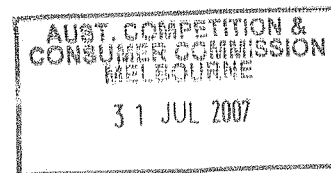


PARLIAMENT OF AUSTRALIA



27th July, 2007.

Petrol price inquiry
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

To whom it may concern:

I am writing on behalf of my constituents of the Riverina in Southern N.S.W, who I believe have been victims of petrol pricing for many years.

I have been receiving correspondence about the transparency of fuel pricing for some time, and the constant cry has always been, why are petrol prices across the Riverina so much higher than a) metropolitan areas, and b) other large regional centres.

Following a presentation at Parliament House by Mr. Bill Frilay of BP Australia, I coordinated an open forum in Wagga Wagga, delivered by BP on the 7th June of this year in an attempt to dispel some of the myths of country petrol pricing.

I am reasonably confident the concept of world oil pricing and the impact this has on the pricing of end product is understood by the vast majority of my constituents. Further, my constituents have been alerted to some of the reasons behind the difference in pricing of raw product and the Terminal Gate Price (TGP). What I would like addressed, however, is the transparency between the Singapore Mogas 95 Unleaded price, the TGP and the pump price on any given cycle of costing.

Mr. Frilay explained to me very clearly how our market reflects cycles of pricing from the international benchmark price of Singapore Mogas 95 Unleaded. Mr. Frilay also communicated very effectively metropolitan fuel price cycles lag behind this price, and generically speaking, the graphing of metropolitan 95 unleaded prices more or less track the price of Singapore 95 unleaded. Where my problem lies, and what the bulk of my constituent's correspondence queries refer to though, is why are prices in an area such as the Riverina, with a relatively high turnover (especially in centres such as Leeton, Griffith and Wagga Wagga) so much higher than in metropolitan areas?

Kay Hull MP

THE NATIONALS

CHIEF WHIP
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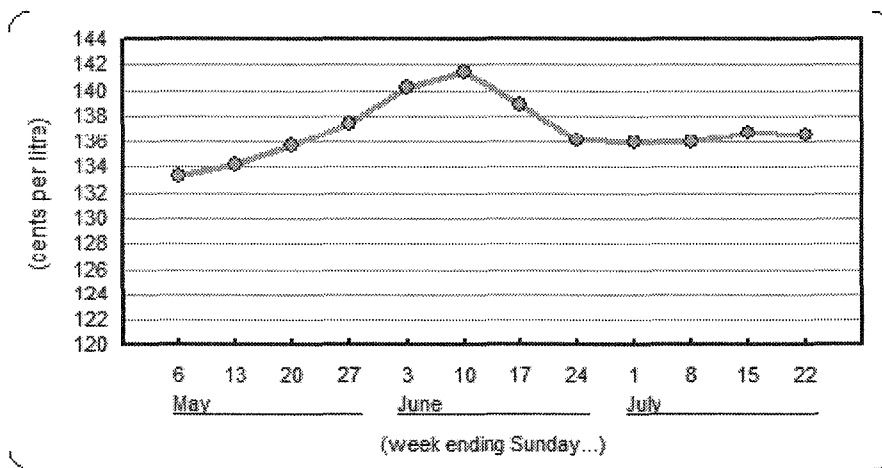
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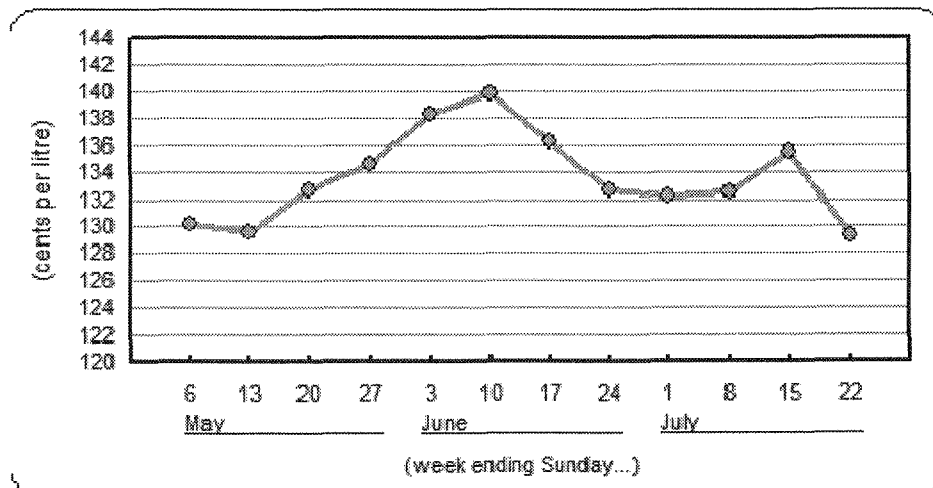
Further to this, I would draw the ACCC's attention to the below graphs provided by the Australian Institute of Petroleum as an example of the frustration of my constituents. The first graph shows the prices of 95 unleaded in Wagga from May-July of this year. The last month has seen the price sit on or around \$1.36 per litre.

The next graph shows Albury, a similar sized city 100km south of Wagga Wagga, where petrol for the same period hovered around 4 cents a litre cheaper, and at the end of the month markedly dropped to \$1.29 per litre. If we take the comparison further to the next graph and the NSW Regional Average, Wagga Wagga is still 4 cents per litre higher than the average, and at the end of the month Wagga will finish 14 cents higher than Sydney. An interesting point to make here also is the price of fuel in Narrabri, far north-west N.S.W, throughout the same period. Narrabri is 565 kilometres from Sydney, and 673 kilometres from Brisbane, yet its fuel price remained steady for 3 months on \$1.32 per litre! How then does Wagga's price, which services a much denser population spread on a much busier thoroughfare, peak at \$1.42 and continue steadily on \$1.36? Disparities such as this are frustrating to the say the least, and leave big question marks over the distributors of fuel in the Riverina.

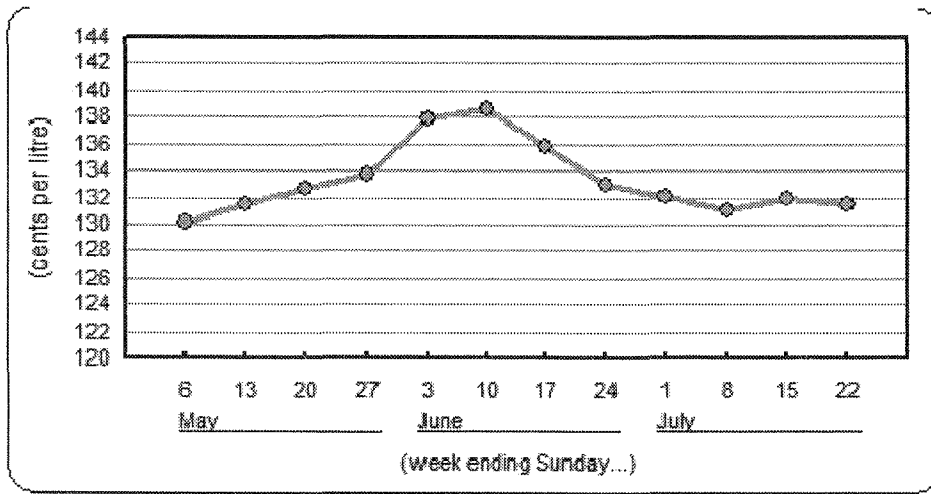
Average Wagga Price – 2007 (Australian Institute of Petroleum)



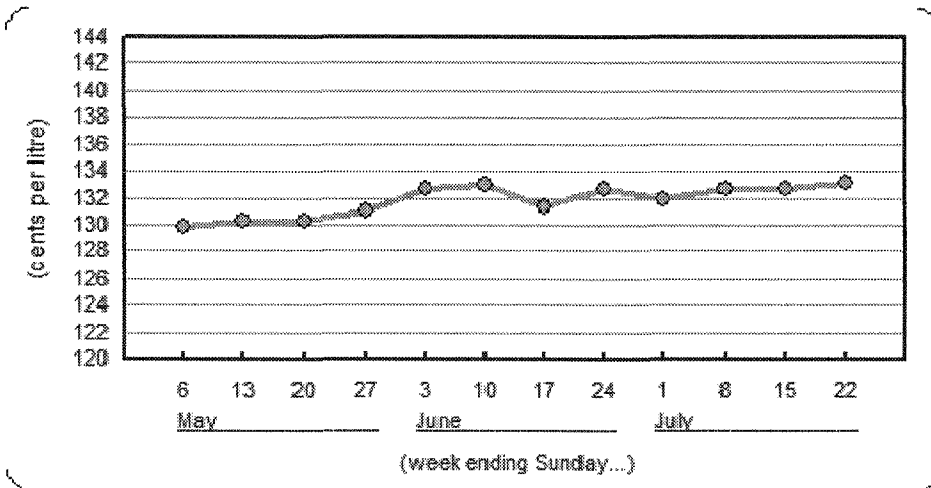
Average Albury Price – 2007 (Australian Institute of Petroleum)



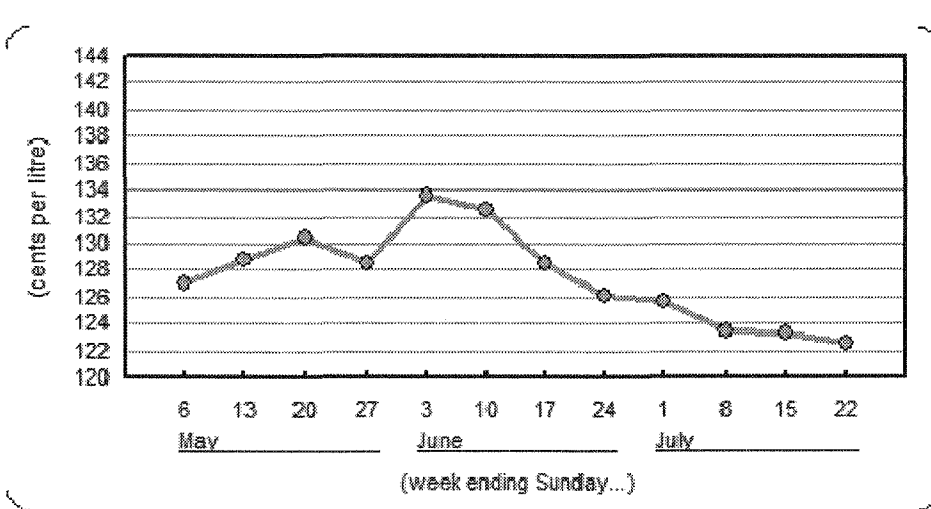
NSW Regional Average – 2007 (Australian Institute of Petroleum)



Average Narrabri Price – 2007 (AIP)



Average Sydney Price – 2007 (Australian Institute of Petroleum)



On Wednesday 25th July, a constituent called me to say he had driven from Albury to Narrandera. 95 unleaded had been \$1.19 in Albury and \$1.39 in Narrandera, and on a quick drive around Wagga, I personally noted 95 unleaded at approximately \$1.38 per litre. As I have previously mentioned, the concept of lagging pricing cycles is not new to me, however, I simply do not believe there could be a 20 cent per litre discrepancy between towns 100km apart.

I would recommend the ACCC investigate what factors are influencing the final pricing of fuel from Singapore, to the TGP, and finally at the pump, in regional areas. Specifically, who are the distributors and who has ownership of distribution supplies into the Riverina, and specifically what makes up Wagga's costing between the TGP and the pump?

If the TGP is \$1.20, and pump prices are closer to \$1.40 in the Riverina, what can be reasonably expected to be a margin not considered to be exploitative of the consumer? Last year an independent retailer of fuel, Mr. Bill McMaster, at a petrol station on the edge of Wagga was quoted in *The Daily Advertiser* ('Silvalite's owner has had enough' – 24/8/06) saying that "you need to make eight cents a litre otherwise it's not worth it." The same article cited Mr. McMaster at the time paying \$1.2377 wholesale per litre, and oil company sites selling fuel at a retail price of \$1.219 cents per litre.

In this sense, I have grave concern that Coles and Woolworths are driving the market with a disproportionate share of power in it. On any given day, if they decide to cut petrol they can subsidise it in different ways to the consumer market. Individual owners cannot sustain this voracious price war, selling product below cost, and in turn they are being forced out of the market. I believe this invariably leaves the large distributors and sellers, such as Coles and Woolworths, the aforementioned disproportionate market share, and hence the power to price fuel in a predatory manner and abuse the market.

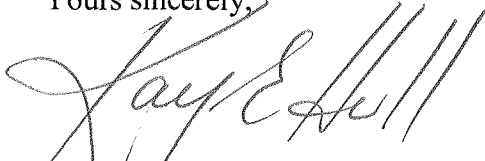
Another of my sincere concerns is the pricing of diesel fuel. Wagga, along with other centres in the Riverina, are advantageously situated on major thoroughfares such as the Newell, Olympic and Sturt Highways, with several towns being on major intersections between the two. This would result in greater turnovers than other centres and theoretically our larger towns should see cyclical pricing in a relative context to some degree. Coupled with the fact our agriculture industry consumes significant volumes of diesel, we should see more competitive pricing. Again, I believe the above mentioned questions need to be applied. A constituent, Mr. Bill Baker, contacted the ACCC and my office several weeks ago to alert the fact diesel prices in Albury were some 15 cents per litre cheaper than Wagga. A large discrepancy such as this cannot in any manner be attributed to a 'price war' or pricing cycle – investigations need to be held into the manner of distribution of all types of fuel in to the Riverina, as well as the ownership of distribution points, to make transparent the reasons behind such large pricing differences.

Given the population density of the Riverina, I believe it would be highly beneficial for the ACCC to conduct an open forum in our area. Wagga, Narrandera and Griffith all have commercial airports, with up to 6 flights per day servicing Sydney and

Melbourne, making the area very accessible. Perhaps more so than other regional centres we seem to bear the brunt of petrol pricing, and I believe it would be greatly beneficial for the ACCC to conduct a public hearing in the area.

I await the findings of the inquiry with great anticipation, as well as a possible hearing in the area. Whilst I do accept the international price of oil is rising, I do sincerely believe more can be done to address the issue of regional petrol pricing.

Yours sincerely,



Mrs. Kay Hull MP
Member for Riverina

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