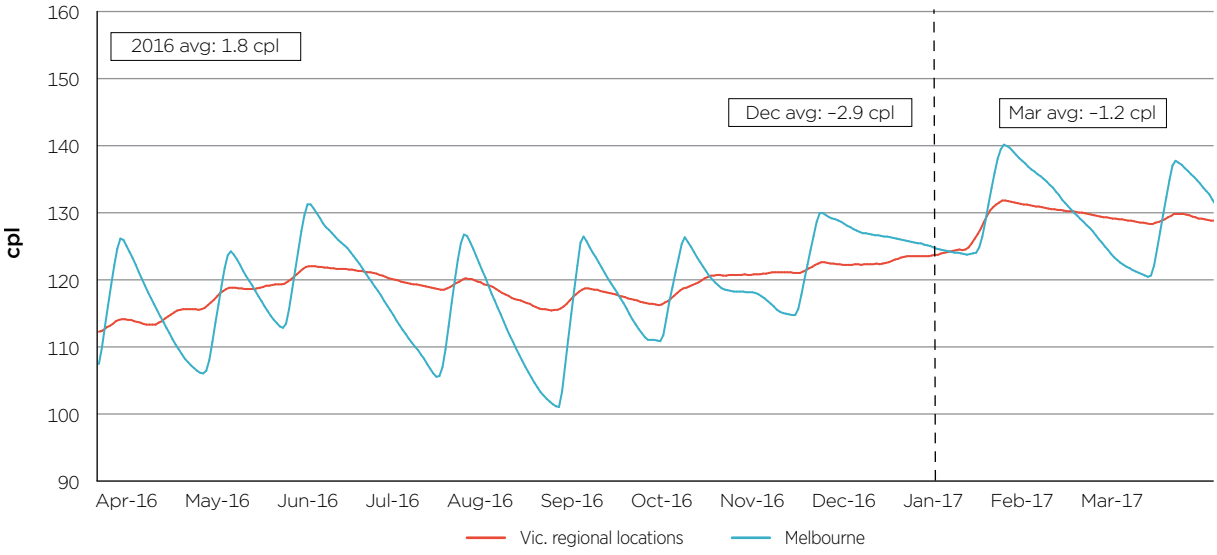


Chart 4.3: Seven-day rolling average petrol prices in Melbourne and Victorian regional locations: 1 April 2016 to 31 March 2017



19 There are no prices available for locations in the Australian Capital Territory other than Canberra. The source for charts 4.2 to 4.8 is ACCC calculations based on FUELtrac data.

Chart 4.4: Seven-day rolling average petrol prices in Brisbane and Queensland regional locations: 1 April 2016 to 31 March 2017

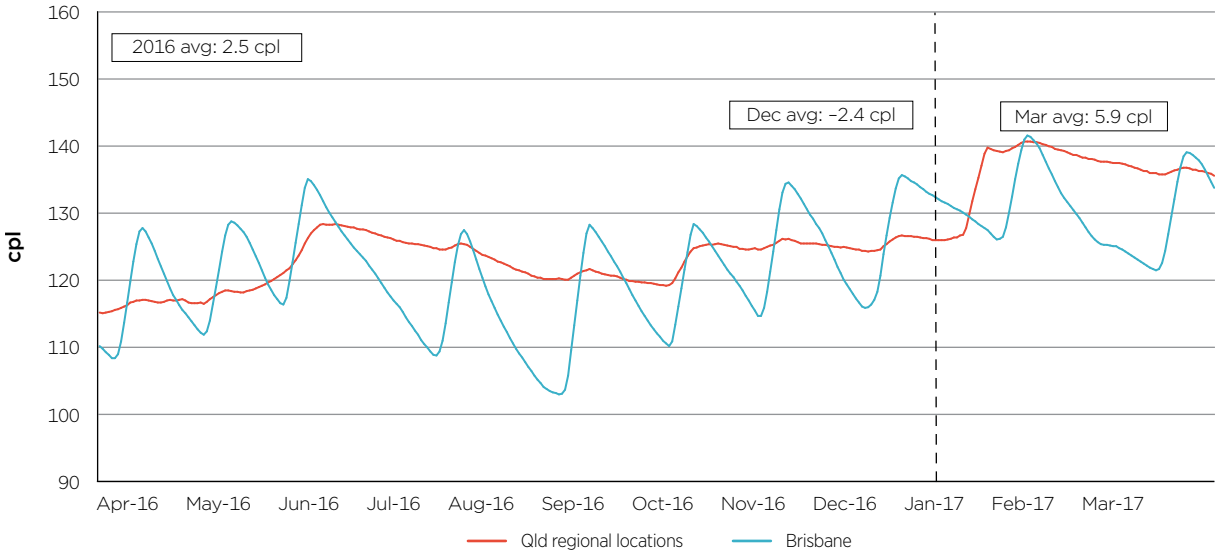


Chart 4.5: Seven-day rolling average petrol prices in Adelaide and South Australian regional locations: 1 April 2016 to 31 March 2017

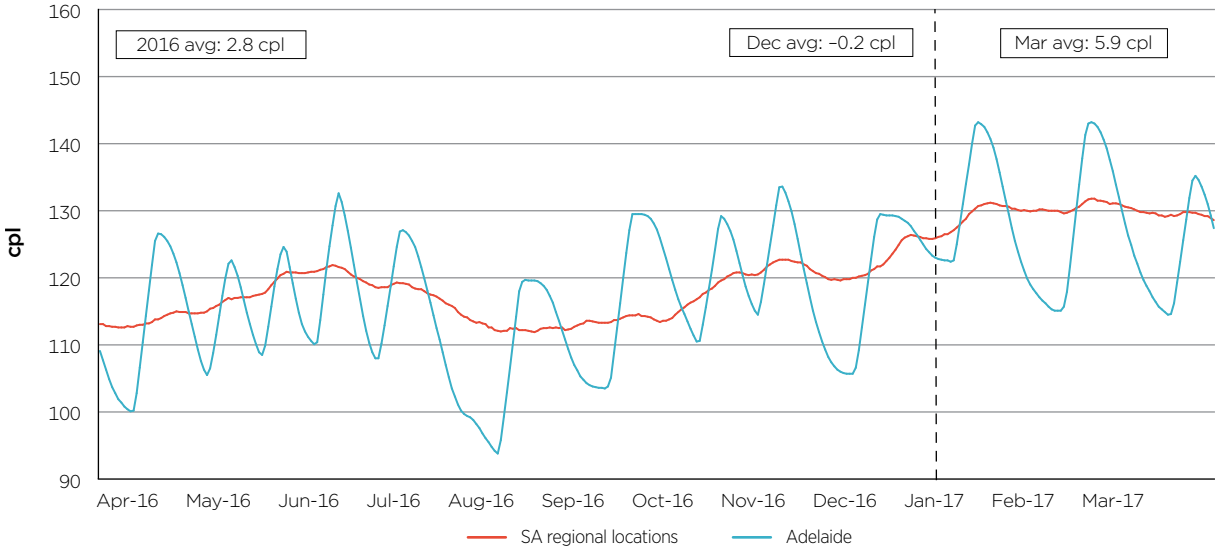


Chart 4.6: Seven-day rolling average petrol prices in Perth and Western Australian regional locations: 1 April 2016 to 31 March 2017

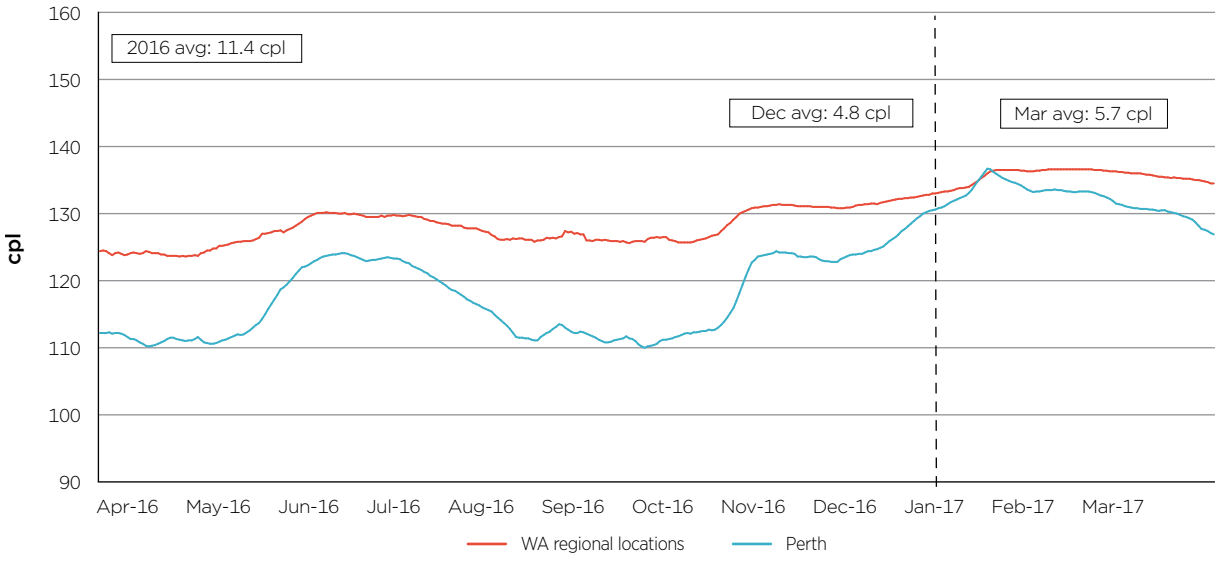


Chart 4.7: Seven-day rolling average petrol prices in Hobart and Tasmanian regional locations: 1 April 2016 to 31 March 2017

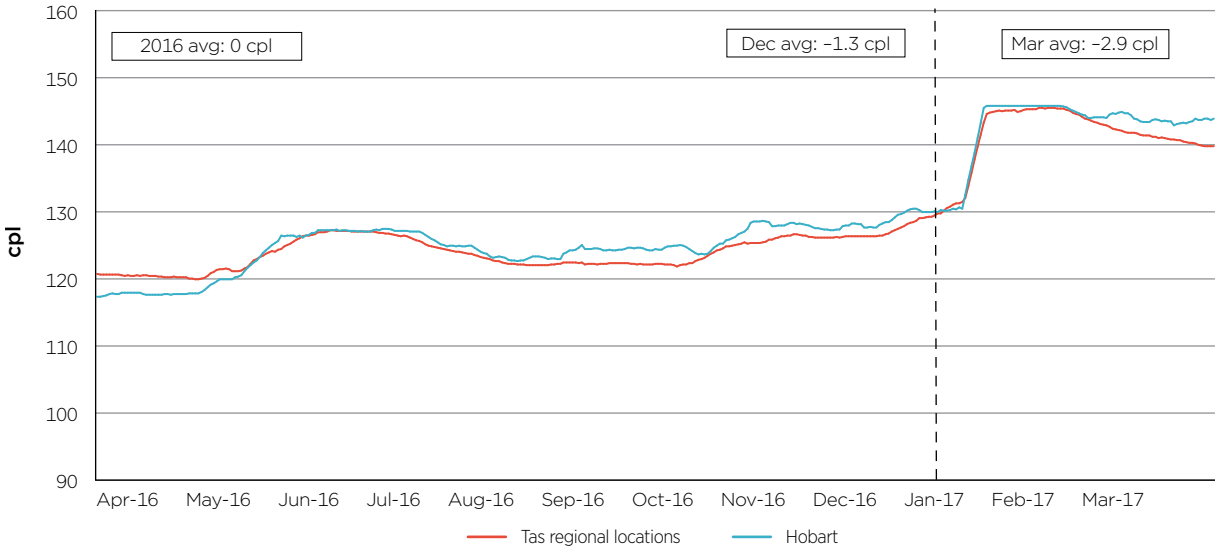
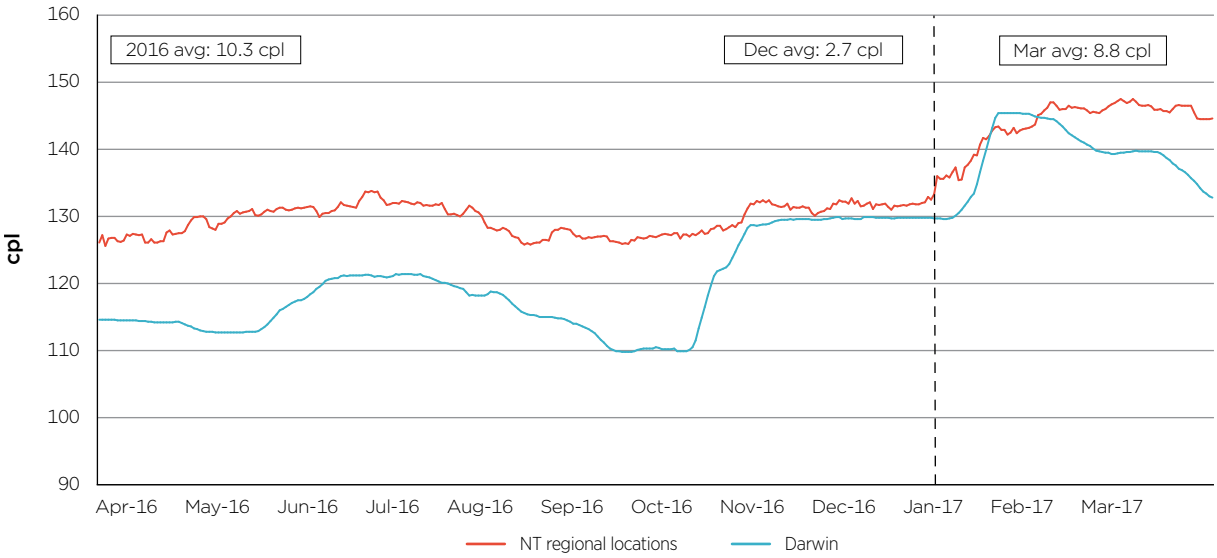


Chart 4.8: Seven-day rolling average petrol prices in Darwin and Northern Territory regional locations: 1 April 2016 to 31 March 2017



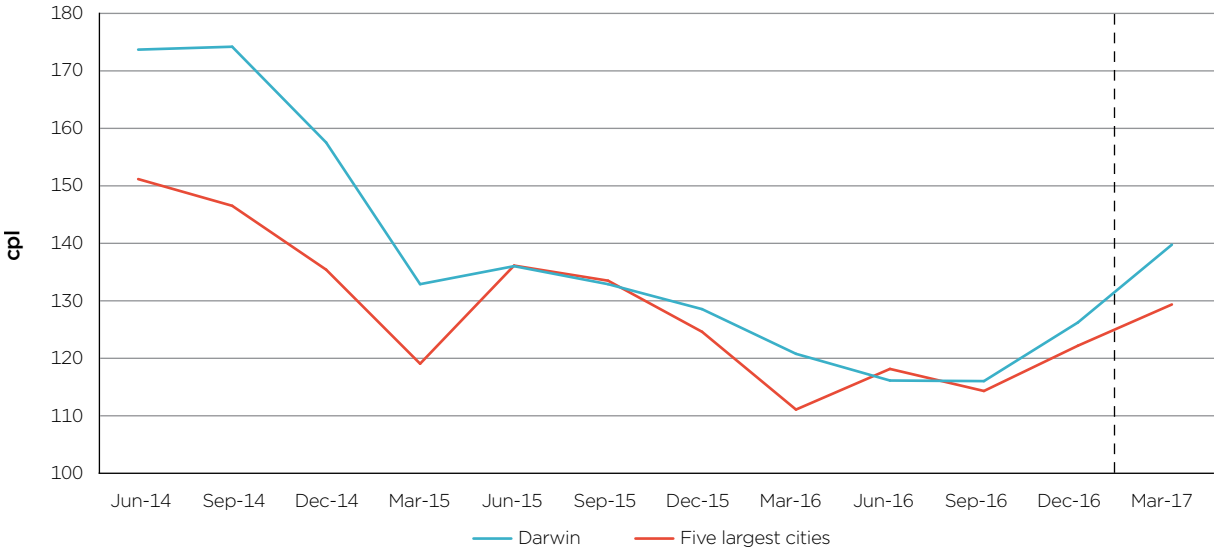
4.4 Darwin petrol market study

In March 2015 the ACCC announced that Darwin would be the first regional location for a petrol market study. The report on the Darwin petrol market was released in November 2015.[20] The report found that the increase in retail petrol margins in Darwin in recent years had imposed a significant cost on motorists. Prices in Darwin were around 10 cpl higher than would be expected in a competitive market. The report noted that higher prices and profits in Darwin were the result of weak retail competition.

4.4.1 Darwin retail petrol prices increased relative to the five largest cities in the March quarter 2017

Chart 4.9 shows quarterly average retail petrol prices in Darwin and the five largest cities from the June quarter 2014 to the March quarter 2017.

Chart 4.9: Quarterly average retail petrol prices in Darwin and the five largest cities: June quarter 2014 to March quarter 2017



Source: ACCC calculations based on FUELtrac data.

20 ACCC, *Report on the Darwin petrol market*, November 2015, at: https://www.accc.gov.au/publications/petrol-market-studies/report-on-the-darwin-petrol-market.

The average differential between prices in Darwin and the five largest cities in 2012–13 and 2013–14 was over 19 cpl. Since then, there has been a substantial decrease in the differential, which reached a low of -2.0 cpl in the June quarter 2016. In the March quarter 2017 it increased to 10.3 cpl. Over the year to March 2017 the average differential was 3.5 cpl, which was 0.3 cpl higher than in the previous year (3.2 cpl).

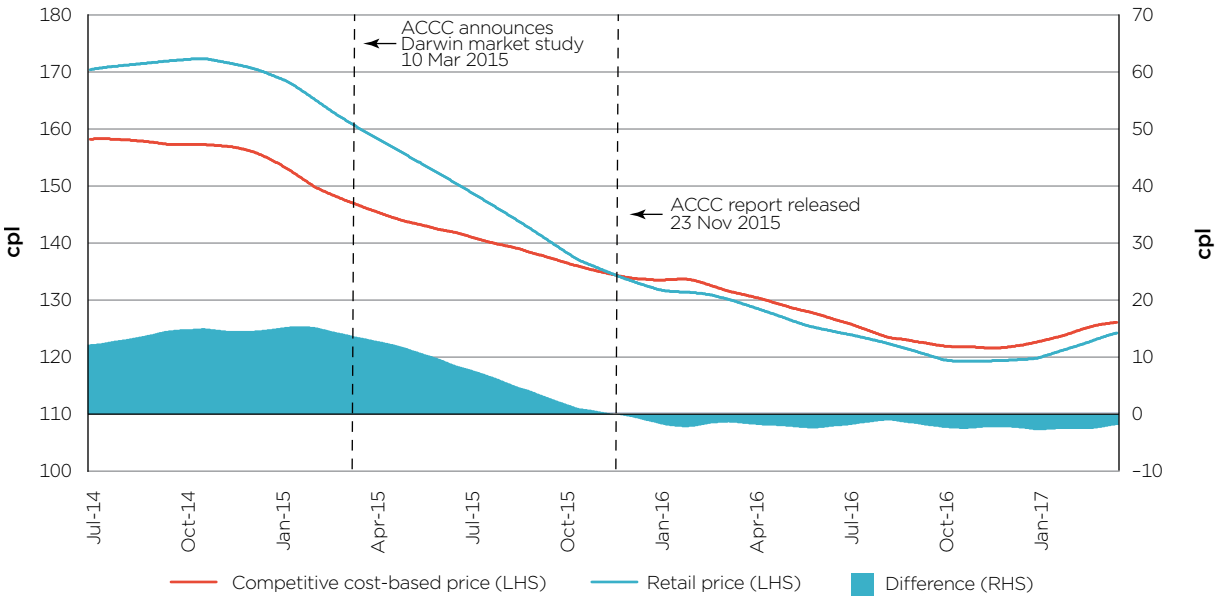
4.4.2 Darwin petrol prices are below a competitive cost-based price

The ACCC's Darwin report noted that motorists were paying around 10 cpl more than they should have been in a competitive market. This was based on a comparison of GIRDs in Darwin compared with those in the larger capital cities.

Chart 4.10 shows Darwin petrol prices on a rolling annual average basis from 1 July 2014. Each daily price in the chart is the average of that day's price and prices on 364 previous days. Analysis of prices over the long term enables short term influences (such as lags in regional price movements) to be smoothed out.

The chart also shows estimated Darwin prices calculated on a cost basis. This calculation reflects the fact that costs (such as freight and operating costs per litre) are higher in Darwin, and assumes that retail margins in Darwin should be broadly similar to long-term average retail margins in the five largest cities. This competitive cost-based price provides a benchmark against which to compare current price levels. It is not static and will change as its underlying elements change over time. If retail prices are constantly above this benchmark price for a sustained period of time, this may reflect a less competitive market and mean that questions should be asked about those prices to local retailers.

Chart 4.10: Rolling annual average retail prices and a competitive cost-based price in Darwin, and the difference: 1 July 2014 to 31 March 2017



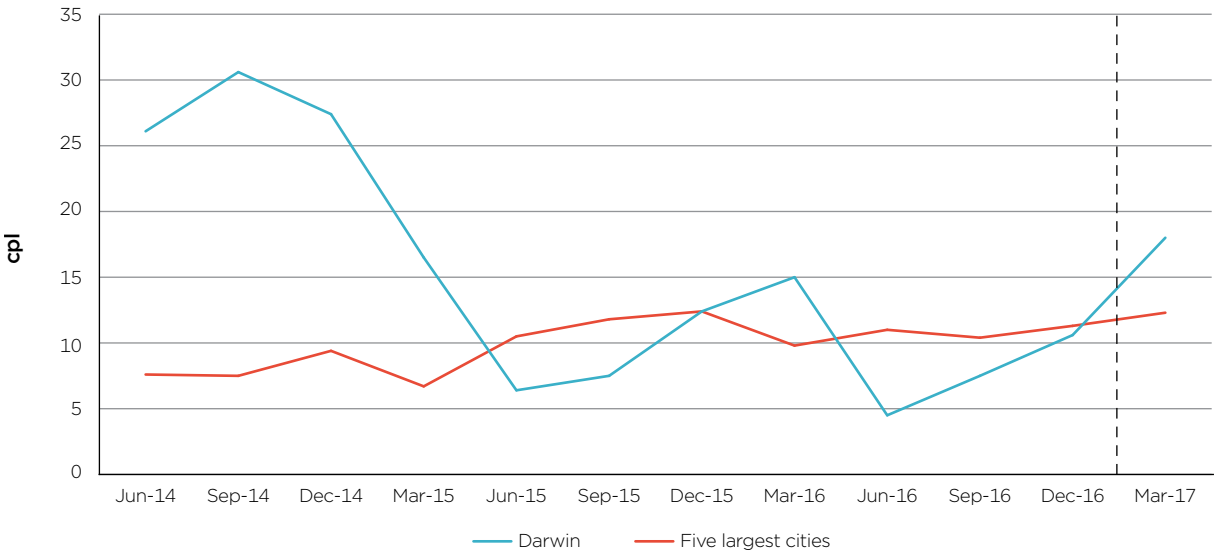
Source: ACCC calculations based on FUELtrac and Informed Sources data, and data from companies that participated in the Darwin market study.

The chart indicates that petrol prices in Darwin are currently below a competitive cost-based price, and have been since around November 2015.

4.4.3 Darwin petrol GIRDs increased relative to the five largest cities in the March quarter 2017

Chart 4.11 shows quarterly average GIRDs in Darwin from the June quarter 2014 to the March quarter 2017. GIRDs in Darwin reached a peak of 30.6 cpl in the September quarter 2014, the highest quarterly average GIRDs recorded for Darwin since the ACCC began monitoring them in July 2004.

Chart 4.11: Quarterly average petrol GIRDs in Darwin: June quarter 2014 to March quarter 2017



Source: ACCC calculations based on FUELtrac, Australian Institute of Petroleum (AIP), BP, Caltex, Mobil, Viva Energy and WA FuelWatch data.

In the March quarter 2017 Darwin GIRDs increased to 18.0 cpl, the highest quarterly average since the December quarter 2014 (27.4 cpl). They were 5.7 cpl higher than in the five largest cities (12.3 cpl). Over the year to March 2017 GIRDs in Darwin were 1.1 cpl lower than in the five largest cities, compared with 0.8 cpl lower in the previous year.

4.5 Launceston petrol market study

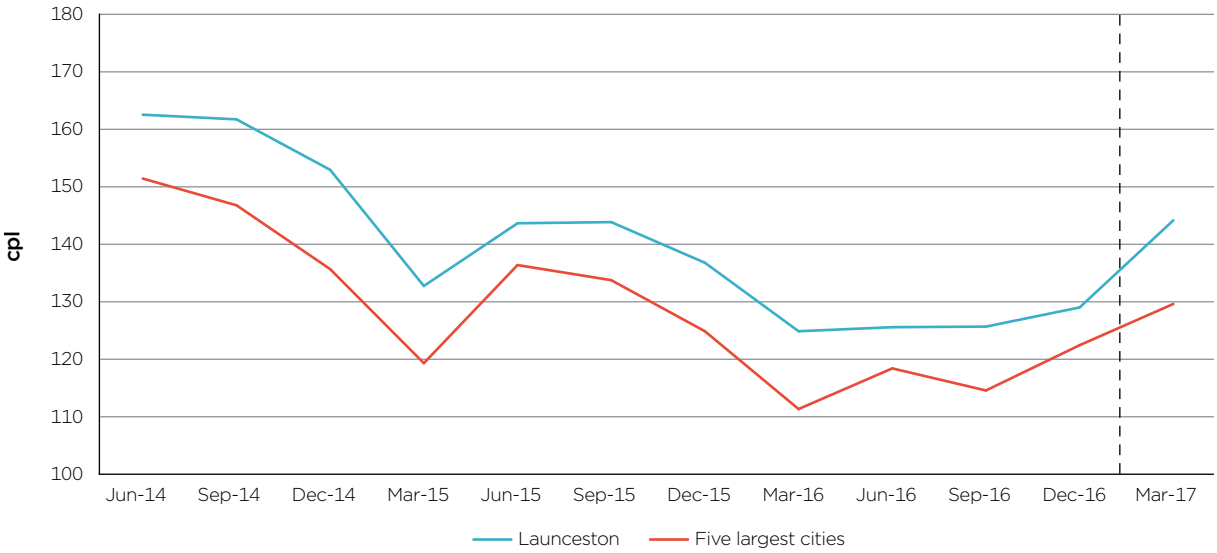
The ACCC announced Launceston as the location for its second regional petrol market study in May 2015. The report on the Launceston petrol market was released in July 2016.[21] It found that between 2012–13 and the first half of 2015–16 Launceston motorists paid on average around 12 cpl more for petrol than motorists in the five largest cities. The report noted that if the Launceston market was more competitive motorists could expect savings of 4–5 cpl on a sustainable basis. The three main factors causing higher prices in Launceston were higher transport costs; higher wholesale operating costs and margins; and higher retail operating costs and margins.

4.5.1 Launceston retail petrol prices increased relative to the five largest cities in the March quarter 2017

In the March quarter 2017 prices in Launceston were 143.5 cpl, an increase of 15.0 cpl from the previous quarter (see chart 4.12). This increase was more than double the increase in prices in the five largest cities over the same period (7.1 cpl).

21 ACCC, *Report on the Launceston petrol market*, July 2016, at: https://www.accc.gov.au/publications/petrol-market-studies/report-on-the-launceston-petrol-market.

Chart 4.12: Quarterly average retail petrol prices in Launceston and the five largest cities: June quarter 2014 to March quarter 2017



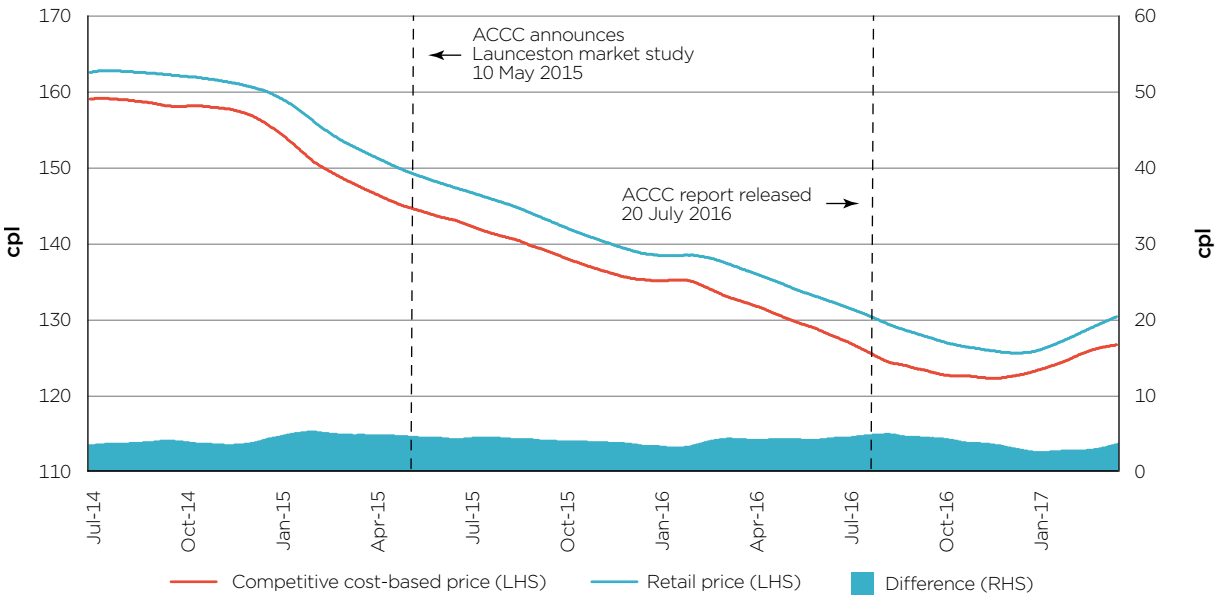
Source: ACCC calculations based on FUELtrac data.

In the March quarter 2017 prices in Launceston were 14.4 cpl higher than those in the five largest cities, the highest quarterly differential since the December quarter 2014 (17.1 cpl). Over the year to March 2017 the differential averaged 9.7 cpl, which was 0.9 cpl lower than in the previous year (10.6 cpl).

4.5.2 Launceston petrol prices are above a competitive cost-based price

Chart 4.13 shows Launceston petrol prices on a rolling annual average basis from 1 July 2014 and estimated Launceston prices calculated on a competitive cost basis. These prices have been calculated on the basis outlined in section 4.4.2. The chart indicates that petrol prices in Launceston are currently above a competitive cost-based price, which may reflect the absence of vigorous and effective competition in Launceston.

Chart 4.13: Rolling annual average retail prices and a competitive cost-based price in Launceston, and the difference: 1 July 2014 to 31 March 2017

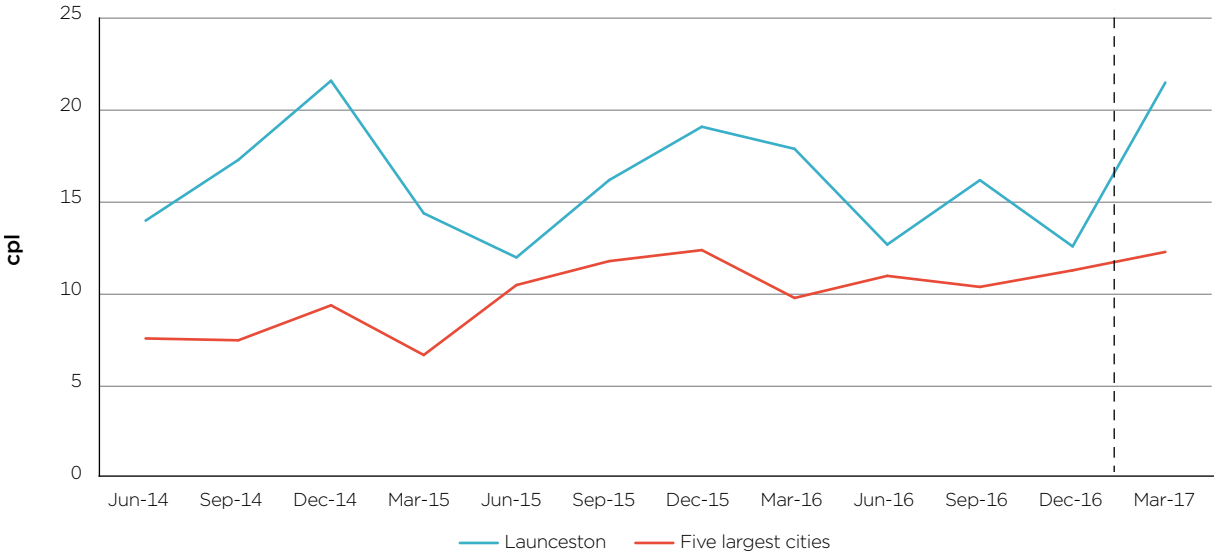


Source: ACCC calculations based on FUELtrac and Informed Sources data, and data from companies that participated in the Launceston market study.

4.5.3 Launceston GIRDs increased in the March quarter 2017

Chart 4.14 shows quarterly average GIRDs in Launceston and the five largest cities from the June quarter 2014 to the March quarter 2017.

Chart 4.14: Quarterly average petrol GIRDs in Launceston and the five largest cities: June quarter 2014 to March quarter 2017



Source: ACCC calculations based on FUELtrac, AIP, BP, Caltex, Mobil, Viva Energy and WA FuelWatch data.
Note: Hobart TGPs were used as a proxy for TGPs in Launceston.

Launceston GIRDs were 21.5 cpl in the March quarter 2017, an increase of 8.9 cpl from the previous quarter and the highest since the December quarter 2014 (21.6 cpl). They were 9.2 cpl higher than GIRDs in the five largest cities, which was also the highest differential since the December quarter 2014 (12.2 cpl). Over the year to March 2017 GIRDs in Launceston were 4.4 cpl higher than in the five largest cities, which was 0.8 cpl lower than in the previous year (5.2 cpl).

4.6 Armidale petrol market study

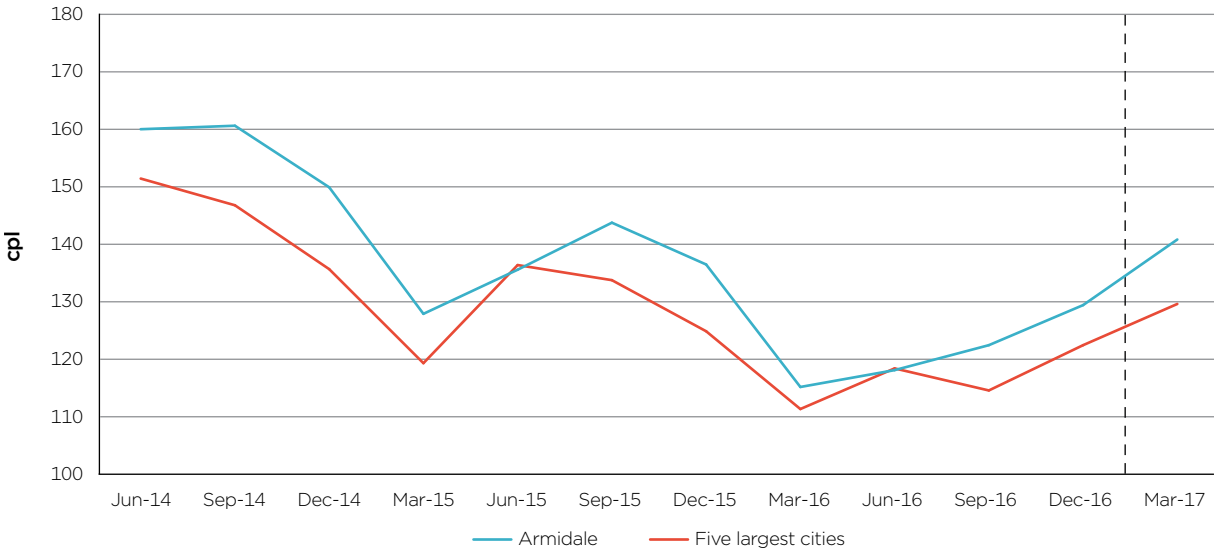
The ACCC announced Armidale as the location for its third regional petrol market study in August 2015. The report on the Armidale petrol market was released in November 2016.[22] It found that relatively weak retail competition in Armidale, reflected by a lack of price discounting, contributed to prices being on average 8 cpl higher than those in the five largest cities between 2012–13 and 2014–15. E10 prices are used for Armidale in this section.

4.6.1 The differential between prices in Armidale and the five largest cities increased in the March quarter 2017

Chart 4.15 shows quarterly average retail petrol prices in Armidale and the five largest cities from the June quarter 2014 to the March quarter 2017.

22 ACCC, *Report on the Armidale petrol market,* November 2016, at: https://www.accc.gov.au/publications/petrol-market-studies/report-on-the-armidale-petrol-market.

Chart 4.15: Quarterly average retail petrol prices in Armidale and the five largest cities: June quarter 2014 to March quarter 2017



Source: ACCC calculations based on FUELtrac data.

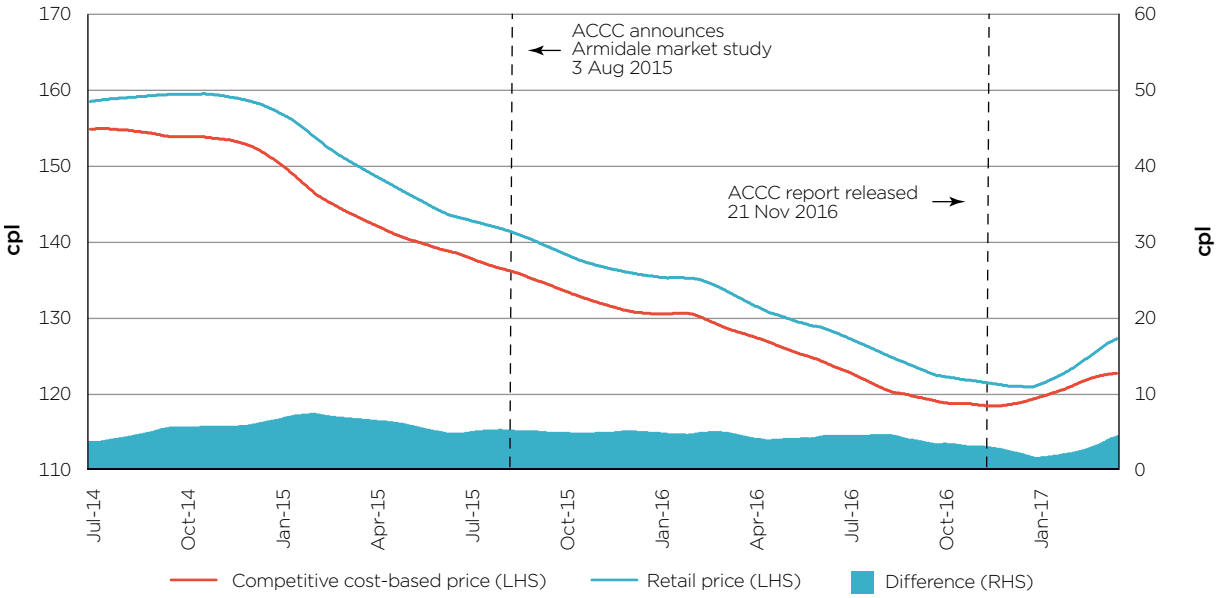
Quarterly average E10 prices increased by 11.3 cpl to 140.2 cpl in the March quarter 2017. The differential between petrol prices in Armidale and the five largest cities increased in the quarter by 4.2 cpl to 11.1 cpl. This is the highest quarterly differential since the December quarter 2015 (11.5 cpl). Over the year to March 2017 the differential averaged 6.4 cpl, which was 0.3 cpl higher than in the previous year (6.1 cpl).

Retail E10 prices in Armidale remained over 140 cpl from early January to late March 2017.

4.6.2 Armidale petrol prices are above the competitive cost-based price

Chart 4.16 shows Armidale petrol prices on a rolling annual average basis from 1 July 2014 and estimated Armidale prices calculated on a competitive cost basis. These prices have been calculated on the basis outlined in section 4.4.2. The chart indicates that petrol prices in Armidale are currently above a competitive cost-based price, although the difference between the two prices narrowed in the March quarter 2017. This may reflect the absence of vigorous and effective competition in Armidale.

Chart 4.16: Rolling annual average retail prices and a competitive cost-based price in Armidale, and the difference: 1 July 2014 to 31 March 2017

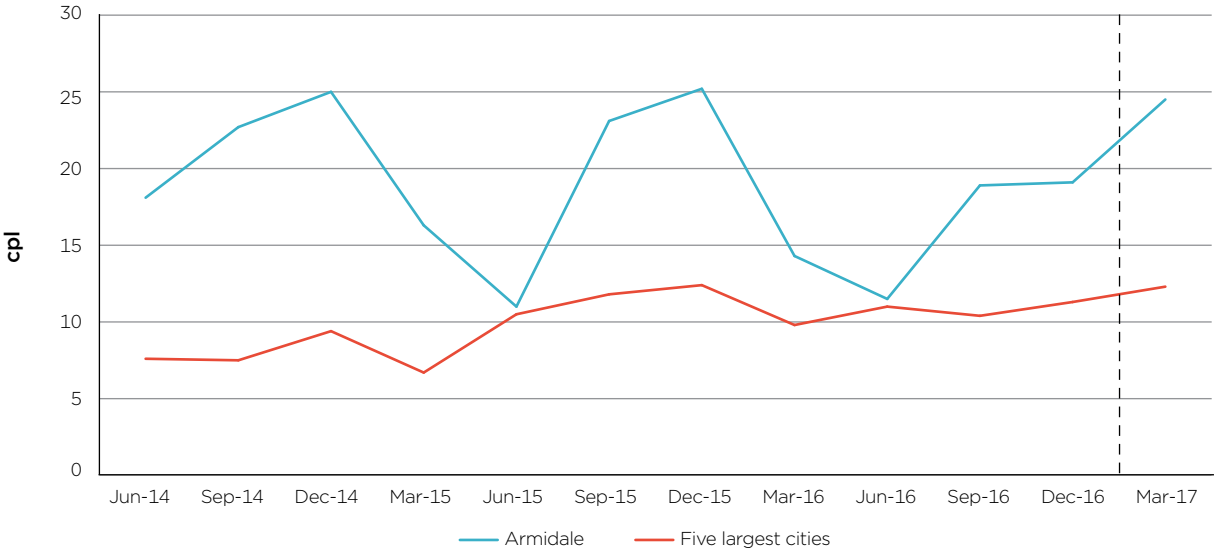


Source: ACCC calculations based on FUELtrac and Informed Sources data, and data from companies that participated in the Armidale market study.

4.6.3 Armidale GIRDs increased in the March quarter 2017

Chart 4.17 shows quarterly average GIRDs in Armidale from the June quarter 2014 to the March quarter 2017.

Chart 4.17: Quarterly average petrol GIRDs in Armidale and the five largest cities: June quarter 2014 to March quarter 2017



Source: ACCC calculations based on FUELtrac, BP, Caltex, Mobil, Viva Energy and WA FuelWatch data.
Note: Sydney and Brisbane TGPs were used as a proxy for Armidale TGPs.

Average GIRDs in Armidale were 24.5 cpl in the March quarter 2017, the highest since December quarter 2015 (25.2 cpl). Over the year to March 2017 GIRDs in Armidale were 7.3 cpl higher than in the five largest cities, the same as in the previous year.

5 International price movements

The main influences on movements in retail petrol prices in Australia are the international price of refined petrol (which is influenced in turn by the price of crude oil) and the AUD–USD exchange rate.

5.1 Crude oil and refined petrol

Crude oil prices are an important influence on movements in refined petrol prices around the world. There are a number of international benchmarks used for pricing crude oil, including West Texas Intermediate (WTI), Brent, Tapis and Dubai. Brent crude oil is the most widely used benchmark on global markets.

The relevant international benchmark price for petrol in Australia is the price of refined petrol in the Asia-Pacific region—Singapore Mogas 95 Unleaded (Mogas 95). This benchmark is used for pricing petrol in Australia due to Australia's proximity to Singapore, which is one of the world's most important trading and refining centres.

5.1.1 Price movements over the last two years

Chart 5.1 shows international crude oil and refined petrol prices in the two years to March 2017.

Chart 5.1: Weekly average Brent crude oil and Mogas 95 prices: 1 April 2015 to 31 March 2017

Source: ACCC calculations based on Platts data.

Weekly average Brent crude oil prices decreased by USD 37 per barrel (or 57 per cent) from around USD 65 per barrel in May 2015 to around USD 28 per barrel in January 2016. This decline was influenced by weaker international economic conditions, and global oil production significantly exceeding consumption.

From January 2016, weekly average Brent prices increased by USD 23 per barrel to around USD 51 per barrel at the end of March 2017. This increase was influenced by improved economic sentiment, disruptions to supply and production, and agreements between OPEC members and some non-OPEC countries in late 2016 to decrease oil production volumes from January 2017.

Mogas 95 prices moved in a similar manner to Brent crude oil over the two-year period. Weekly average Mogas 95 prices decreased by USD 45 per barrel (or 52 per cent) from around USD 86 per barrel in June 2015 to around USD 41 per barrel in February 2016. Mogas 95 prices then increased by USD 24 per barrel to around USD 65 per barrel at the end of March 2017.

Brent crude oil and Mogas 95 prices both increased in the March quarter 2017 by USD 5 per barrel compared with the previous quarter. In the quarter:

- average Brent crude oil prices were around USD 54 per barrel
- average Mogas 95 prices were around USD 68 per barrel.

The higher Brent crude oil prices in January and February 2017 were due to the announcement in late 2016 of OPEC production cuts. Prices then decreased towards the end of the quarter.

- Weekly average Brent crude oil prices started the quarter at around USD 55 per barrel (A 48 cpl). Prices then decreased to around USD 52 per barrel (A 43 cpl) by the end of the quarter. This was mainly due to increased shale oil output and rising inventories in the United States.
- Weekly average Mogas 95 prices started the quarter at around USD 71 per barrel (A 62 cpl). Prices then decreased to around USD 66 per barrel (A 55 cpl) by the end of the quarter.

5.2 AUD–USD exchange rate

The AUD–USD exchange rate is a significant determinant of Australian retail petrol prices because international refined petrol is bought and sold in United States dollars in global markets.

Chart 5.2 shows that in the two years to March 2017 the AUD–USD exchange rate decreased from a high of around USD 0.81 in May 2015 to a low of around USD 0.69 in January 2016. It subsequently increased to USD 0.78 in late April 2016, before decreasing to around USD 0.72 in late December 2016. The AUD–USD exchange rate subsequently increased to around USD 0.76 at the end of the March quarter 2017.

Chart 5.2: Daily AUD–USD exchange rates: 1 April 2015 to 31 March 2017

Source: RBA data.
Note: Exchange rates are the daily RBA 4 pm closing rates. See: http://www.rba.gov.au/statistics/frequency/exchange-rates.html.

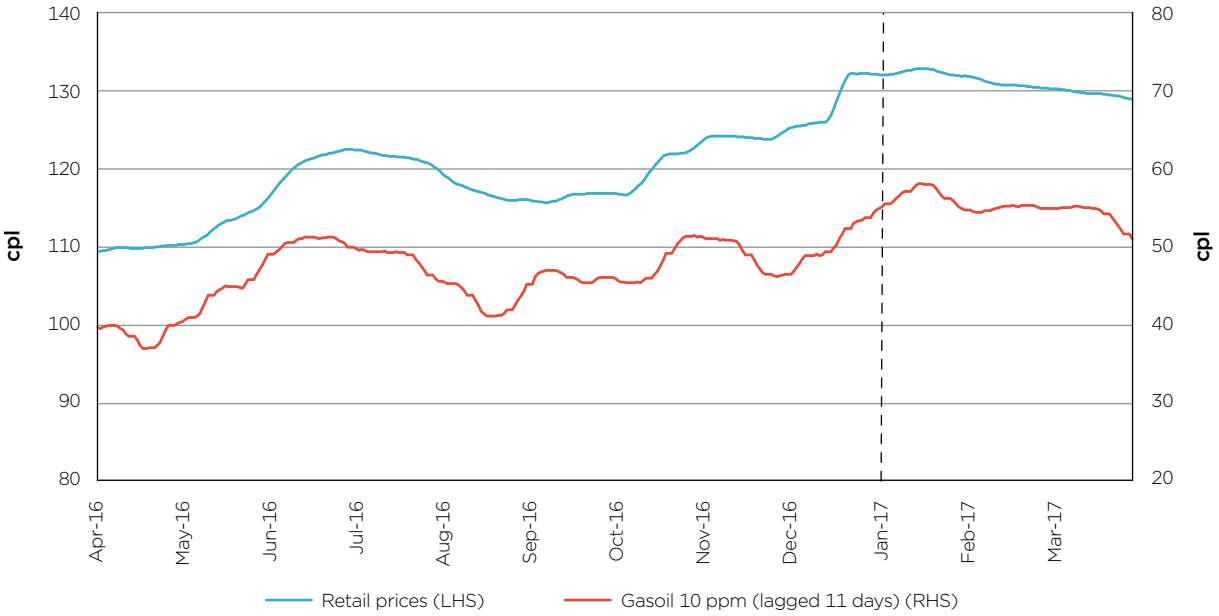
In the March quarter 2017 the average AUD–USD exchange rate was USD 0.76—around USD 0.01 higher than in the previous quarter. This quarterly average exchange rate was around USD 0.05 (6 per cent) lower than the two-year high exchange rate of USD 0.81 in May 2015. Had the AUD–USD exchange rate remained at USD 0.81, average retail petrol prices in the March quarter 2017 in Australia would have been around 4 cpl lower (everything else being equal).

6 Diesel and LPG prices

6.1 Diesel price movements

Average retail diesel prices in the five largest cities increased during the March quarter 2017 (see chart 6.1). They averaged 131.2 cpl in the March quarter 2017, an increase of 6.0 cpl from the December quarter 2016.

Chart 6.1: Seven-day rolling average retail diesel prices in the five largest cities and Gasoil 10 ppm prices: 1 April 2016 to 31 March 2017



Source: ACCC calculations based on FUELtrac, Platts and RBA data.

The appropriate international benchmark price for diesel is the price of Singapore Gasoil with 10 parts per million sulphur content (Gasoil 10 ppm). 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 tend to broadly follow similar movements over the long term.

Chart 6.1 shows that seven-day rolling average retail diesel prices in the five largest cities broadly tracked Gasoil 10 ppm prices between April 2016 and March 2017.

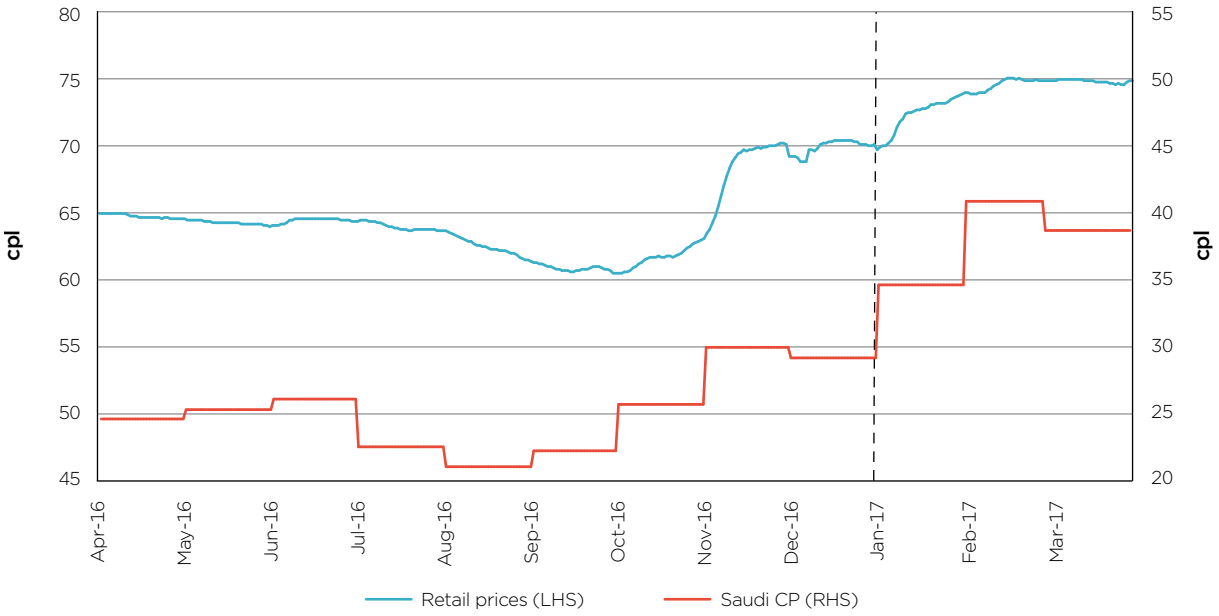
In the March quarter 2017 retail diesel prices decreased by 4 cpl from a high of around 133 cpl in mid-January to a low of around 129 cpl at the end of March. Gasoil 10ppm prices fell by around 7 cpl from around 58 cpl in mid-January to around 51 cpl at the end of March.

6.2 LPG price movements

In the March quarter 2017 average retail LPG prices in the five largest cities were 74.0 cpl, an increase of 7.1 cpl from the December quarter 2016 (66.9 cpl).

Seven-day rolling average retail LPG prices at the beginning of the quarter were around 70 cpl. They increased by around 5 cpl between early-January and mid-February, due to an even larger increase in the Saudi CP benchmark (which increased by around 12 cpl in January and February). Retail LPG prices largely remained around 75 cpl from mid-February until the end of the quarter, despite a decrease in the Saudi CP benchmark of around 2 cpl (see chart 6.2).

Chart 6.2: Seven-day rolling average retail LPG prices in the five largest cities and monthly Saudi CP benchmarks: 1 April 2016 to 31 March 2017



Source: ACCC calculations based on FUELtrac, RBA and Gas Energy Australia data.

The appropriate international 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 loosely move in line with international refined petrol or diesel prices.

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. Furthermore, international LPG prices are influenced by non-transport factors, such as demand for heating, particularly in the Northern Hemisphere.

Seven-day rolling average retail LPG prices in the twelve months to March 2017 remained within a 15 cpl band. The Saudi CP benchmarks occupied a 20 cpl band during the same period.

Like diesel prices, retail LPG prices tend to be less volatile than petrol prices and do not have price cycles. LPG usage in Australia is significantly less than petrol and diesel usage, and there are fewer retailers of LPG, particularly outside Victoria (where around half of Australia's automotive LPG is sold).

Appendix A—Key points from the Cairns petrol market study

Historically petrol prices in Cairns have been higher than in the five largest cities in Australia and this difference increased in recent years

Between 2012–13 and the first half of 2016–17, motorists in Cairns paid on average around 11 cpl more for petrol than motorists in the five largest cities.[23]

This was more than double the price difference in the previous three years: petrol prices in Cairns between 2009–10 and 2011–12 were on average around 4 cpl more than in the five largest cities.

A similar trend is evident when Cairns prices are compared with Brisbane prices. Between 2012–13 and the first half of 2016–17, motorists in Cairns paid on average around 8 cpl more for petrol than motorists in Brisbane. This was four times the difference of 2 cpl between 2009–10 and 2011–12.

Petrol prices in Cairns have also been higher than in Innisfail over recent years

Cairns has a population of around 135 000 and has 35 retail sites selling petrol. Innisfail is around 90 kilometres south of Cairns, has a population of around 7000 and has six retail sites selling petrol. In the period 2009–10 to the first half of 2016–17, annual average petrol prices in Innisfail have ranged from being 1.4 cpl higher than Cairns prices to being 3.3 cpl lower.

In the first nine months of 2016–17 petrol prices in Cairns were on average 2.3 cpl higher than prices in Innisfail. A significant part of this difference can be attributed to the effect on prices in the Innisfail retail market of the entry of a vigorous and effective competitor (United) in early 2016.

There are four main influences which explain the higher prices in Cairns in recent years

In 2015–16 average retail petrol prices in Cairns were around 8 cpl higher than in Brisbane.

Brisbane was chosen as a comparator location because it is the capital of Queensland and motorists in Cairns often compare their petrol prices with those in Brisbane. Many of the major retailers that operate in Cairns also operate in Brisbane. Both locations have terminals and receive shipments of petrol from overseas and interstate.

The value chain shows in broad terms the elements of the price of a litre of petrol from the imported refined petrol price through to the pump. Analysis of the value chain in Cairns and Brisbane in 2015–16, for those companies that operate in both markets, indicates that there are four main influences which explain the higher prices in Cairns. These are:

- higher costs of getting petrol to Cairns (accounting for around 1 cpl)
- higher wholesale costs and margins (around 2 cpl)
- higher operating costs at the retail level (around 2 cpl)
- higher retail margins and profits (around 3 cpl).

These influences are explained in more detail below.

23 The ACCC compares prices in Cairns with those in the five largest cities because it has historically tracked movements in the five largest cities in its annual and quarterly petrol monitoring reports.

It costs more to get petrol to Cairns

Petrol comes into Cairns from refineries and terminals in other Australian cities, or from overseas refineries. Regardless of the source, the price of refined petrol across Australia is based on import parity. This is because Australia is a net importer of refined petrol and domestic prices must reflect international prices to attract sufficient petrol into the Australian market.

In 2015–16 the cost of bringing petrol into Cairns was around 1 cpl higher than bringing petrol into Brisbane. This was due to higher import costs, reflecting relatively lower volumes in Cairns.

Wholesale operating costs and margins are higher because of the relatively small size of the Cairns market

In 2015–16 wholesale operating costs and margins were around 2 cpl higher in Cairns than in Brisbane. This largely reflects the lower volume of fuel throughput at Cairns terminals, compared with terminals in Brisbane. In 2015–16 the total volume of petrol throughput at Cairns terminals was around 20 times lower than the volume throughput at Brisbane terminals.

Between 2009–10 and 2015–16, the difference between annual average wholesale petrol prices, or terminal gate prices (TGPs), in Cairns and Brisbane was relatively stable at around 3 cpl. This indicates that the increase in the difference in retail prices between Cairns and Brisbane that occurred since 2012–13 is unlikely to be due to issues at the wholesale level.

Retail operating costs per litre are higher in Cairns

Fuel retailers incur a range of operating expenses including staff costs, energy costs, site rental costs and cleaning and maintenance. The gross margins fuel retailers make on the sale of fuel and non-fuel products (such as convenience store products) must cover these costs, as well as provide an appropriate return on capital invested.

Retail operating costs per litre of petrol sold in Cairns in 2015–16 were around 7 cpl, compared with around 5 cpl in Brisbane.

Retailers in Cairns passed on a greater share of their operating costs for each litre of fuel sold for two reasons. Retailers in Cairns sold significantly lower volumes of fuel per site than those in Brisbane, resulting in a greater share of operating costs for each litre sold. In addition, Cairns retailers made less profit on their non-fuel business (such as convenience store and café) as a proportion of total business profit.

Retail margins are very high in Cairns

Retailers in Cairns achieved an average net retail margin on petrol in 2015–16 of around 9 cpl, compared with around 6 cpl in Brisbane. In Innisfail the average net margin was significantly lower, at around 2 cpl.

Previous ACCC studies have noted that Brisbane itself has high retail margins, and average retail prices in Brisbane are around 3–4 cpl higher than in the other larger capital cities.

The high retail margins in Cairns compared with those in Brisbane and Innisfail are likely to be the result of more limited retail price competition in Cairns.

The higher retail margins are reflected in higher GIRDs and profits over time

Gross indicative retail differences (GIRDs) are the difference between retail prices and published TGPs. They are a broad indicator of gross retail margins. However, they should not be confused with actual retail profits as they also include retail costs, which vary through time.

Between 2011–12 and 2015–16, the overall upward trend in petrol GIRDs in Cairns was broadly reflected in the movement of net retail margins on petrol. Petrol GIRDs increased by around 9 cpl over this period, compared with an increase of around 4 cpl in net retail margin on petrol.

The increase in GIRDs was higher than the increase in net retail margins due to increasing average freight, operating costs, and retail GST on a per litre of petrol sold basis.

Over the five-year period the increase in retail margins led to higher petrol profits and total fuel profits, despite decreases in petrol and total fuel volume sales.

Profits per site in Cairns are very high

Profits per site in Cairns were significantly higher than average net profit per site across Australia. In 2015–16, average net profit per site in Cairns was around 38 per cent higher than the average net profit per site across Australia.

Over the period 2011–12 to 2015–16, the annual average net profit per site in Cairns ranged from a low of $436 000 in 2013–14 to a high of $576 000 in 2015–16. Annual average net profit over the five years was $512 000 per site. However, profits made by individual sites varied greatly.

Profits in Cairns were much higher than those in Innisfail. Over the same period, annual average net profit per site in Innisfail was $119 000 per site—more than four times lower than profits in Cairns. In 2015–16 average net profit per site in Innisfail was around $61 000 per site. This was more than nine times lower than the average net profit per site in Cairns, and may have been due to the impact of United's entry into the Innisfail market in February 2016. Factors contributing to higher average net profit per site in Cairns compared with Innisfail were: higher retail prices and net retail margins on fuel; and higher non-fuel profits in Cairns.

Profits per site in Brisbane are even higher

In 2015–16, average net profit per site in Brisbane was also very high, at around 55 per cent higher than the average net profit per site across Australia. These profits were driven by relatively high fuel prices compared with other major Australian cities.

Average net profit per site in Brisbane was even higher than in Cairns over the last three years. In 2015–16, average net profit per site in Brisbane was around $648 000 per site, compared with $576 000 per site in Cairns.

Similar to retailers in Cairns, Brisbane retailers made high profits on fuel sales and non-fuel sales. However, retailers in Brisbane had lower operating costs relative to retailers in Cairns, mainly due to the operating structure of many of the sites in Brisbane (such as franchisees and commission agent sites).

High retail prices, margins and profits in Brisbane will be examined in more detail in an ACCC report which is intended to be released in August 2017.

Retailers in Cairns achieved higher margins and profits because of weak retail competition

A feature of the Cairns petrol market is that it has been relatively stable over the last seven years. The number of petrol retail sites in Cairns increased marginally and the volume shares of the major retail site operators did not change much.

Relatively weak retail competition in Cairns, reflected by a lack of vigorous and effective price competition, contributed to an increase in retail margins and profits in recent years.

Between October 2011 and October 2014, retail petrol prices in Cairns were very 'sticky' (i.e. not responsive to change), with only partial pass-through, both up and down, of changes in TGPs to retail petrol prices. Over this three-year period only 22 per cent of the total increase in TGPs was passed through as higher retail petrol prices. However, they were even more 'sticky' when TGPs were decreasing. Over the same period, only 10 per cent of the total decrease in TGPs was passed on to motorists. As a result, GIRDs increased by around 10 cpl between October 2011 and October 2014.

Retailers in Cairns were more responsive to very large falls in TGPs in subsequent years. Between October 2014 and June 2016 there were two occasions when TGPs decreased significantly. Unlike in the previous period, the pass-through of wholesale price movements to retail prices was substantial.

Analysis of daily average retail prices over the six-year period between July 2010 and June 2016 indicates that there were no retailers who consistently led prices up or down in Cairns. Usually, a number of retailers would change their prices on the same day.

The introduction of a vigorous and effective competitor in Innisfail led to lower prices

In February 2016 United (an independent chain with a strategy of pricing competitively) entered the retail petrol market in Innisfail. Prior to that time, petrol retailers in Cairns and Innisfail generally set prices at around the same level in both locations and changed them at around the same time. However, there were occasional short periods when prices in Innisfail were either lower or higher than prices in Cairns.

When United commenced operations in Innisfail in late-February 2016, it initially set prices well below the prices of the other retailers. The other retailers in Innisfail quickly matched these lower prices. Over the next two months (March and April 2016) retail petrol prices in Innisfail were on average around 17 cpl lower than in Cairns.

Until February 2017 Innisfail petrol prices remained lower than Cairns prices. In the first nine months of 2016–17 Innisfail prices were on average 2.3 cpl lower than Cairns prices.

There are three steps that can be taken to promote competition

There are three steps that can be taken to promote a more competitive outcome in the Cairns petrol market. These are: increased transparency; monitoring and reporting of high retail prices; and promoting new entry.

1. Increased transparency and promotion of vigorous and effective price competition can lead to lower prices

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 actively compete on price, because their pricing behaviour can be seen—and acted upon—by motorists.

While retail petrol prices at most retail sites in Cairns are often similar, there are times when the difference in prices can be up to 10 cpl across retail sites. For example, White Rock General Store and Machans Beach Store have had consistently lower prices than the Cairns market average in recent times.

As noted in the ACCC's *Report on the Australian petroleum market—December quarter 2016*, a number of websites and apps that provide consumers with near real-time retail petrol pricing information were introduced in Australia in 2016. Of these websites and apps, petrol price data for Cairns is available from the MotorMouth app and website, and the GasBuddy app. Petrol price data for the two Woolworths sites in Cairns is also available on the Woolworths fuel app, which commenced in 2014.

While these websites and apps provide useful retail price information to motorists, they are not always comprehensive and timely. One arrangement which provides complete and up-to-date prices to motorists is the FuelCheck scheme in NSW.

The NSW Government launched FuelCheck in August 2016. It is an online tool providing consumers with real-time fuel price information covering every retail site across NSW. It is accessible on any device connected to the internet, including smartphones, tablets, desktop

computers and laptops. FuelCheck enables NSW motorists to: find the cheapest fuel being sold anywhere in NSW; get directions to any retail site in NSW; and search for fuel by type or brand.

Were a comparable scheme to be introduced in Queensland it could provide greater price transparency to motorists in Cairns and other locations around Queensland.

2. Monitoring and public reporting of high retail prices

In addition to the benefits to consumers, transparency and close scrutiny of retailer pricing behaviour is likely to reduce the incentive of petrol retailers to increase and/or maintain high prices.

Public monitoring and publication of retail prices can shine a light on what is happening in the market. This could include monthly comparisons of average retail petrol prices in Cairns compared with those in the capital cities and nearby locations, as well as with historical prices. For example, if monthly or annual average retail prices in Cairns were more than 6–7 cpl above the average in the five largest cities on a consistent basis this would warrant further scrutiny.

On the basis of historical retail prices and the value chain analysis in this report, if retailers in Cairns were more competitive the ACCC would expect retail petrol prices in the future to be in the region of 4–5 cpl lower than current levels. This would mean annual savings to motorists in aggregate in Cairns of up to $3 500 000 per year on petrol purchases.[24]

Queensland Government agencies, motoring organisations, media establishments and academics can use the publicly available retail price data to analyse and comment on retail petrol prices. This could include commentary and analysis about retail petrol prices by location and by brand over time.

Monitoring and reporting on TGPs and GIRDs over time would also be useful. It would allow Cairns motorists to see if retailers are passing on decreases in wholesale prices when they occur.

The ACCC in its future petrol monitoring reports will also report on this information in the short term, but more continuous and local reporting will be more effective.

3. Promotion of new entry

The introduction of new players into the market, particularly those that price competitively, could lead to increased competition. Local governments may wish to consider promoting new entry into the market and ensuring that unnecessary planning or infrastructure barriers do not restrict or impede new entrants.

As discussed above, the entry of the United site in the Innisfail market in February 2016 has had a downward effect on petrol prices in Innisfail. In the first nine months of 2016–17 Innisfail prices were on average 2.3 cpl lower than Cairns prices.

Developments in Cairns in 2016–17

This report is largely based on financial and other data up to June 2016 provided by the companies that operate in the Cairns market. A number of developments have occurred in the Cairns market since then.

The ACCC understands that, over the last six months, Trinity Petroleum has taken over a former independent retail site in Stratford (a suburb in the north of Cairns), and is also in the process of building a new retail site in Edmonton (a suburb in the south of Cairns). This will take the number of Trinity Petroleum sites in Cairns to seven, more than any other retailer.

For most of the first three months of 2017, weekly average Cairns petrol prices were the same as those in Innisfail. In the last two weeks of March 2017 Cairns prices were marginally lower than Innisfail prices. Both locations were among the most expensive to buy petrol in Queensland in the March quarter 2017.

24 This is based on 2015–16 sales volumes of petrol.

Subsequent ACCC activity

This is the fourth ACCC regional petrol market study, following reports on Darwin, Launceston and Armidale. The ACCC will now review the overall lessons learned from the regional market studies and assess how they may apply in other regional locations across Australia. The ACCC expects to report on this review by the end of 2017.

As noted earlier, the ACCC intends to release a short report examining the Brisbane petrol market by August 2017.

Appendix B—Petrol price data for monitored locations

The ACCC monitors fuel prices in all capital cities and around 190 regional locations across Australia.

Monthly average retail petrol prices for December 2016 and March 2017, and the change between the two, are shown in table B1 below.[25] The table also shows the differential between average petrol prices in the five largest cities and each regional location in the month of March 2017 and 2015–16.[26]

Table B1: Monthly average petrol prices in December 2016 and March 2017 and the city–country differential in the month of March 2017 and 2015–16—cpl

Location	Dec 2016 monthly avg	March 2017 monthly avg	Change Dec to Mar	Differential Mar–17	Differential 2015–16
Sydney	124.5	119.4	–5.1		
Melbourne	125.9	130.2	4.3		
Brisbane	128.1	130.3	2.2		
Adelaide	124.2	123.5	–0.7		
Perth	127.4	129.6	2.2		
Five largest cities	**126.0**	**126.6**	**0.6**		
Hobart	129.2	143.6	14.4	17.0	8.5
Canberra	128.4	137.7	9.3	11.1	5.2
Darwin	129.8	137.0	7.2	10.4	2.7
New South Wales					
Albury	122.1	129.1	7.0	2.5	–0.5
Armidale	130.2	140.3	10.1	13.7	8.1
Ballina	134.1	136.7	2.6	10.1	6.3
Batemans Bay	133.9	140.5	6.6	13.9	6.9
Bathurst	126.5	136.3	9.8	9.7	2.4
Bega	130.9	136.7	5.8	10.1	2.0
Broken Hill	126.7	129.0	2.3	2.4	10.7
Bulahdelah	131.8	135.7	3.9	9.1	10.0
Casino	128.3	125.9	–2.4	–0.7	–3.4
Central Coast	127.4	128.1	0.7	1.5	3.1
Coffs Harbour	125.9	137.8	11.9	11.2	1.2
Cooma	129.5	136.5	7.0	9.9	6.1
Coonabarabran	134.9	142.8	7.9	16.2	9.9
Cootamundra	126.1	131.3	5.2	4.7	5.1
Cowra	120.0	126.7	6.7	0.1	–0.8
Deniliquin	129.0	135.4	6.4	8.8	7.1
Dubbo	132.5	138.1	5.6	11.5	6.8
Forbes	134.9	139.4	4.5	12.8	–2.0
Forster	136.3	139.4	3.1	12.8	10.2

25 For a price to be included in the table there had to be a price observation on at least 75 per cent of days in the month/year. Twelve locations—Blackall, Buronga, Charleville, Cloncurry, Coober Pedy, Corryong, Gundagai, Normanton, Oberon, Orbost, Weipa, Woolgoolga—did not have sufficient data for December 2016 and/or March 2017. E10 prices instead of RULP prices are reported in Sydney, Bulahdelah, Coonabarabran, Cowra, Gilgandra, Gunnedah, Lithgow, Mittagong, Murwillumbah, Ulladulla, Wellington and West Wyalong.

26 The source for all prices in this appendix is ACCC calculations based on FUELtrac data.

Location	Dec 2016 monthly avg	March 2017 monthly avg	Change Dec to Mar	Differential Mar–17	Differential 2015–16
Gilgandra	128.3	137.5	9.2	10.9	9.2
Glen Innes	123.2	140.2	17.0	13.6	–3.3
Goulburn	124.6	125.4	0.8	–1.2	0.3
Grafton	125.0	138.6	13.6	12.0	0.5
Griffith	126.9	131.9	5.0	5.3	6.3
Gunnedah	125.4	134.9	9.5	8.3	5.6
Hay	123.1	130.8	7.7	4.2	4.9
Inverell	126.1	135.0	8.9	8.4	2.2
Jerilderie	128.0	134.1	6.1	7.5	6.5
Kempsey	122.5	134.8	12.3	8.2	3.2
Leeton	123.9	128.3	4.4	1.7	–1.2
Lismore	126.9	133.3	6.4	6.7	2.9
Lithgow	121.7	130.3	8.6	3.7	n/a
Merimbula	126.3	138.9	12.6	12.3	3.2
Mittagong	132.9	137.6	4.7	11.0	7.3
Moama	121.0	123.4	2.4	–3.2	1.0
Moree	129.3	133.4	4.1	6.8	6.1
Moruya	125.4	134.1	8.7	7.5	6.6
Moss Vale	131.5	137.9	6.4	11.3	9.6
Mudgee	128.5	137.6	9.1	11.0	9.0
Murwillumbah	128.5	124.6	–3.9	–2.0	–1.3
Muswellbrook	125.4	135.1	9.7	8.5	4.4
Narrabri	129.7	136.9	7.2	10.3	8.8
Newcastle	126.1	126.2	0.1	–0.4	–0.4
Nowra	133.5	126.2	–7.3	–0.4	1.5
Nyngan	131.3	136.4	5.1	9.8	7.2
Orange	128.0	137.8	9.8	11.2	3.6
Parkes	133.8	134.5	0.7	7.9	0.8
Port Macquarie	124.8	136.5	11.7	9.9	8.0
Queanbeyan	127.4	132.9	5.5	6.3	3.3
Singleton	130.0	138.0	8.0	11.4	8.0
Tamworth	127.3	133.7	6.4	7.1	5.6
Taree	131.0	136.8	5.8	10.2	6.4
Temora	125.8	129.9	4.1	3.3	3.5
Tumut	125.6	134.2	8.6	7.6	8.2
Tweed Heads South	133.9	130.5	–3.4	3.9	1.3
Ulladulla	129.4	130.0	0.6	3.4	7.9
Wagga Wagga	131.2	136.9	5.7	10.3	2.3
Wauchope	126.8	136.1	9.3	9.5	7.5
Wellington	114.9	127.9	13.0	1.3	–1.5
West Wyalong	127.1	134.0	6.9	7.4	4.2
Wollongong	123.4	122.2	–1.2	–4.4	–3.3
Yass	133.3	140.3	7.0	13.7	6.4
Northern Territory					
Alice Springs	130.8	145.6	14.8	19.0	13.2

Location	Dec 2016 monthly avg	March 2017 monthly avg	Change Dec to Mar	Differential Mar–17	Differential 2015–16
Katherine	126.6	141.9	15.3	15.3	3.0
Tennant Creek	139.7	149.7	10.0	23.1	26.1
Queensland					
Atherton	129.9	142.9	13.0	16.3	10.7
Ayr	117.7	130.8	13.1	4.2	–4.4
Biloela	129.9	139.6	9.7	13.0	10.6
Blackwater	127.9	144.9	17.0	18.3	10.9
Bowen	129.8	139.0	9.2	12.4	7.1
Bundaberg	120.4	129.9	9.5	3.3	2.0
Caboolture	128.3	129.1	0.8	2.5	3.8
Cairns	129.8	144.5	14.7	17.9	10.9
Charters Towers	131.1	139.5	8.4	12.9	8.5
Childers	121.5	130.5	9.0	3.9	3.2
Cunnamulla	129.9	129.9	0.0	3.3	10.8
Dalby	120.3	139.6	19.3	13.0	5.6
Emerald	125.3	143.4	18.1	16.8	10.3
Gladstone	128.5	134.4	5.9	7.8	2.1
Gold Coast	130.6	129.1	–1.5	2.5	2.4
Goondiwindi	118.4	139.4	21.0	12.8	9.7
Gympie	122.7	127.2	4.5	0.6	0.6
Hervey Bay	129.3	141.5	12.2	14.9	5.0
Ingham	121.3	138.0	16.7	11.4	8.2
Innisfail	126.5	144.9	18.4	18.3	7.9
Ipswich	124.4	125.9	1.5	–0.7	1.4
Kingaroy	122.9	136.6	13.7	10.0	7.5
Longreach	130.4	143.8	13.4	17.2	13.6
Mackay	125.0	133.3	8.3	6.7	2.5
Mareeba	127.9	144.6	16.7	18.0	9.2
Maryborough	124.1	128.9	4.8	2.3	2.5
Miles	119.9	116.3	–3.6	–10.3	8.4
Moranbah	123.6	133.1	9.5	6.5	1.4
Mt Isa	119.9	144.9	25.0	18.3	12.0
Rockhampton	127.8	143.1	15.3	16.5	4.4
Roma	120.2	133.2	13.0	6.6	10.9
Sunshine Coast	127.9	133.3	5.4	6.7	3.9
Toowoomba	118.1	134.9	16.8	8.3	3.6
Townsville	129.9	133.2	3.3	6.6	7.7
Tully	125.1	143.6	18.5	17.0	9.1
Warwick	129.8	139.8	10.0	13.2	2.0
Whitsunday	120.8	121.7	0.9	–4.9	–3.1
Yeppoon	127.8	142.4	14.6	15.8	4.7
South Australia					
Bordertown	123.9	129.6	5.7	3.0	–0.3
Ceduna	127.0	128.8	1.8	2.2	5.3
Clare	118.6	126.8	8.2	0.2	–0.4

Location	Dec 2016 monthly avg	March 2017 monthly avg	Change Dec to Mar	Differential Mar–17	Differential 2015–16
Gawler	124.8	124.6	–0.2	–2.0	0.7
Kadina	120.4	129.2	8.8	2.6	0.0
Keith	125.5	129.9	4.4	3.3	3.0
Loxton	123.2	129.4	6.2	2.8	–2.3
Mt Gambier	123.9	127.9	4.0	1.3	1.3
Murray Bridge	123.0	129.5	6.5	2.9	0.1
Naracoorte	124.2	130.1	5.9	3.5	6.4
Port Augusta	126.1	127.4	1.3	0.8	5.0
Port Lincoln	122.4	129.3	6.9	2.7	1.7
Port Pirie	119.4	126.2	6.8	–0.4	0.9
Renmark	123.1	129.5	6.4	2.9	–4.5
Tailem Bend	123.5	129.7	6.2	3.1	1.6
Victor Harbour	124.3	129.9	5.6	3.3	0.6
Whyalla	126.4	129.9	3.5	3.3	–0.8
Tasmania					
Burnie	126.8	139.7	12.9	13.1	8.4
Campbell Town	128.8	140.9	12.1	14.3	8.4
Devonport	127.6	140.0	12.4	13.4	8.2
Huonville	128.2	139.9	11.7	13.3	9.6
Launceston	131.1	142.4	11.3	15.8	10.6
New Norfolk	124.0	145.8	21.8	19.2	10.7
Queenstown	135.8	140.2	4.4	13.6	13.7
Smithton	127.2	138.6	11.4	12.0	11.6
Sorell	126.2	141.1	14.9	14.5	7.0
Ulverstone	127.4	139.9	12.5	13.3	8.5
Wynyard	123.5	139.1	15.6	12.5	8.4
Victoria					
Ararat	121.6	129.4	7.8	2.8	–1.6
Bairnsdale	119.4	124.1	4.7	–2.5	–4.5
Ballarat	121.0	124.1	3.1	–2.5	–3.3
Benalla	122.9	130.1	7.2	3.5	5.6
Bendigo	122.1	129.5	7.4	2.9	–0.7
Cobram	124.7	128.3	3.6	1.7	2.0
Colac	120.8	124.9	4.1	–1.7	4.3
Echuca	121.8	124.4	2.6	–2.2	1.9
Euroa	123.0	129.9	6.9	3.3	4.3
Geelong	126.0	127.1	1.1	0.5	–1.7
Hamilton	122.2	129.7	7.5	3.1	6.2
Horsham	122.3	129.9	7.6	3.3	6.7
Koo Wee Rup	126.2	129.6	3.4	3.0	–1.1
Kyabram	120.3	129.9	9.6	3.3	2.4
Lakes Entrance	121.9	129.3	7.4	2.7	3.9
Leongatha	126.5	130.5	4.0	3.9	4.1
Mansfield	126.9	131.9	5.0	5.3	6.7
Mildura	123.4	129.9	6.5	3.3	2.7

Location	Dec 2016 monthly avg	March 2017 monthly avg	Change Dec to Mar	Differential Mar–17	Differential 2015–16
Moe	120.9	129.9	9.0	3.3	0.9
Morwell	120.6	129.9	9.3	3.3	3.1
Portland	121.2	129.5	8.3	2.9	3.5
Sale	121.3	129.8	8.5	3.2	5.2
Seymour	127.2	129.5	2.3	2.9	0.7
Shepparton	122.3	128.3	6.0	1.7	–0.5
Swan Hill	124.0	129.6	5.6	3.0	5.7
Traralgon	122.2	130.0	7.8	3.4	2.7
Wallan	126.1	129.8	3.7	3.2	–1.5
Wangaratta	120.3	127.7	7.4	1.1	–2.4
Warrnambool	121.3	129.1	7.8	2.5	1.0
Wonthaggi	126.4	130.2	3.8	3.6	3.7
Wodonga	122.3	128.1	5.8	1.5	–1.9
Yarrawonga	120.1	129.9	9.8	3.3	0.9
Western Australia					
Albany	129.6	130.6	1.0	4.0	4.0
Boulder	129.8	135.9	6.1	9.3	n/a
Bridgetown	127.1	130.2	3.1	3.6	9.4
Broome	143.6	145.8	2.2	19.2	20.9
Bunbury	129.2	133.0	3.8	6.4	5.5
Busselton	122.0	129.6	7.6	3.0	5.2
Carnarvon	140.3	141.5	1.2	14.9	23.1
Collie	129.7	132.5	2.8	5.9	6.0
Dongara	129.7	129.5	–0.2	2.9	14.8
Esperance	130.2	130.6	0.4	4.0	11.0
Eucla	148.8	148.5	–0.3	21.9	29.7
Geraldton	129.5	132.2	2.7	5.6	10.6
Karratha	144.7	144.9	0.2	18.3	23.5
Manjimup	122.7	128.6	5.9	2.0	1.9
Mount Barker	128.5	133.3	4.8	6.7	1.6
Port Hedland	136.9	139.4	2.5	12.8	20.8
Waroona	127.3	132.7	5.4	6.1	n/a