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# Report on the Australian petroleum market

June quarter 2018

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# Key messages

## Retail petrol prices in the five largest cities increased significantly in the June quarter 2018

In the June quarter 2018, average retail petrol prices across the five largest cities (Sydney, Melbourne, Brisbane, Adelaide and Perth) were 145.2 cents per litre (cpl).<sup>1</sup> This was an increase of 9.7 cpl from the March quarter 2018 (135.5 cpl). In real terms (i.e. after prices have been adjusted for inflation), the quarterly average price was the highest in nearly four years.

During the quarter, daily average prices (on a seven-day rolling average basis) in the five largest cities moved within a range of around 16.0 cpl—from a low of 138.0 cpl to a high of 153.7 cpl.

## Annual average petrol prices in 2017-18 were the highest in three years in real terms

The annual average retail petrol price in the five largest cities in 2017-18 was 134.5 cpl, which was 11.9 cpl higher than in 2016-17 (122.6 cpl). After adjusting for inflation over time, this was the highest annual average price since 2014-15 (140.4 cpl). This is shown in the following chart.

Annual average retail petrol prices in the five largest cities in nominal and real terms: 2000-01 to 2017-18



Source: ACCC calculations based on FUELtrac and Informed Sources data, and Australian Bureau of Statistics, *6401.0 - Consumer Price Index, Australia, June 2018, Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes*, at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6401.0Jun%202018?OpenDocument>.

Note: Real prices are shown in 2017-18 dollars.

<sup>1</sup> In this report, references to petrol are to regular unleaded petrol (RULP) unless otherwise specified. 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. All prices are nominal prices unless otherwise specified.

# Higher international crude oil and refined petrol prices, and a lower AUD-USD exchange rate, pushed retail prices higher

International crude oil and refined petrol prices increased in the June quarter 2018. The quarterly average Brent crude oil price increased by around USD 7 per barrel to around USD 74 per barrel and the quarterly average Mogas 95 price (i.e. the international price for refined RULP relevant to Australia) increased by around USD 6 per barrel to around USD 84 per barrel.

The increases in prices in the June quarter 2018 were influenced by a number of factors, including the agreements in late-2016 by the Organisation of Petroleum Exporting Countries (OPEC) cartel and some other crude oil producing countries to cut production. The influence of these production cuts was compounded in the quarter by concerns about risks to international crude oil supplies arising from a potentially spreading conflict in the Middle East, renewed US sanctions against Iran, and falling crude oil output due to the political and economic crisis in Venezuela.

In the June quarter 2018, the AUD-USD exchange rate decreased by around USD 0.03 from the previous quarter. The AUD-USD exchange rate is a significant determinant of Australia's retail petrol prices because international refined petrol is bought and sold in United States dollars in global markets. The lower AUD-USD exchange rate in the June quarter 2018 compounded the influence of the increase in international refined petrol prices on Australian retail petrol prices.

In Australian cents per litre, quarterly average Mogas 95 prices were 70.1 cpl in the June quarter 2018, which was 8.0 cpl higher than the previous quarter.

On an annual basis, in 2017-18 Brent crude oil prices increased by around USD 14 per barrel to around USD 64 per barrel, and Mogas 95 prices increased by around USD 13 per barrel to around USD 75 per barrel. The annual AUD-USD exchange rate in 2017-18 was USD 0.78, an increase of USD 0.03 from 2016-17.

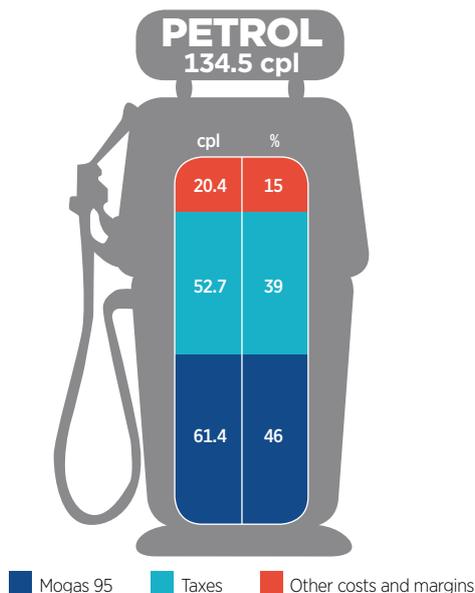
## The cost of refined petrol and taxes account for most of the pump price

There are three broad components of the retail price of petrol: the international price of refined petrol (i.e. Mogas 95); taxes (excise and the GST) and other costs and margins at the wholesale and retail levels.

The following chart shows these components of the annual average retail petrol price in the five largest cities in 2017-18:

- the price of Mogas 95 made up 61.4 cpl (around 46 per cent, up from 42 per cent in 2016-17)
- taxes made up 52.7 cpl (around 39 per cent, down from 42 per cent in 2016-17)
- wholesale and retail costs and margins made up 20.4 cpl (15 per cent, down from 16 per cent in 2016-17).

## Components of the annual average retail petrol price in the five largest cities in 2017-18



Source: ACCC calculations based on FUELtrac, Platts and Reserve Bank of Australia (RBA) data.

## Gross retail margins increased marginally in the quarter, but reached a new annual average high in 2017-18

In the June quarter 2018, average gross indicative retail differences (GIRDs) in the five largest cities were 12.8 cpl, an increase of 0.4 cpl from the previous quarter (12.4 cpl). GIRDs were highest in Brisbane (15.5 cpl) and lowest in Adelaide (10.0 cpl).

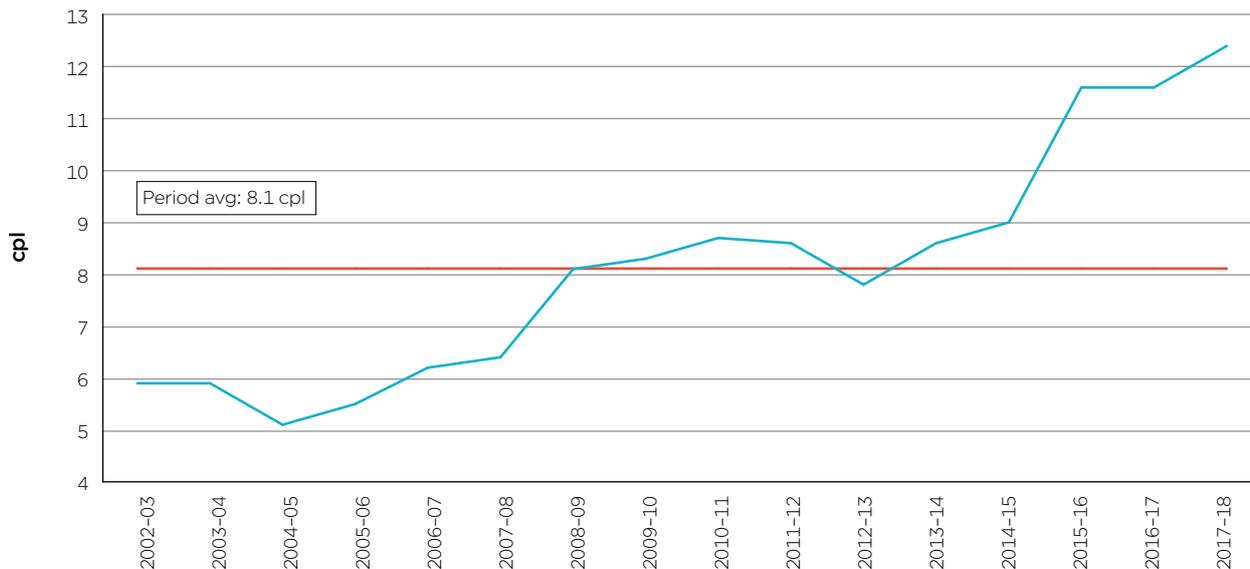
GIRDs are a broad indicator of gross retail margins. They are calculated by subtracting average wholesale prices (or terminal gate prices (TGPs)) from average retail prices. TGPs are the prices at which petrol can be purchased from wholesalers in the spot market and are posted on a regular basis on the 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 these costs are included in GIRDs, then GIRDs should not be confused with actual retail profits.

The GIRDs reported by the ACCC are averages across the five largest cities over time. The level of prices, costs and profits vary significantly between retail operations and not all petrol retailing sites will be achieving these gross margins. Some will be achieving higher gross margins, others lower. The ACCC market studies found that profits per retail petrol site can vary considerably between retailers, with some sites making substantial profits, while other sites make very little.

Annual average GIRDs in the five largest cities in 2017-18 were 12.4 cpl, an increase of 1.0 cpl from 2016-17 (11.4 cpl). In real terms, they were the highest on record and were 4.3 cpl higher than the average over the last 16 years (8.1 cpl). This is shown in the following chart.

### Annual average GIRDs in the five largest cities in real terms: 2002-03 to 2017-18



Source: ACCC calculations based on FUELtrac, Informed Sources, BP, Caltex, Mobil, Viva Energy and WA FuelWatch data, and Australian Bureau of Statistics, 6401.0 – Consumer Price Index, Australia, June 2018, Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes, at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6401.0Jun%202018?OpenDocument>.

Note: Real GIRDs are shown in 2017-18 dollars.

Annual average GIRDs in Melbourne (13.5 cpl), Brisbane (14.8 cpl), Adelaide (10.4 cpl) and Perth (12.6 cpl) all reached record levels in real terms since the ACCC began monitoring them in 2002.

As noted in earlier ACCC quarterly reports, retailers have previously advised the ACCC that the increase in GIRDs may partly reflect regulatory and compliance costs, especially in New South Wales (NSW). Although many of these costs may have been one-off expenses, they may need to be recouped over a number of years. However, the ACCC believes that the higher GIRDs since 2014-15, which increased further in 2017-18 to record levels, cannot be fully explained by the increase in these costs.

While annual average real GIRDs are the highest on record, it should be noted that high GIRDs are not illegal, and the ACCC does not have evidence of a breach of the *Competition and Consumer Act 2010*.

## Brisbane retail petrol prices remained the highest among the five largest cities in the quarter

Retail prices in Brisbane remained the highest of the five largest cities in the June quarter 2018. The average retail petrol price in Brisbane in the quarter was 148.4 cpl, which was 4.1 cpl higher than the average across the other four largest cities (Sydney, Melbourne, Adelaide and Perth). This was 0.7 cpl higher than the differential in the March quarter 2018 (3.4 cpl).

## Motorists around the country can save money by using fuel price apps and websites

Increased use of fuel price apps and websites has helped motorists to shop around and purchase petrol at relatively lower priced retail sites.

On 1 May 2018, 7-Eleven announced that since its launch in 2016 consumers nationally had conducted more than 19 million local price searches using its fuel app. The app provides consumers with near real-time fuel price data at all 7-Eleven stores in Australia. It also allows registered users to 'lock in' 7-Eleven's best local price and then redeem it at any 7-Eleven retail site Australia-wide within seven days. 7-Eleven stated that more than one million Australians had downloaded the 7-Eleven fuel app, collectively saving more than \$5 million on fuel purchases.

On 5 June 2018, the NSW Government announced that 220 000 drivers had downloaded the FuelCheck app. This is a significant increase from December 2017, when it commented that more than 84 000 people had downloaded the app. The FuelCheck app, which was launched in October 2017, 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 the price shown on FuelCheck.

These arrangements join existing schemes providing fuel price information to motorists, including the FuelWatch website, the MyFuel NT scheme, the MotorMouth website and app, and apps operated by GasBuddy, the National Roads and Motorists' Association and Woolworths.

When using fuel price websites and apps motorists need to be aware that some are more comprehensive and timely than others, and not all of them include prices for the lowest-priced retail sites.

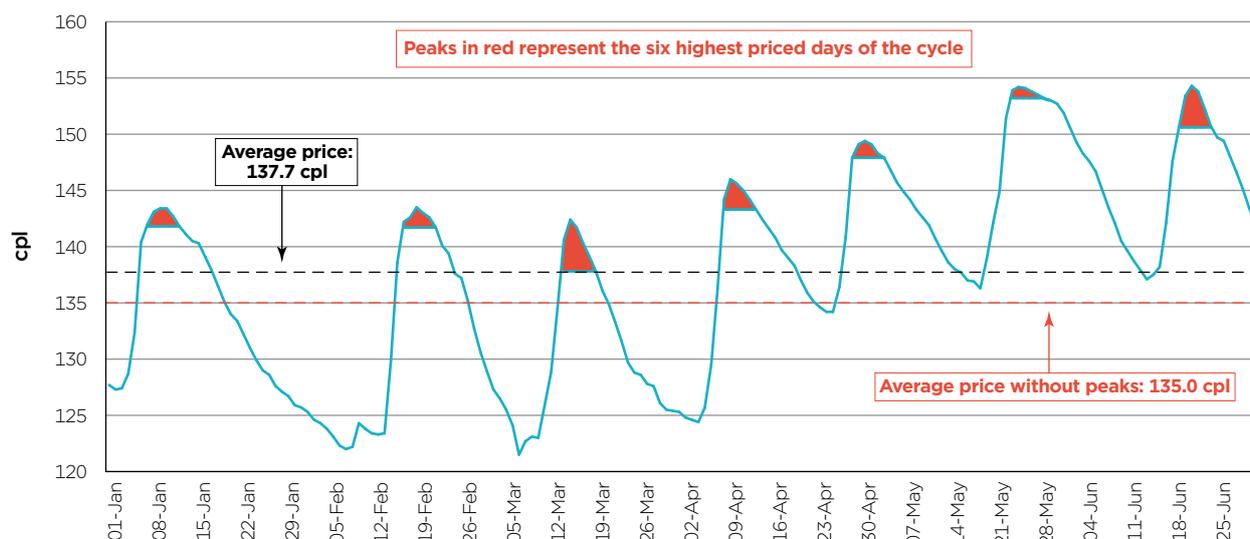
On 1 May 2018, the Queensland Government announced a two-year trial of a fuel price reporting scheme to operate in Queensland. This will be a different scheme from the FuelCheck arrangements in NSW and the MyFuel NT scheme. It subsequently announced on 25 July 2018 that the trial would begin in December 2018.

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 also the availability of petrol price data may promote competitive market behaviour. It will reward those retailers that are prepared to compete actively on price, because their pricing behaviour can be seen, and acted upon, by motorists.

## By avoiding buying petrol at the peaks of the price cycle motorists can also save money

Use of fuel price apps and websites is particularly relevant to those motorists in cities with price cycles. The following chart shows daily average E10 prices in Sydney over the first six months of 2018. There were seven price cycles in that time. Many motorists tend to fill up once a week. If these motorists had avoided buying petrol on the six days around the seven peaks during this period, they would have paid on average around 2.7 cpl less.

**Daily average retail E10 prices in Sydney: 1 January to 30 June 2018**



Source: ACCC calculations based on FUELtrac data.

Assuming similar savings from the price cycles for RULP and premium unleaded petrol (PULP) in Sydney, as from E10 price cycles, the estimated savings overall to motorists in Sydney over a full year would be in the region of \$95 million.

Undertaking the same calculations for the other larger cities gives broadly similar results. In Melbourne, average prices would have been 2.5 cpl lower, with estimated savings in the region of \$85 million; in Brisbane average prices would have been 2.4 cpl lower, with estimated savings in the region of \$45 million; and in Adelaide average prices would have been 4.7 cpl lower, with estimated savings in the region of \$45 million. The total annual saving in the four cities would be around \$270 million. A similar analysis for Perth was not undertaken because it has regular weekly price cycles.

Motorists who can fill up less frequently, and therefore are able to buy petrol when prices are falling, can save even more. For example, if motorists in Sydney avoided buying E10 on the 10 most expensive days around the peaks of the price cycle, they would have paid on average 4.7 cpl less. There would be similar savings in the other cities: Melbourne 4.3 cpl, Brisbane 4.1 cpl and Adelaide 7.6 cpl. On this basis, the total annual saving in the four cities would be around \$460 million.

Motorists who only buy a small amount of petrol when prices are at their peak, and wait until prices are falling before filling up, can also make significant savings. Motorists can avoid buying petrol around the peaks by following the ACCC's advice on its website of when to buy and, importantly, when not to buy. Consumers taking this more active approach would likely save considerably more.

In 2017–18, the petrol price cycle web page on the ACCC website received 426 807 page views, making it the most viewed page on the ACCC website for the year. There was a 38 per cent increase in the number of views of this page between 2017–18 and 2016–17.

There is often a range of prices across various retailers available to motorists, even at the peak of the price cycle, so they can also use fuel price apps to decide where to buy. The ACCC's first industry report under the new petrol monitoring direction, released in May 2018, showed that petrol prices vary significantly between major retailers. In 2017, independent chains on average were the lowest priced major retailers in each of the five largest cities (United in Melbourne and Brisbane, Speedway in Sydney, Liberty in Adelaide and Vibe in Perth), and Coles Express on average was the highest priced major retailer in each city.

## **The city–country petrol price differential was broadly stable in the quarter, but lower across the year**

The ACCC monitors fuel prices in all capital cities and over 190 regional locations across Australia. The average differential between prices in these regional locations and prices in the five largest cities in the June quarter 2018 was 4.9 cpl. This was 0.1 cpl higher than the average differential in the March quarter 2018.

The annual average differential between regional prices and those in the five largest cities in 2017–18 was 4.4 cpl, which was 1.0 cpl lower than in 2016–17 (5.4 cpl).

## **Diesel and automotive LPG prices were higher across the year**

In the June quarter 2018, diesel prices in the five largest cities increased, while automotive LPG prices were marginally lower:

- average retail diesel prices in the five largest cities increased by 11.3 cpl, from 140.1 cpl in the March quarter 2018 to 151.4 cpl in the June quarter 2018
- average retail automotive LPG prices decreased by 1.8 cpl, from 85.2 cpl in the March quarter 2018 to 83.4 cpl in the June quarter 2018.

On an annual basis, in 2017–18:

- the annual average retail price of diesel in the five largest cities was 137.8 cpl, an increase of 12.0 cpl from 2016–17
- the annual average retail price of automotive LPG in the five largest cities was 80.7 cpl, an increase of 11.6 cpl from 2016–17.

# ACCC regional market studies

The ACCC has undertaken four regional petrol market studies—in Darwin, Launceston, Armidale and Cairns—and continues to monitor retail prices and GIRDs in those locations.

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

This long-term 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, this may be indicative of a less-competitive market in which retailers are earning higher margins at the expense of consumers.

Motorists in these locations are encouraged to use available fuel price websites and apps to find retailers with relatively lower prices.

## **Darwin petrol prices increased and remained above a long-term competitive cost-based price**

In the June quarter 2018, average retail prices in Darwin were 152.0 cpl, an increase of 3.7 cpl from the March quarter 2018 (148.3 cpl). The average differential between prices in Darwin and the five largest cities was 6.8 cpl, a decrease of 6.0 cpl from the March quarter 2018 (12.8 cpl).

In the June quarter 2018, average GIRDs in Darwin were 14.8 cpl, a decrease of 5.5 cpl from the March quarter 2018 (20.3 cpl). Petrol prices in Darwin, however, remained above a long-term competitive cost-based price (which is calculated on a rolling annual average basis).

Motorists in Darwin can use the MyFuel NT scheme to identify the highest and lowest priced retail sites in Darwin. For example, on 8 August 2018, it showed that six retail sites (three Coles Express, two Caltex and one BP) had the highest retail price (155.9 cpl), and FuelXpress Winnellie had the lowest retail price (148.7 cpl).

## **Launceston petrol prices increased and remained significantly above a long-term competitive cost-based price**

In the June quarter 2018, average retail prices in Launceston were 156.1 cpl, an increase of 7.7 cpl from the March quarter 2018 (148.4 cpl). The average differential between prices in Launceston and the five largest cities was 10.9 cpl, a decrease of 2.0 cpl from the March quarter 2018 (12.9 cpl).

In the June quarter 2018, Launceston GIRDs were 18.2 cpl, a slight decrease of 1.7 cpl from the March quarter 2018 (19.9 cpl). Petrol prices in Launceston remained significantly above a long-term competitive cost-based price.

On 8 August 2018, using the MotorMouth app, there was a 5.1 cpl range between the highest priced retail site in Launceston (161.9 cpl at a BP-branded site) and the lowest priced retail site (156.8 cpl at a Woolworths site).

## **Armidale petrol prices increased and remained marginally above a long-term competitive cost-based price**

In the June quarter 2018, average retail prices in Armidale were 150.5 cpl, an increase of 11.4 cpl from the March quarter 2018 (139.1 cpl). The average differential between prices in Armidale and the five largest cities was 5.3 cpl, an increase of 1.7 cpl from the March quarter 2018 (3.6 cpl).

In the June quarter 2018, average GIRDs in Armidale were 19.3 cpl, an increase of 2.1 cpl from the March quarter 2018 (17.2 cpl). Petrol prices in Armidale remained marginally above a long-term competitive cost-based price.

Motorists in Armidale can use the FuelCheck website and app to identify the highest and lowest priced retail sites in Armidale. On 8 August 2018, the FuelCheck website showed that there was an 8.4 cpl range between the highest priced RULP retail site in Armidale (155.4 cpl at Caltex Armidale) and the lowest priced retail site (147.0 cpl at the Beardy Street Servo). There was a 4.0 cpl range between the highest priced E10 retail site (153.9 cpl at Coles Express Armidale) and the lowest priced retail site (149.9 cpl at three Caltex sites, one Lowes site and one Woolworths site).

## **Cairns petrol prices increased but moved closer to their long-term competitive cost-based price**

In the June quarter 2018, average retail prices in Cairns were 150.4 cpl, an increase of 14.9 cpl from the March quarter 2018 (135.5 cpl). The average differential between prices in Cairns and the five largest cities was 5.2 cpl, an increase of 5.2 cpl from the March quarter 2018 (when Cairns prices were equal to the average price in the five largest cities).

In the June quarter 2018, average GIRDs in Cairns were 14.4 cpl, an increase of 5.5 cpl from the March quarter 2018 (8.9 cpl). Average GIRDs in Cairns were 1.6 cpl above the average GIRDs in the five largest cities.

Petrol prices in Cairns remained above a long-term competitive cost-based price, but the difference between petrol prices in Cairns and the long-term competitive cost-based price decreased significantly over the first six months of 2018. This decrease may have been due to more vigorous competition following the increasing presence of United in the Cairns area in the March 2018 quarter.

On 8 August 2018, using the MotorMouth app, there was a 9.0 cpl range between the highest priced retail site in Cairns (154.9 cpl at a BP-branded site) and the lowest priced retail site (145.9 cpl at Machans Beach Store).

# 1. Developments in the petroleum industry

## 1.1 BP to not proceed with acquisition of Woolworths' retail fuel and convenience business

On 21 June 2018, BP Australia announced that it would not continue with its proposed acquisition of Woolworths' retail fuel and convenience business.<sup>2</sup> BP stated that, despite its best efforts, it determined that the transaction could not be structured to meet its strategic objectives. On the same day, Woolworths announced that it was continuing to engage actively with alternative options for its petrol business.<sup>3</sup>

BP and Woolworths originally entered into a sale and strategic partnership agreement in December 2016, worth USD 1.3 billion. The agreement was subject to review by the ACCC and the Foreign Investment Review Board. On 14 December 2017, the ACCC announced its decision to oppose the proposed acquisition, and both BP and Woolworths commented that they were reviewing their options following the ACCC's decision.<sup>4</sup>

## 1.2 Queensland to introduce a fuel price reporting trial

On 1 May 2018, the Queensland Government announced a two-year trial of fuel price reporting, to take effect as soon as possible.<sup>5</sup> The trial will ensure that more current data is available to motorists and will not disadvantage small independent retailers. The Queensland Government established a working group with industry stakeholders, including the Royal Automobile Club of Queensland, to oversee the implementation of the fuel price reporting system. This will be a different scheme from the FuelCheck arrangements in NSW and the MyFuel NT scheme.

On 25 July, the Queensland Government announced that the trial would begin in December 2018.<sup>6</sup> The government said that fuel prices would be published on existing smartphone apps and websites within 30 minutes of a price change at the bowser.

## 1.3 7-Eleven's fuel app has been widely used since its establishment in 2016

On 1 May 2018, 7-Eleven announced that consumers nationally had conducted more than 19 million local price searches using its fuel app since its launch in 2016.<sup>7</sup> The 7-Eleven fuel app provides consumers with near real-time fuel price data at all 7-Eleven stores in Australia. It also allows registered

<sup>2</sup> BP Australia, *BP will not proceed with acquisition of Woolworths' fuel network*, press release, 21 June 2018, at: [https://www.bp.com/content/dam/bp-country/en\\_au/media/media-releases/bp-will-not-proceed-acquisition-woolworths-fuel-network.pdf](https://www.bp.com/content/dam/bp-country/en_au/media/media-releases/bp-will-not-proceed-acquisition-woolworths-fuel-network.pdf), accessed on 1 August 2018.

<sup>3</sup> Woolworths Group Limited, *Update on sale of petrol business to BP*, press release, 21 June 2018, at: [https://www.woolworthsgroup.com.au/icms\\_docs/189693\\_update-on-sale-of-petrol-business-to-bp.pdf](https://www.woolworthsgroup.com.au/icms_docs/189693_update-on-sale-of-petrol-business-to-bp.pdf), accessed on 1 August 2018.

<sup>4</sup> BP Australia, *BP to consider ACCC's decision*, press release, 14 December 2017, at: [https://www.bp.com/en\\_au/australia/media/media-releases/bp-consider-acc-c-decision.html](https://www.bp.com/en_au/australia/media/media-releases/bp-consider-acc-c-decision.html), accessed on 1 August 2018; and Woolworths Group Limited, *ACCC opposes BP proposed acquisition of Woolworths Group's fuel business*, press release, 14 December 2017, at: [https://www.woolworthsgroup.com.au/page/media/Press\\_Releases/acc-c-opposes-bp-proposed-acquisition-of-woolworths-group%E2%80%99s-fuel-business/](https://www.woolworthsgroup.com.au/page/media/Press_Releases/acc-c-opposes-bp-proposed-acquisition-of-woolworths-group%E2%80%99s-fuel-business/), accessed on 1 August 2018.

<sup>5</sup> The Honourable Dr Anthony Lynham, Minister for Natural Resources, Mines and Energy, *Palaszczuk Government to tackle fuel prices*, media statement, 1 May 2018, at: <http://statements.qld.gov.au/Statement/2018/5/1/palaszczuk-government-to-tackle-fuel-prices>, accessed on 1 August 2018.

<sup>6</sup> The Honourable Dr Anthony Lynham, Minister for Natural Resources, Mines and Energy, *Where's the cheapest servo in town?*, media statement, 25 July 2018, at: <http://statements.qld.gov.au/Statement/2018/7/25/wheres-the-cheapest-servo-in-town>, accessed on 1 August 2018.

<sup>7</sup> 7-Eleven, *Queenslanders save \$1.3 million with 7-Eleven's Fuel App*, media centre, 1 May 2018, at: <https://www.7eleven.com.au/media-centre/article/queenslanders-save-1-3-million-with-7-eleven-s-fuel-app>, accessed on 1 August 2018.

users to 'lock in' 7-Eleven's best local price and then redeem it at any 7-Eleven store Australia-wide within seven days.

7-Eleven's announcement was made in response to the Queensland Government's announcement of its fuel price reporting trial. 7-Eleven stated that, since the launch of the 7-Eleven fuel app, more than one million Australians had downloaded it, collectively saving more than \$5 million on fuel purchases. Consumers in Queensland had used the 'lock in' feature more than 300 000 times, saving on average 11.3 cpl each time. Collectively, Queensland consumers had saved almost \$1.3 million.

## 1.4 NSW FuelCheck app downloaded by 220 000 drivers since its launch in October 2017

On 5 June 2018, the NSW Government announced that 220 000 drivers had downloaded the FuelCheck app.<sup>8</sup> This is a significant increase from December 2017, when the NSW Government commented that more than 84 000 people had downloaded the app.<sup>9</sup>

The FuelCheck app, which was launched by the NSW Government in October 2017, 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 the price shown on FuelCheck.

## 1.5 OPEC agreed to increase crude oil production

The Organisation of Petroleum Exporting Countries (OPEC) and other oil-producing countries met in Vienna on 22 June 2018. Member and non-member countries agreed to increase crude oil production by around one million barrels per day (bpd) from July 2018.<sup>10</sup> This decision was taken in the context that strong global demand for crude oil, and increasing concerns about risks to global crude oil supplies, had increased pressure for OPEC to increase production in recent months.

In late-2016, OPEC and 11 non-OPEC countries, including Russia, had previously agreed to decrease crude oil production by around 1.2 million bpd.<sup>11</sup> This agreement was subsequently extended a number of times, most recently in November 2017, bringing the total supply reduction to around 1.8 million bpd.<sup>12</sup>

## 1.6 The ethanol mandate in Queensland has increased E10 sales

On 16 May 2018, the Queensland Minister for Natural Resources, Mines and Energy, the Honourable Dr Anthony Lynham, reported that 2.5 per cent of regular petrol sold in Queensland in the December quarter 2017 was ethanol, up from 1.5 per cent when the ethanol mandate commenced on 1 January 2017.<sup>13</sup> However, this was below the mandate target of 3 per cent. The Minister also said that the number of retail sites supplying E10 in Queensland had expanded to over 600 retail sites, which was an increase of more than 260 retail sites in under two years. The ethanol mandate in Queensland increased to 4 per cent on 1 July 2018.

8 Gladys Berejiklian, Premier of NSW, *NSW Budget to deliver massive savings to households*, media release, 5 June 2018, at: <https://www.nsw.gov.au/your-government/the-premier/media-releases-from-the-premier/nsw-budget-to-deliver-massive-savings-to-households/>, accessed on 1 August 2018.

9 Gladys Berejiklian, Premier of NSW, *Don't be fuelled this holiday season*, media release, 22 December 2017, at: <https://www.nsw.gov.au/your-government/the-premier/media-releases-from-the-premier/dont-be-fuelled-this-holiday-season/>, accessed on 1 August 2018.

10 Reuters, *Oil jumps as OPEC agrees to modest output hikes*, 22 June 2018, at: <https://www.reuters.com/article/us-global-oil/oil-jumps-as-opec-agrees-to-modest-output-hikes-idUSKBN1JI03B>, accessed on 1 August 2018.

11 Bloomberg, *OPEC Confounds Sceptics, Agrees to First Oil Cuts in 8 Years*, 1 December 2016, at: <https://www.bloomberg.com/news/articles/2016-11-30/opec-said-to-agree-oil-production-cuts-as-saudis-soften-on-iran>, accessed on 1 August 2018.

12 Reuters, *OPEC, Russia agree oil cut extension to end of 2018*, 30 November 2017, at: <https://www.reuters.com/article/us-opecmeeting/opecrussia-agree-oil-cut-extension-to-end-of-2018-idUSKBN1DU0WW>, accessed on 1 August 2018.

13 The Honourable Dr Anthony Lynham, Minister for Natural Resources, Mines and Energy, *E10 fuel keeps catching on in Queensland*, media statement, 16 May 2018, at: <http://statements.qld.gov.au/Statement/2018/5/16/e10-fuel-keeps-on-catching-on-in-queensland>, accessed on 1 August 2018.

## 1.7 Liquid fuel security assessment

On 7 May 2018, the Australian Government announced that it would undertake a liquid fuel security (LFS) assessment, as part of a broader National Energy Security Assessment (NESA).<sup>14</sup> The LFS assessment will look at how fuel is supplied and used in Australia, and examine Australia's ability to withstand disruptions overseas and in Australia. It will also help inform Australia's plan to return to compliance with the International Energy Agency's emergency stockholding obligations by 2026. The LFS assessment is due to be completed by the end of 2018, and will contribute to the NESA, which is due to be completed by mid-2019.

## 1.8 Tasmanian fuel price board legislation came into effect

On 7 May 2018, the Code of Practice for Fuel Price Boards took effect in Tasmania.<sup>15</sup> The Code, which was published in the Tasmanian Government Gazette in November 2017, requires fuel retailers to advertise the bowser price of fuel on fuel price boards, rather than the price after conditional discounts, such as shopper docket, are applied. The Code was introduced after a six-month transition period.

On 15 June 2018, the Tasmanian Government announced that a state-wide audit of 195 fuel retailers had found that all retailers had complied with the new fuel price board laws.<sup>16</sup>

## 1.9 Viva Energy initial public offering launched

On 20 June 2018, the Vitol Group launched an initial public offering for its Australian arm, Viva Energy.<sup>17</sup> Vitol purchased the Geelong refinery and a network of around 1165 retail sites from Royal Dutch Shell for \$2.6 billion in 2014 and subsequently created the Viva Energy arm of the business. Vitol Group stated that it expected to raise up to \$3 billion as part of the public offering.

## 1.10 Exxon Mobil to expand crude oil storage capacity at the Altona refinery

On 15 June 2018, Exxon Mobil announced plans to expand crude oil storage capacity at its Altona refinery in Victoria, noting that the expansion would improve the efficiency of its local refining and supply operations.<sup>18</sup> Exxon Mobil will commence construction of a new tank in its existing crude oil storage area at the refinery in mid-2018. Construction is due to be completed in 2020.

14 The Hon. Josh Frydenberg MP, Minister for the Environment and Energy, *Fuel security review*, media release, 7 May 2018, at: <http://www.environment.gov.au/minister/frydenberg/media-releases/mr20180507.html>, accessed on 1 August 2018.

15 Guy Barnett, Minister for Building and Construction, *Fuel Price Boards to be reflective of true price from tomorrow*, media release, 6 May 2018, at: [http://www.premier.tas.gov.au/releases/fuel\\_price\\_boards\\_to\\_be\\_reflective\\_of\\_true\\_price\\_from\\_tomorrow](http://www.premier.tas.gov.au/releases/fuel_price_boards_to_be_reflective_of_true_price_from_tomorrow), accessed on 1 August 2018.

16 Guy Barnett, Minister for Building and Construction, *Compliance to New Petrol Price Board laws in Tasmania*, media release, 15 June 2018, at: [http://www.premier.tas.gov.au/releases/compliance\\_to\\_new\\_petrol\\_price\\_board\\_laws\\_in\\_tasmania](http://www.premier.tas.gov.au/releases/compliance_to_new_petrol_price_board_laws_in_tasmania), accessed on 1 August 2018.

17 Reuters, *Vitol launches Viva Energy float, Australia's biggest in four years*, 20 June 2018, at: <https://www.reuters.com/article/us-viva-energy-ipo/vitol-launches-viva-energy-float-australias-biggest-in-four-years-idUSKBN1JG00V>, accessed on 1 August 2018.

18 Exxon Mobil, *Mobil to expand Altona Refinery crude storage capacity*, media release, 15 June 2018, at: <http://www.exxonmobil.com.au/en-au/company/news-and-updates/news-releases-and-alerts/mobil-to-expand-altona-refinery-crude-storage-capacity?parentId=1ceb9b9b-beed-4e5f-9cdd-de9af04ce13a>, accessed on 1 August 2018.

## 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. The ACCC does not set prices in petrol markets and, in the absence of conduct that is in breach of the Act, high petrol prices are not illegal.

The ACCC's petrol monitoring role is to assist consumers navigate this complex industry. Through its petrol monitoring reports, industry reports 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 June quarter 2018

#### 2.2.1 Report on petrol prices by major retailer in 2017

On 13 May 2018, the ACCC released its report *Petrol prices are not the same—report on petrol prices by major retailer in 2017*.<sup>19</sup> It analysed monthly and annual average retail petrol prices in 2017 to identify the highest and lowest priced major retailers of petrol on average in each of the five largest cities. The key points of the report were included in the ACCC's *Report on the Australian petroleum industry—March quarter 2018*.<sup>20</sup> This was the first industry report under the petrol monitoring direction issued in December 2017.

#### 2.2.2 Stakeholder engagement and communications activity

In the June quarter 2018, 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. Topics of concern included: high petrol prices in regional locations and smaller capital cities, significant price increases, the possibility of anti-competitive conduct in retail fuel markets, and the focus of ACCC petrol monitoring activities under the new Ministerial direction.

In May 2018, the ACCC hosted a meeting of the Fuel Consultative Committee (FuelCC), which comprises representatives from major fuel retailers, refiner-wholesalers, peak industry associations and motoring organisations. The information and views shared at the FuelCC increase the ACCC's understanding of fuel industry issues and assist it in undertaking its roles related to competition and consumer protection in the fuel industry. Topics discussed at the meeting included: ACCC quarterly petrol monitoring reports; state and territory price transparency arrangements; updates on Australian refinery developments; perspectives on recent upstream developments; wholesale and retail price movements; and regulatory issues in different jurisdictions.

In the June quarter 2018, the fuel-related pages on the ACCC website received 131 675 page views. Of this total, the petrol price cycle web page received 129 574 page views. This page was the most viewed page on the ACCC website in the quarter.

<sup>19</sup> ACCC, *Petrol prices are not the same—report on petrol prices by major retailer in 2017*, 13 May 2018, at: <https://www.accc.gov.au/publications/petrol-industry-reports/petrol-prices-are-not-the-same-report-on-petrol-prices-by-major-retailer-in-2017>.

<sup>20</sup> ACCC, *Report on the Australian petroleum market—March quarter 2018*, 5 June 2018, at: <https://www.accc.gov.au/publications/quarterly-reports-on-the-australian-petroleum-industry/quarterly-report-on-the-australian-petroleum-market-march-quarter-2018>.

In 2017-18, the fuel-related pages on the ACCC website received a total of 450 310 page views, of which the petrol price cycle web page received 426 807 page views. This page was the most viewed page on the ACCC website for the 12-month period. There was a 38 per cent increase in the number of views of this page between 2017-18 and 2016-17 (310 185 page views).

The ACCC receives enquiries and complaints about fuel-related issues through the year, via the ACCC Infocentre, from members of the public, and referrals from other stakeholders. In 2017-18, the ACCC received around 900 enquiries and complaints about fuel and fuel price related issues, which was broadly the same as in 2016-17.

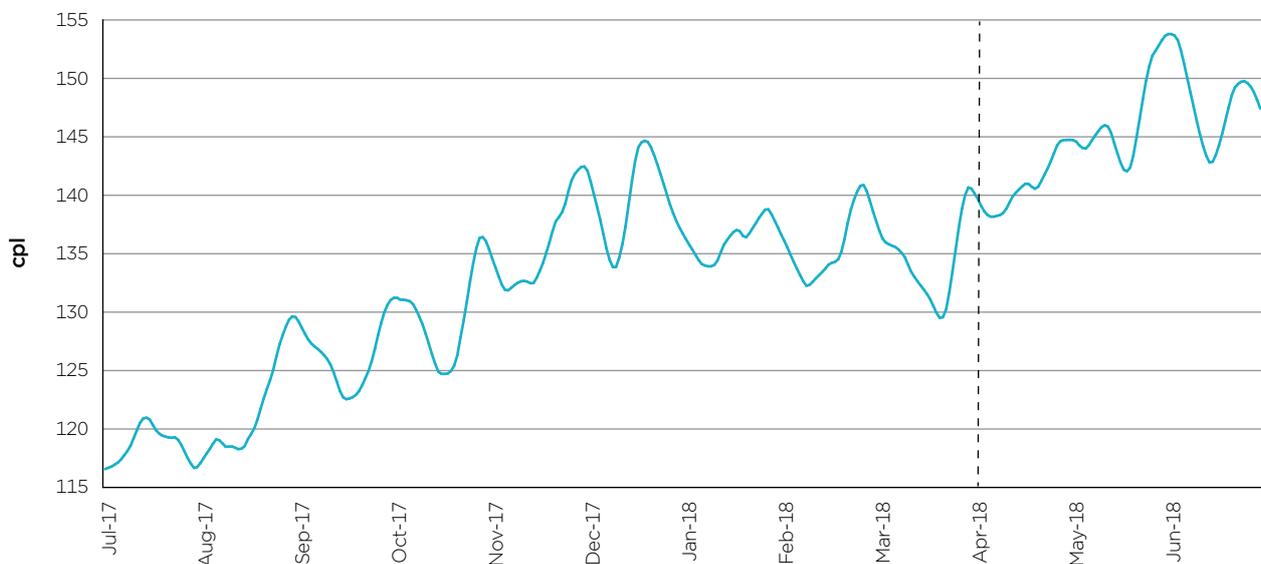
# 3. Retail petrol price movements in the capital cities

This chapter focuses on petrol prices across the five largest cities (Sydney, Melbourne, Brisbane, Adelaide and Perth).<sup>21</sup> 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 June 2018

Chart 3.1 shows that seven-day rolling average retail petrol prices in the five largest cities trended upwards for most of the year to June 2018.<sup>22</sup>

**Chart 3.1: Seven-day rolling average retail petrol prices in the five largest cities: 1 July 2017 to 30 June 2018**



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 June quarter 2018.

Retail prices were their lowest at the beginning of July 2017 at 116.4 cpl and then increased to a high of 144.5 cpl in mid-December 2017, before decreasing to a low of 129.4 cpl in mid-March 2018.

In the June quarter 2018, prices increased from 138.0 cpl in early-April 2018 to 153.7 cpl at the start of June 2018. They subsequently decreased to a low of 142.7 cpl in mid-June 2018 and ended the quarter at 147.3 cpl.

Average prices in the June quarter 2018 were 145.2 cpl, an increase of 9.7 cpl from the March quarter 2018 (135.5 cpl). In real terms, average prices in the June quarter 2018 were the highest since the September quarter 2014 (154.6 cpl).

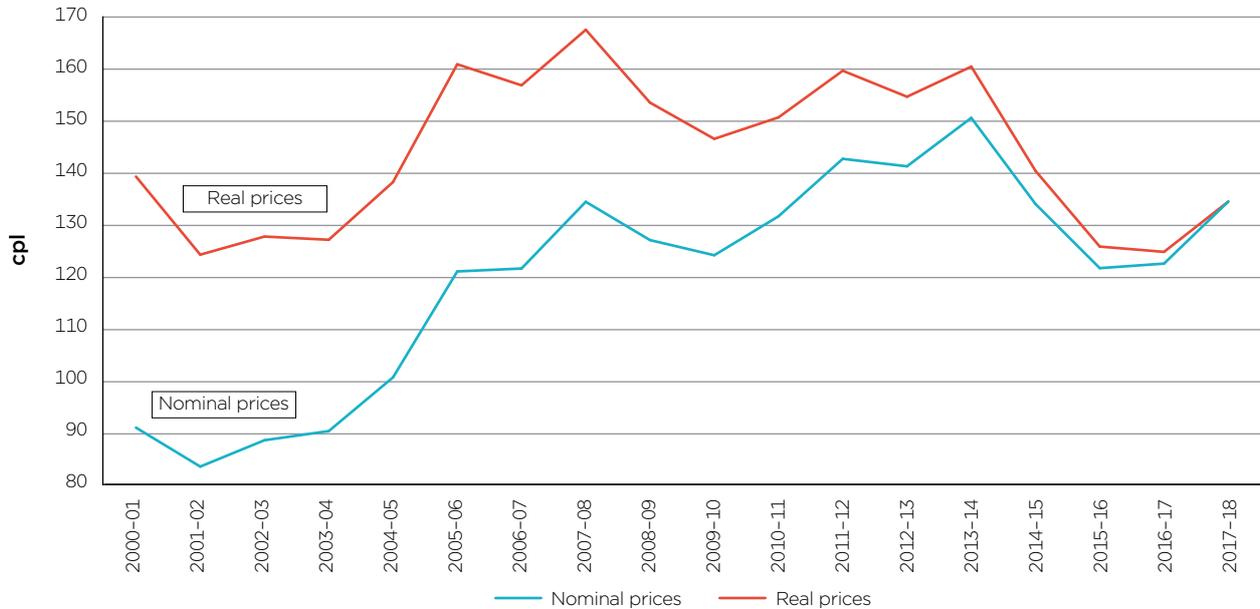
21 From 1 July 2014, the ACCC has used E10 prices instead of RULP prices for Sydney in the average price for the five largest cities.

22 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 substantially greater than seven days.

## 3.2 Annual average petrol prices in 2017-18 in real terms were the highest in three years

The annual average retail petrol price in the five largest cities in 2017-18 was 134.5 cpl, which was 11.9 cpl higher than in 2016-17 (122.6 cpl). In real terms this was the highest annual average price since 2014-15 (see chart 3.2).

**Chart 3.2: Annual average retail petrol prices in the five largest cities in nominal and real terms: 2000-01 to 2017-18**



Source: ACCC calculations based on FUELtrac and Informed Sources data, and Australian Bureau of Statistics, *6401.0 - Consumer Price Index, Australia, June 2018, Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes*, at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6401.0Jun%202018?OpenDocument>.

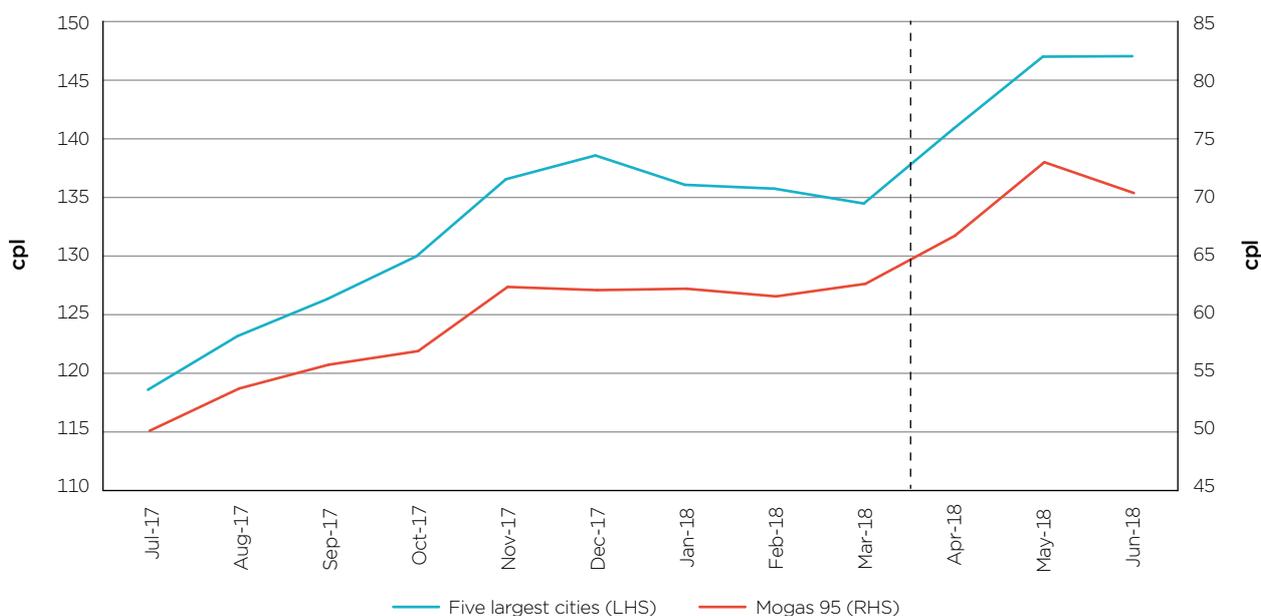
Note: Real prices are shown in 2017-18 dollars.

## 3.3 Retail prices compared with Mogas 95 prices

Retail petrol prices in Australia are primarily determined by international refined petrol prices. The relevant benchmark for Australia is the price of Singapore Mogas 95 Unleaded (Mogas 95), which is the price of refined petrol in the Asia-Pacific region.

Chart 3.3 shows that retail petrol prices in the five largest cities and Mogas 95 prices in Australian cents per litre moved in a broadly similar pattern in the year to June 2018. However, in June 2018, Mogas 95 prices trended downwards while retail prices in the five largest cities remained the same. The chart indicates that, in aggregate, changes in domestic retail prices are primarily driven by changes in the international price of refined petrol.

**Chart 3.3: Monthly average retail petrol prices in the five largest cities and Mogas 95 prices: July 2017 to June 2018**



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

In the year to June 2018:

- monthly average Mogas 95 prices varied by 23.2 cpl, from a low of 49.9 cpl in July 2017 to a high of 73.1 cpl in May 2018
- monthly average retail prices in the five largest cities varied by 28.8 cpl, from a low of 118.4 cpl in July 2017 to a high of 147.2 cpl in both May and June 2018.

Quarterly average Mogas 95 prices were 70.1 cpl in the June quarter 2018, 8.0 cpl higher than the previous quarter.

More details on recent movements in Mogas 95 prices are provided in chapter 5.

### 3.4 Gross indicative retail differences

Average gross indicative retail differences (GIRDs) in the five largest cities were 12.8 cpl in the June quarter 2018, an increase of 0.4 cpl from the previous quarter.

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. Although few wholesale transactions occur at TGPs, they can be regarded as indicative wholesale prices. TGPs, which vary across brands and cities, reflect the wholesale price of petrol only, and exclude other retail operating costs, such as branding, transportation and labour.

GIRDs are a broad indicator of gross retail margins, and should not be confused with actual retail profits. The GIRDs reported by the ACCC are averages across the five largest cities over time. The level of prices, costs and profits vary significantly between retail operations and not all petrol retailing sites will be achieving these gross margins. Some will be achieving higher gross margins, others lower. The ACCC market studies found that profits per retail petrol site can vary considerably between retailers, with some sites making substantial profits, while other sites make very little.

**Table 3.1: Quarterly average retail petrol prices, TGPs and GIRDs in the five largest cities: September quarter 2017 to June quarter 2018**

Location	Quarter	Retail prices	TGPs	GIRDs
		cpl	cpl	cpl
<b>Five largest cities</b>	Sep-17	122.5	112.2	10.3
	Dec-17	135.1	120.9	14.2
	Mar-18	135.5	123.1	12.4
	Jun-18	145.2	132.4	12.8
	<b>Year to Jun 2018</b>	<b>134.5</b>	<b>122.1</b>	<b>12.4</b>
<b>Sydney</b>	Sep-17	118.8	111.3	7.5
	Dec-17	133.6	119.8	13.8
	Mar-18	132.0	121.9	10.1
	June-18	143.3	131.2	12.1
	<b>Year to Jun 2018</b>	<b>131.9</b>	<b>121.0</b>	<b>10.9</b>
<b>Melbourne</b>	Sep-17	123.2	112.2	11.0
	Dec-17	136.3	120.9	15.4
	Mar-18	137.1	123.1	14.0
	Jun-18	146.0	132.4	13.6
	<b>Year to Jun 2018</b>	<b>135.6</b>	<b>122.1</b>	<b>13.5</b>
<b>Brisbane</b>	Sep-17	124.7	112.6	12.1
	Dec-17	138.5	121.4	17.1
	Mar-17	138.2	123.6	14.6
	Jun-18	148.4	132.9	15.5
	<b>Year to Jun 2018</b>	<b>137.4</b>	<b>122.6</b>	<b>14.8</b>
<b>Adelaide</b>	Sep-17	122.7	112.3	10.4
	Dec-17	132.7	121.1	11.6
	Mar-18	132.7	123.3	9.4
	Jun-18	142.7	132.7	10.0
	<b>Year to Jun 2018</b>	<b>132.7</b>	<b>122.3</b>	<b>10.4</b>
<b>Perth</b>	Sep-17	123.3	112.5	10.8
	Dec-17	134.4	121.1	13.3
	Mar-18	137.4	123.5	13.9
	Jun-18	145.3	132.7	12.6
	<b>Year to Jun 2018</b>	<b>135.0</b>	<b>122.4</b>	<b>12.6</b>

Source: ACCC calculations based on FUELtrac, BP, Caltex, Mobil, Viva Energy and WA FuelWatch data.

Note: Retail prices, TGPs and GIRDs in Sydney are for E10.

Table 3.1 shows that, in the five largest cities over the year to June 2018, quarterly average GIRDs:

- increased in the June quarter 2018 in three cities (Sydney, Brisbane and Adelaide) and decreased in two cities (Melbourne and Perth)
- in the June quarter 2018, were the highest in Brisbane (15.5 cpl) and lowest in Adelaide (10.0 cpl)
- varied significantly over the year and across cities, ranging from a high of 17.1 cpl (in Brisbane in the December quarter 2017) to a low of 7.5 cpl (in Sydney in the September quarter 2017).

Annual average GIRDs across the five largest cities in the year to June 2018 were 12.4 cpl. This was 1.0 cpl higher than the average GIRDs over the year to June 2017 (11.4 cpl). Annual average GIRDs were highest in Brisbane (14.8 cpl) and lowest in Adelaide (10.4 cpl).

In real terms, annual average GIRDs in the five largest cities in 2017–18 were the highest on record, and around 4.3 cpl higher than the average over the last 16 years (8.1 cpl). This is shown in chart 3.4. Annual average GIRDs in Melbourne (13.5 cpl), Brisbane (14.8 cpl), Adelaide (10.4 cpl) and Perth (12.6 cpl) all reached new highs in real terms since the ACCC began monitoring them in 2002.

**Chart 3.4: Annual average GIRDs in the five largest cities in real terms: 2002–03 to 2017–18**



Source: ACCC calculations based on FUELtrac, Informed Sources, BP, Caltex, Mobil, Viva Energy and WA FuelWatch data, and Australian Bureau of Statistics, *6401.0 – Consumer Price Index, Australia, June 2018, Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes*, at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6401.0Jun%202018?OpenDocument>.

Note: Real GIRDs are shown in 2017–18 dollars.

As noted in earlier ACCC quarterly reports, retailers have previously advised the ACCC that the increase in GIRDs may partly reflect regulatory and compliance costs, especially in NSW.<sup>23</sup> Although many of these costs may have been one-off expenses, they may need to be recouped over a number of years. However, the ACCC believes that the higher GIRDs since 2014–15, which increased further in 2017–18 to record levels, cannot be fully explained by the increase in these costs.

### 3.5 Retail prices in Brisbane were the highest among the five largest cities

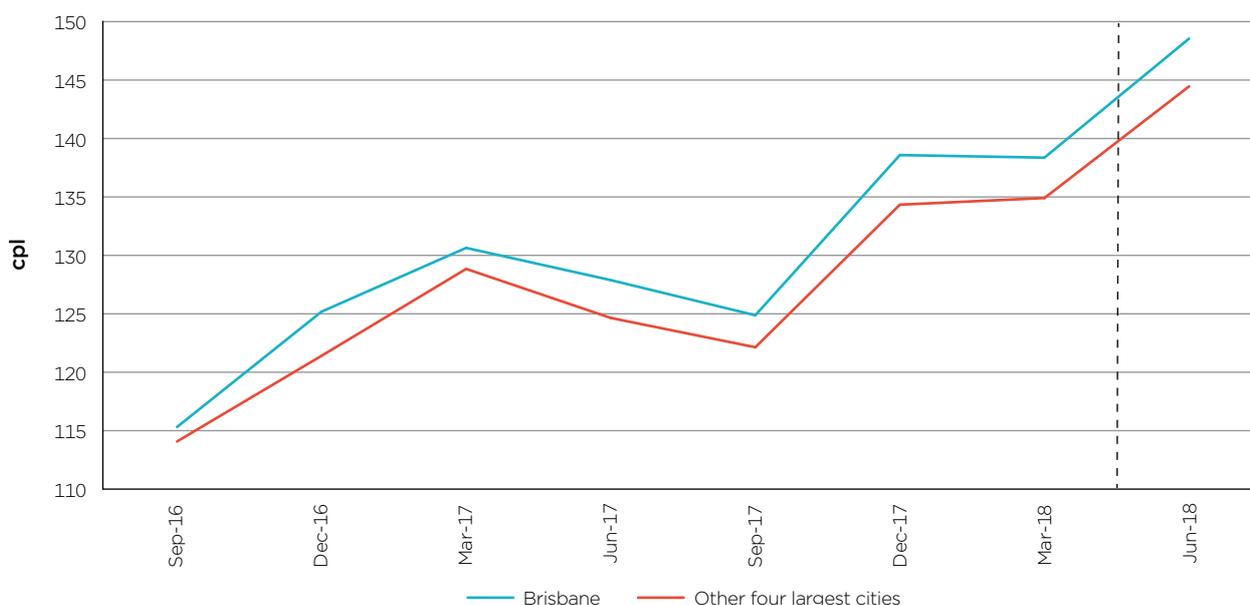
Retail prices in Brisbane are regularly higher than those in Sydney, Melbourne, Adelaide and Perth.

Chart 3.5 shows quarterly average retail prices in Brisbane and average prices across Sydney, Melbourne, Adelaide and Perth over the two years to June 2018. Over this period Brisbane retail prices were on average 3.1 cpl higher than the average across the other four largest cities (ranging from a low of 1.3 cpl in the September quarter 2016 to a high of 4.3 cpl in the December quarter 2017).

In the June quarter 2018, average retail prices in Brisbane were 148.4 cpl, which was 4.1 cpl higher than the average across the other four largest cities (144.3 cpl). This was 0.7 cpl higher than the differential in the March quarter 2018 (3.4 cpl).

<sup>23</sup> As noted in the *Report on the Australian petroleum market—September quarter 2016* (p. 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 at: <https://www.accc.gov.au/publications/quarterly-reports-on-the-australian-petroleum-industry/quarterly-report-on-the-australian-petroleum-market-%E2%80%93-september-quarter-2016>.

**Chart 3.5: Quarterly average retail prices in Brisbane and the other four largest cities: September quarter 2016 to June quarter 2018**



Source: ACCC calculations based on FUELtrac data.

The ACCC released the findings of its report on the Brisbane petrol market in October 2017.<sup>24</sup> It noted that petrol prices in Brisbane have been significantly higher than those in the other four largest cities for the last eight years. Between 2009–10 and 2016–17, Brisbane motorists paid on average 3.3 cpl more for petrol than motorists in the other four largest cities.

The report found that the main factor influencing the higher prices in Brisbane is higher retail margins on petrol, which have contributed to profits in Brisbane being significantly higher than the average across Australia. It also found that retail pricing is less competitive in Brisbane, with retailers setting prices higher at the top and bottom of the price cycle than retailers in Sydney. Furthermore, Brisbane has fewer retail chains that price competitively and aggressively. Brisbane has only four retailers in this category (7-Eleven, Woolworths, Puma Energy and United), while Sydney has seven (Speedway, Metro, Budget, Westside, United, 7-Eleven and Woolworths).

## 3.6 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 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.

### 3.6.1 Number of price cycles over the year to June 2018

Table 3.2 shows that over the year to June 2018, the number of price cycles in each quarter was stable in all cities except Sydney. Sydney had four price cycles in the June quarter, up from three price cycles in the previous quarter. Melbourne and Brisbane had the fewest price cycles over the year, with 12 price cycles each. Perth had the most price cycles, with a regular weekly cycle over the year.

<sup>24</sup> ACCC, *Report on the Brisbane petrol market*, October 2017, at: <https://www.accc.gov.au/publications/petrol-market-studies/report-on-the-brisbane-petrol-market>.

**Table 3.2: Number of price cycles per quarter in the five largest cities: September quarter 2017 to June quarter 2018**

Quarter	Sydney	Melbourne	Brisbane	Adelaide	Perth
Sep-17	3	3	3	4	13
Dec-17	4	3	3	4	13
Mar-18	3	3	3	4	13
Jun-18	4	3	3	4	13
<b>Year to June 2018</b>	<b>14</b>	<b>12</b>	<b>12</b>	<b>16</b>	<b>52</b>

Source: ACCC calculations based on FUELtrac data.

In 2017-18, the number of price cycles in each of the four eastern capital cities was higher than in the previous year. The increase was most significant in Melbourne and Adelaide (where they increased by four price cycles) and the smallest was in Sydney (where they increased by one price cycle). In Brisbane they increased by three price cycles. In Perth, there was no change to the weekly price cycle.

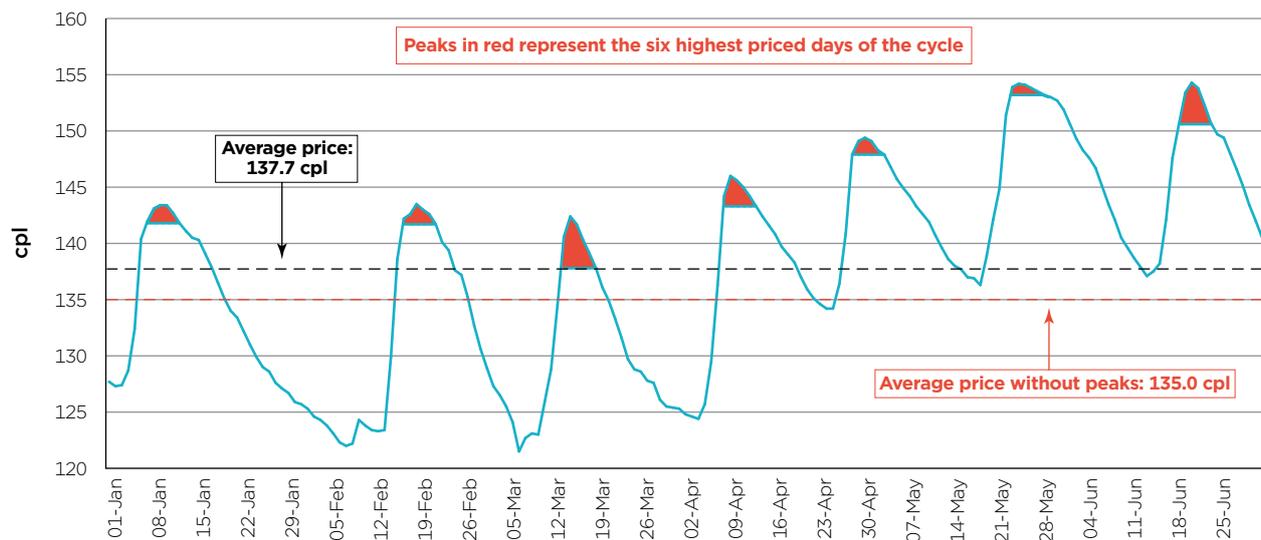
The unpredictable nature of price cycles in the eastern capital cities in recent years is of concern to consumers, as it is harder for them to take advantage of the low point of the cycle. This highlights the importance of consumers being aware of the stages of the price cycle, and where possible, timing their purchases towards the bottom of the price cycle.

The ACCC is preparing an industry report on petrol price cycles, which is scheduled to be released before the end of the year.

### 3.6.2 Potential savings from avoiding the peaks of price cycles

By avoiding buying petrol at the peak of the price cycle in the larger capital cities, motorists can save money. Chart 3.6 shows daily average E10 prices in Sydney over the six-month period 1 January to 30 June 2018. There were seven price cycles in that time. Many motorists tend to fill up once a week. If these motorists had avoided buying petrol on the six days around the seven peaks during this period, they would have paid on average around 2.7 cpl less.

**Chart 3.6: Daily average retail E10 prices in Sydney: 1 January to 30 June 2018**

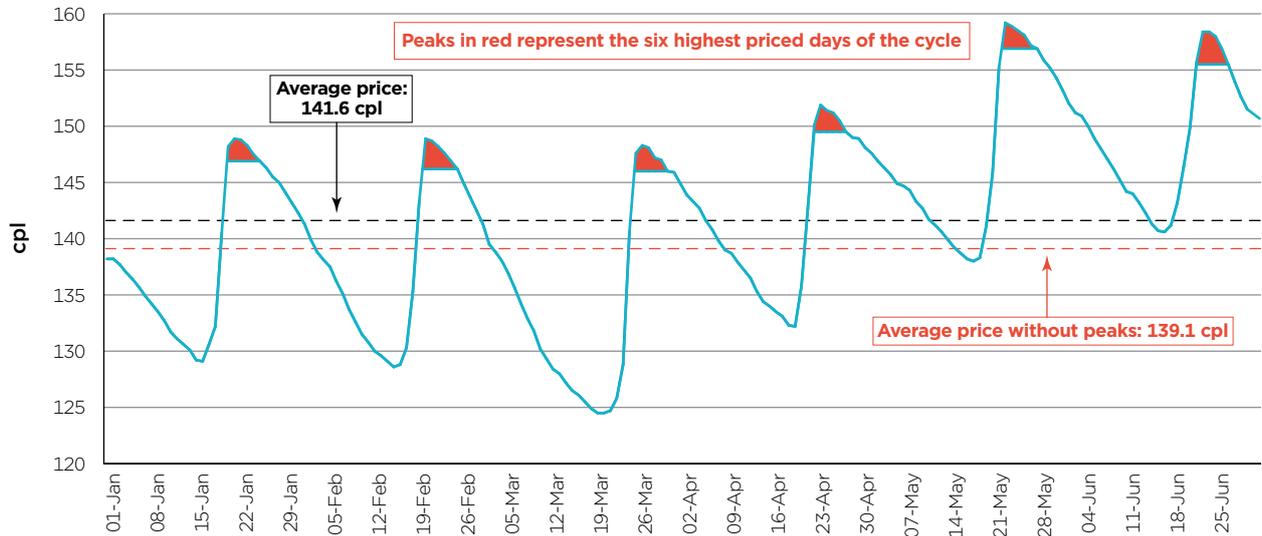


Source: ACCC calculations based on FUELtrac data.

Assuming similar savings from the price cycles for RULP and PULP in Sydney, as from E10 price cycles, the estimated savings overall to motorists in Sydney over a full year would be in the region of \$95 million.

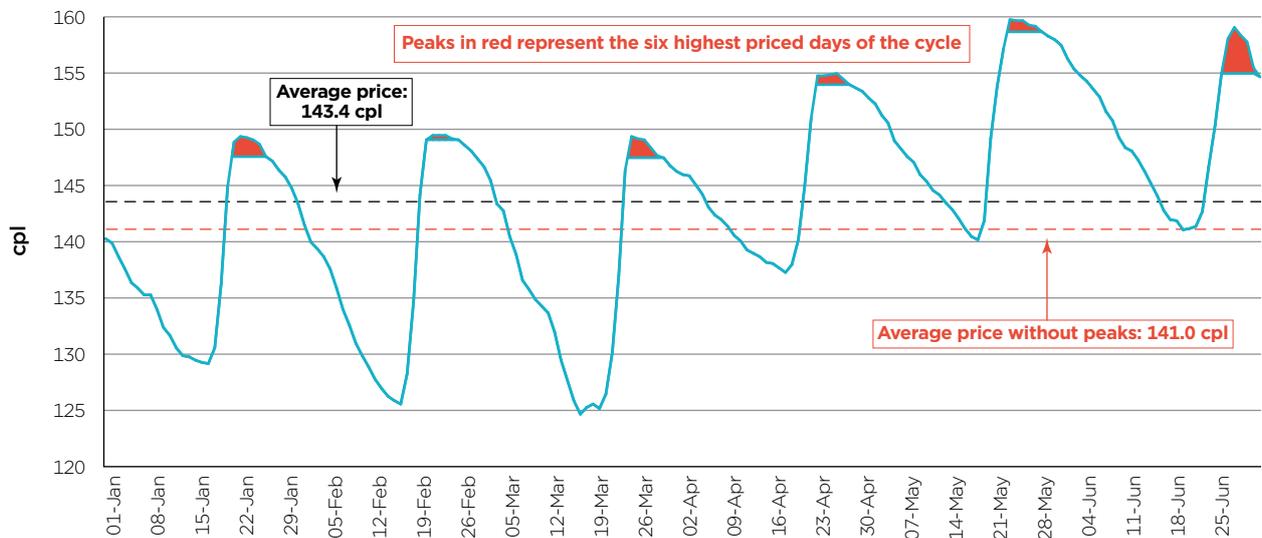
Undertaking the same calculations for the other larger cities gives similar results. Charts 3.7 to 3.9 show that in Melbourne average prices would have been 2.5 cpl lower, with estimated savings in the region of \$85 million, in Brisbane average prices would have been 2.4 cpl lower, with estimated savings in the region of \$45 million, and in Adelaide average prices would have been 4.7 cpl lower, with estimated savings in the region of \$45 million. The total annual saving in the four cities would be around \$270 million. A similar analysis was not undertaken for Perth because it has regular weekly price cycles.

**Chart 3.7: Daily average retail petrol prices in Melbourne: 1 January to 30 June 2018**



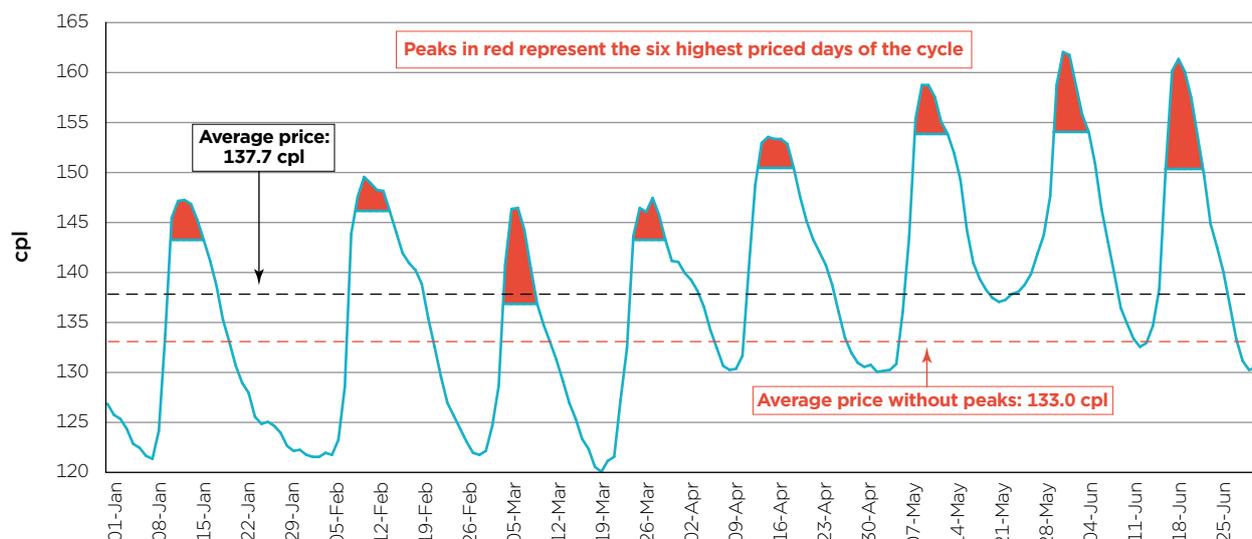
Source: ACCC calculations based on FUELtrac data.

**Chart 3.8: Daily average retail petrol prices in Brisbane: 1 January to 30 June 2018**



Source: ACCC calculations based on FUELtrac data.

**Chart 3.9: Daily average retail petrol prices in Adelaide: 1 January to 30 June 2018**



Source: ACCC calculations based on FUELtrac data.

Motorists who can fill up less frequently and therefore buy petrol when prices are falling can save even more. For example, if motorists in Sydney avoided buying E10 on the 10 most expensive days around the peak of the price cycle, they would have paid on average 4.7 cpl less. There would be similar savings in the other cities: Melbourne 4.3 cpl, Brisbane 4.1 cpl and Adelaide 7.6 cpl. The total annual saving in the four cities would be around \$460 million.

Motorists who only buy a small amount of petrol when prices are at their peak, and wait until prices are falling before filling up, can also make significant savings.

Motorists can avoid buying petrol around the peaks by following the ACCC’s advice on its website of when to buy and, importantly, when not to buy. Consumers taking this more active approach would likely save considerably more.

There is often a range of prices across various retailers available to motorists, even at the peak of the price cycle, so they can also use fuel price apps to decide where to buy.

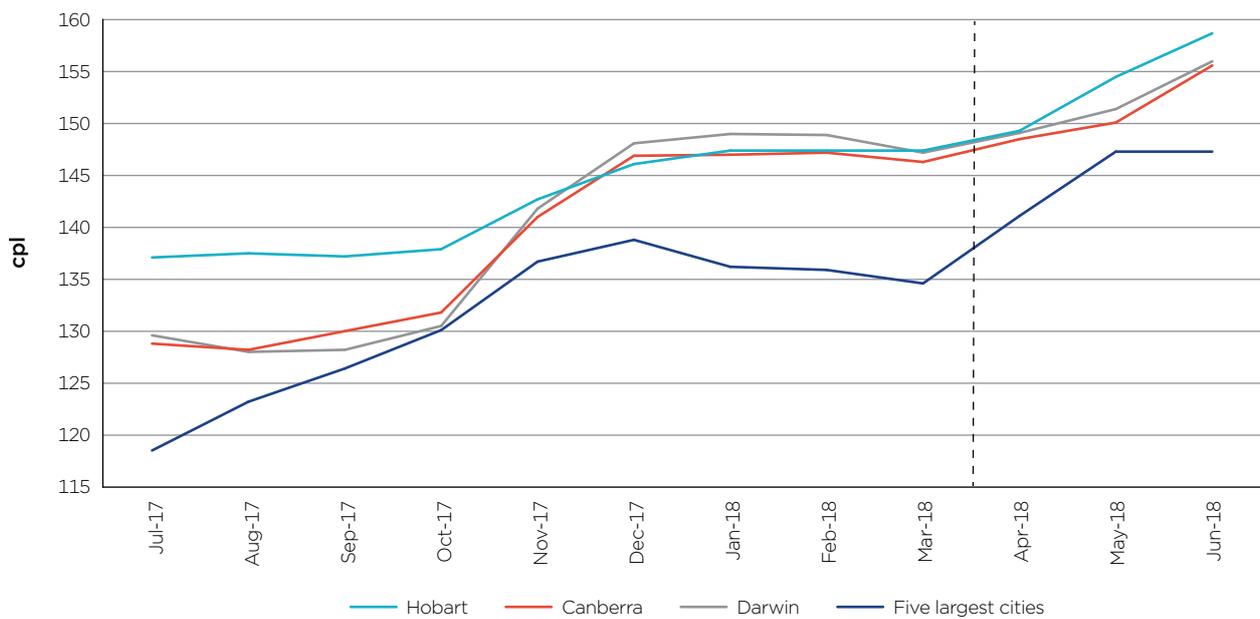
### 3.7 Prices in the three smaller capital cities

The differential between retail petrol prices in the three smaller capital cities (Canberra, Hobart and Darwin) and the five largest cities decreased in the June quarter 2018 to 7.3 cpl, compared with the previous quarter (11.9 cpl).

Chart 3.10 shows that in the year to June 2018, monthly average retail prices:

- in Darwin, Hobart and Canberra were always higher than in the five largest cities
- were the highest in Hobart in nine months, and in Darwin in the remaining three months.

**Chart 3.10: Monthly average retail petrol prices in Canberra, Hobart, Darwin and the five largest cities: July 2017 to June 2018**



Source: ACCC calculations based on FUELtrac data.

In the June quarter 2018, average retail prices in:

- Hobart were 154.1 cpl, which was 8.9 cpl higher than in the five largest cities (145.2 cpl)
- Canberra were 151.3 cpl (6.1 cpl higher)
- Darwin were 152.0 cpl (6.8 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.

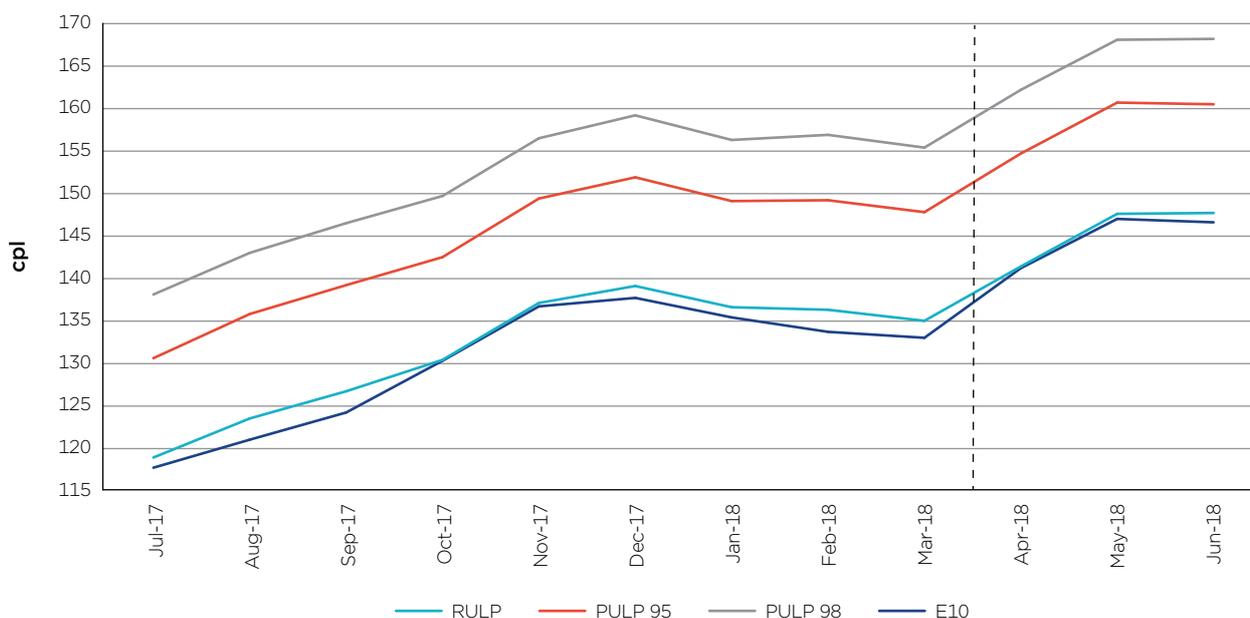
Recent movements in Darwin retail prices are discussed further in appendix B.

### 3.8 Retail prices of the different petrol grades

Chart 3.11 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 June 2018.<sup>25</sup>

<sup>25</sup> E10 prices are for Sydney and Brisbane only. RULP prices in Sydney are used in this section to calculate average RULP prices in the five largest cities.

**Chart 3.11: Monthly average retail prices of RULP, PULP 95, PULP 98 and E10 in the five largest cities: July 2017 to June 2018**



Source: ACCC calculations based on FUELtrac data.

In the June quarter 2018, the average differential in the five largest cities between:

- RULP and PULP 95 prices was 13.0 cpl (an increase of 0.2 cpl from the previous quarter)
- RULP and PULP 98 prices was 20.6 cpl (an increase of 0.3 cpl)
- E10 and RULP prices was 0.7 cpl (a decrease of 1.2 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).

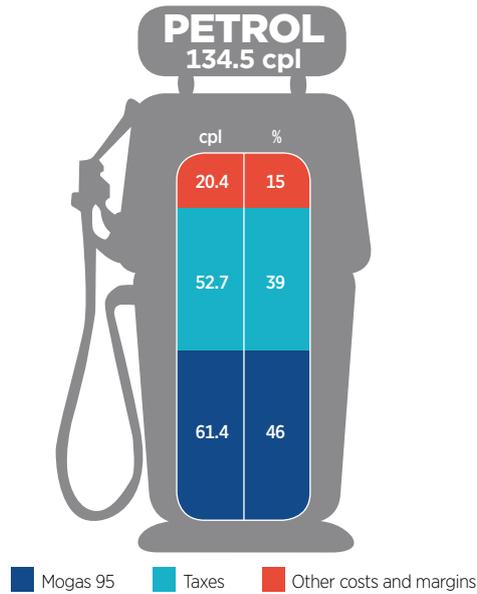
However, the price differentials between the various types of petrol vary over time. For example, while retailers will generally set the price of PULP at a fixed premium to RULP, premiums are adjusted from time to time in response to factors such as changes in international benchmark differentials and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

### 3.9 Components of petrol prices in 2017-18

There are three broad components of the retail price of petrol: the international price of refined petrol (i.e. Mogas 95); taxes (excise and the GST); and other costs and margins at the wholesale and retail levels.

Chart 3.12 shows that the two largest components of the pump price—Mogas 95 and taxes—accounted for 85 per cent of the price of petrol in 2017-18. These components are largely outside the control of the local petrol retailers.

Chart 3.12: Components of the annual average retail petrol price in the five largest cities in 2017-18



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

In 2017-18, as a proportion of the annual average price:

- Mogas 95 increased to 46 per cent, from 42 per cent in 2016-17
- taxes decreased to 39 per cent, from 42 per cent in 2016-17
  - there was an increase in petrol excise of 0.8 cpl in 2017-18
- other costs and margins decreased to 15 per cent, from 16 per cent in 2016-17
  - despite this decrease, GIRDs remain historically high.

## 4. Retail petrol price movements in regional locations

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

### 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.

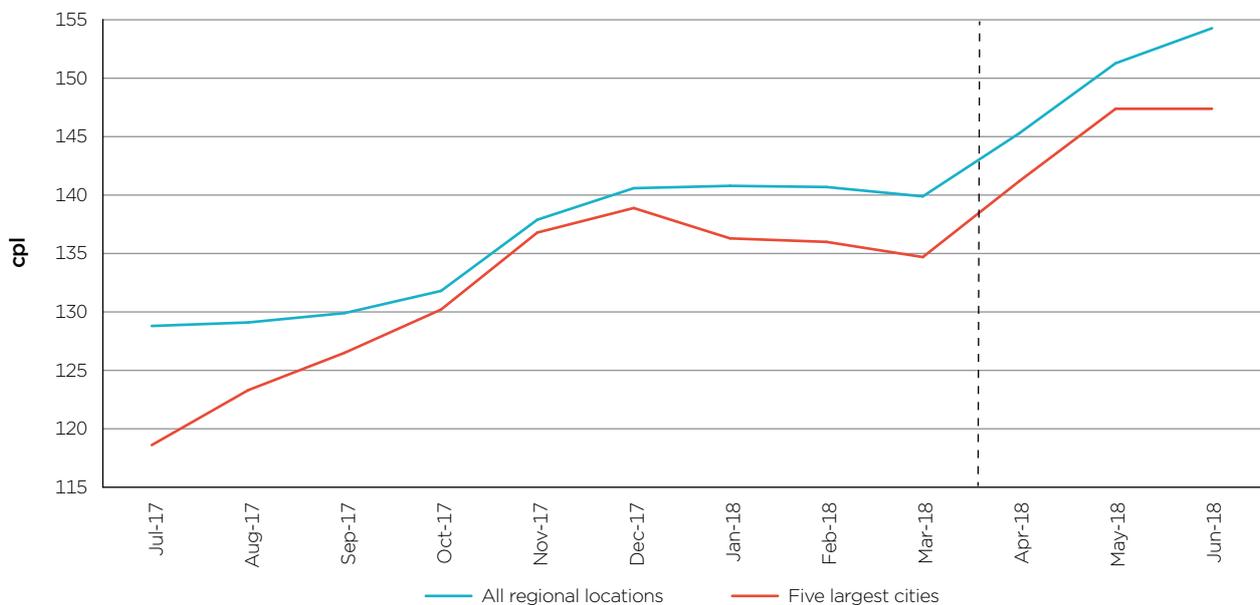
However, prices are generally higher in regional locations. A number of factors may contribute to these higher prices, including: a lower level of local competition; lower volumes of fuel sold; distance/location factors; and lower convenience store sales. The influence of these factors varies significantly 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

In the June quarter 2018, the differential between average prices in regional locations in aggregate (regional prices) and prices in the five largest cities was 4.9 cpl. This was 0.1 cpl higher than in the March quarter 2018 (4.8 cpl).

Chart 4.1 shows that monthly average regional prices increased by 14.4 cpl over the June quarter 2018—from 139.7 cpl in March 2018 to 154.1 cpl in June 2018. This increase was greater than that in the five largest cities over the same period (12.7 cpl).

**Chart 4.1: Monthly average retail petrol prices in regional locations in aggregate and the five largest cities: July 2017 to June 2018**



Source: ACCC calculations based on FUELtrac data.

In 2017–18, the annual average differential between regional prices and prices in the five largest cities was 4.4 cpl, which was 1.0 cpl lower than in 2016–17 (5.4 cpl). The monthly average differential varied substantially in 2017–18, ranging from a high of 10.2 cpl in July 2017 to a low of 1.1 cpl in November 2017. During the June quarter 2018, the monthly average differential ranged between 4.1 cpl (in April) and 6.9 cpl (in June).

In June 2018, average prices in 179 regional locations (representing around 97 per cent of monitored locations) were higher than average prices in the five largest cities. Average prices in five locations (Bairnsdale, Gawler, Gold Coast, Morwell and Waroona) were lower than average prices 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, between July and October 2017, average petrol prices in the five largest cities increased substantially, in line with international refined petrol prices, while average petrol prices in regional locations were relatively stable.

Further information on petrol price movements in the June quarter 2018 in all locations monitored by the ACCC is presented in appendix A.

### 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 NT, along with those of the relevant capital city, from 1 July 2017 to 30 June 2018.<sup>26</sup> These charts also show the average differential between prices in regional locations in the state/territory and the respective capital city in the months of March and June 2018, and in 2017–18.

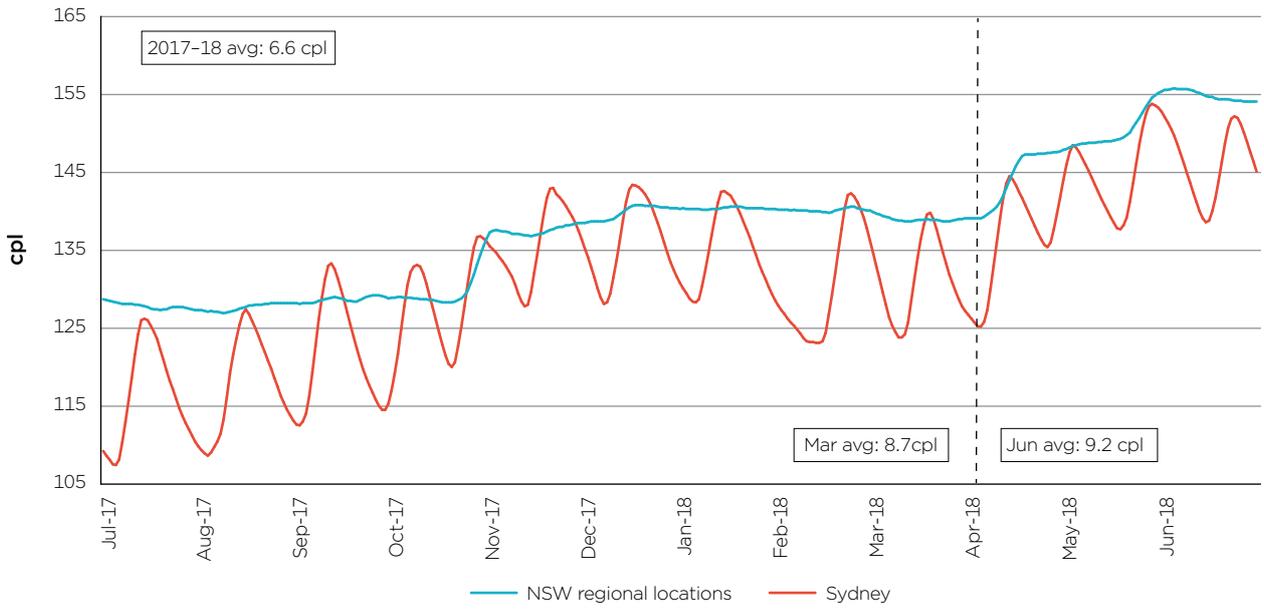
In June 2018, monthly average regional prices were higher than average capital city prices in NSW, Victoria, Queensland, South Australia, WA and the NT. The monthly average regional price in Tasmania was lower than the average price in Hobart.

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.

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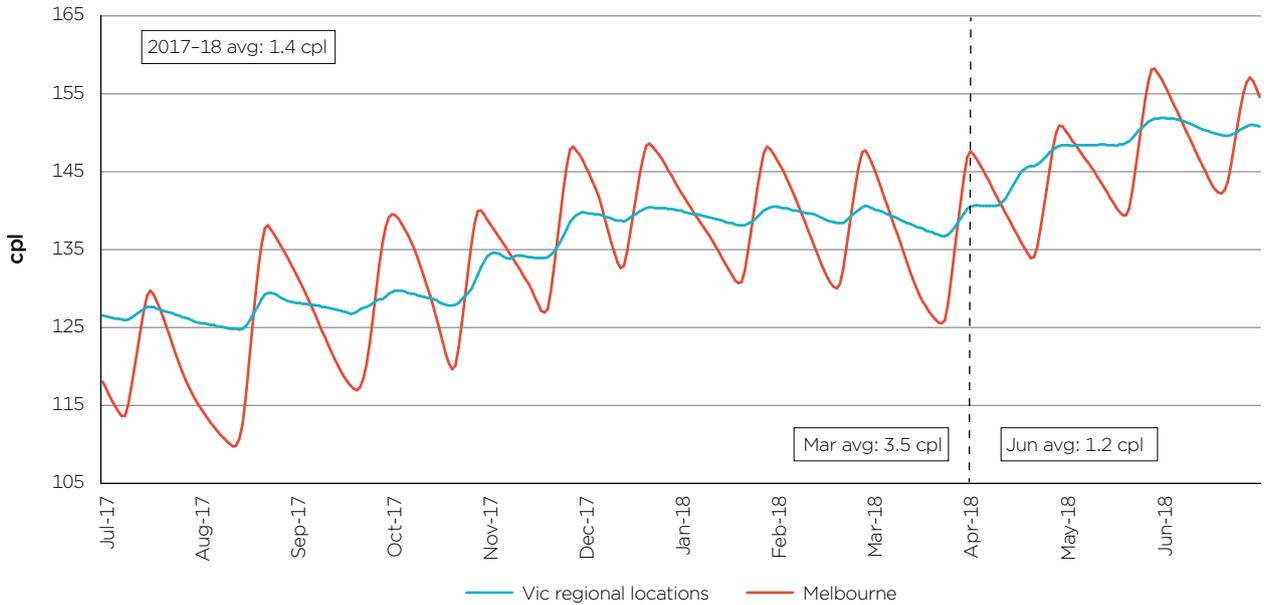
<sup>26</sup> There are no prices available for locations in the Australian Capital Territory other than Canberra.

**Chart 4.2: Seven-day rolling average petrol prices in New South Wales regional locations and Sydney: 1 July 2017 to 30 June 2018**



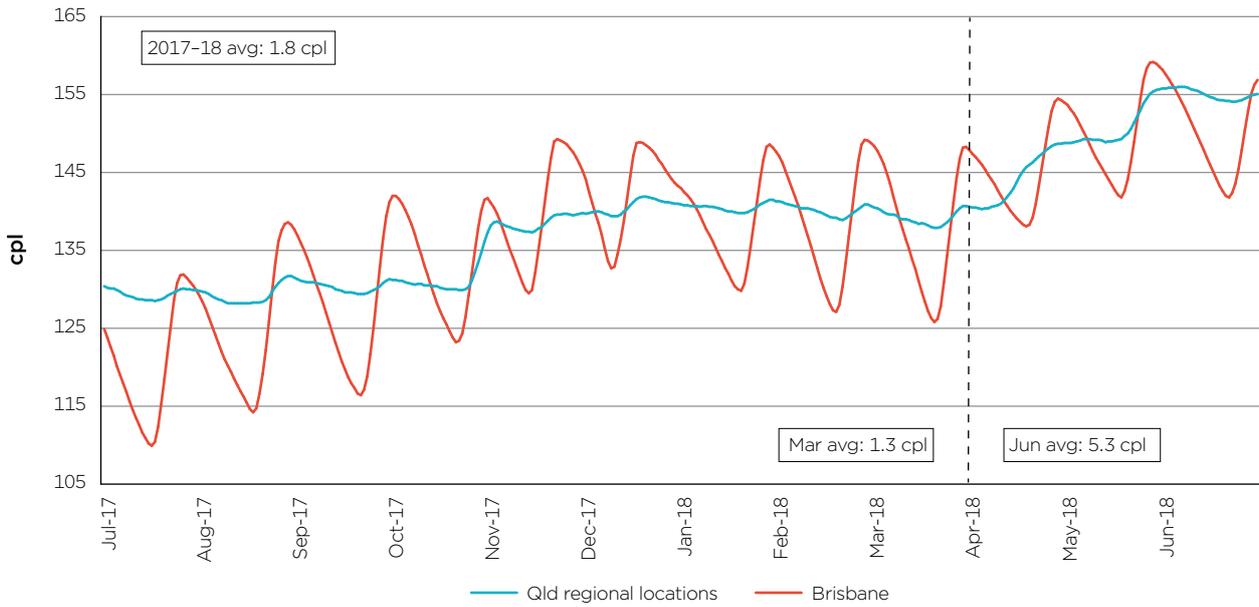
Source: ACCC calculations based on FUELtrac data.  
 Note: E10 prices are used for Sydney and RULP prices are used for all NSW regional locations.

**Chart 4.3: Seven-day rolling average petrol prices in Victorian regional locations and Melbourne: 1 July 2017 to 30 June 2018**



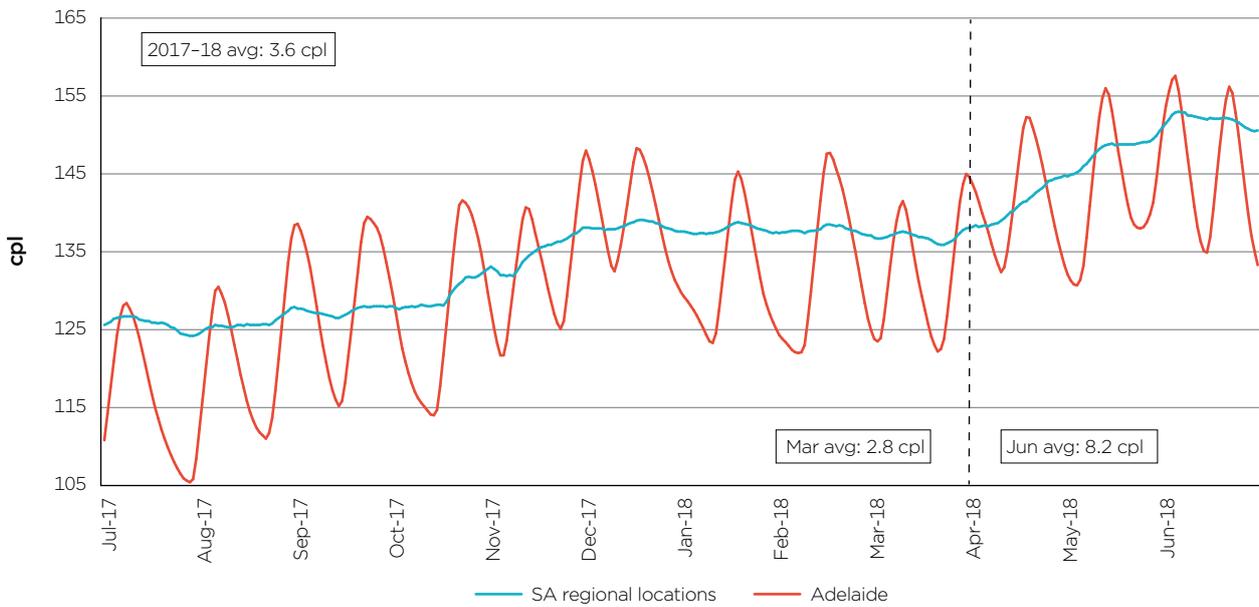
Source: ACCC calculations based on FUELtrac data.

**Chart 4.4: Seven-day rolling average petrol prices in Queensland regional locations and Brisbane: 1 July 2017 to 30 June 2018**



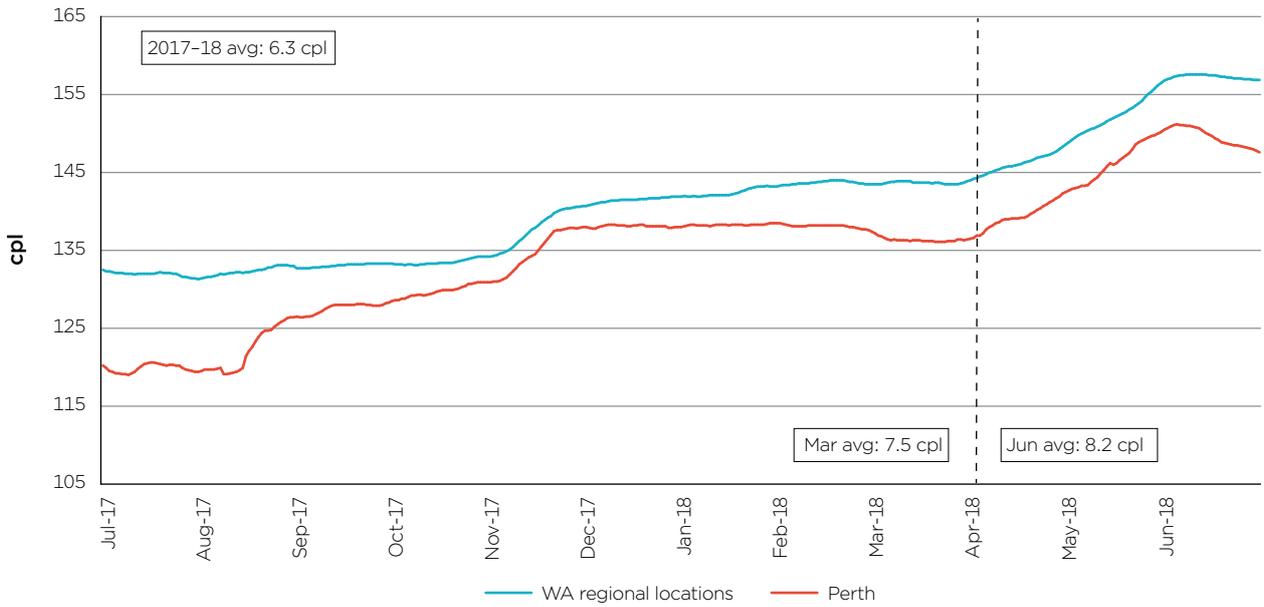
Source: ACCC calculations based on FUELtrac data.

**Chart 4.5: Seven-day rolling average petrol prices in South Australian regional locations and Adelaide: 1 July 2017 to 30 June 2018**



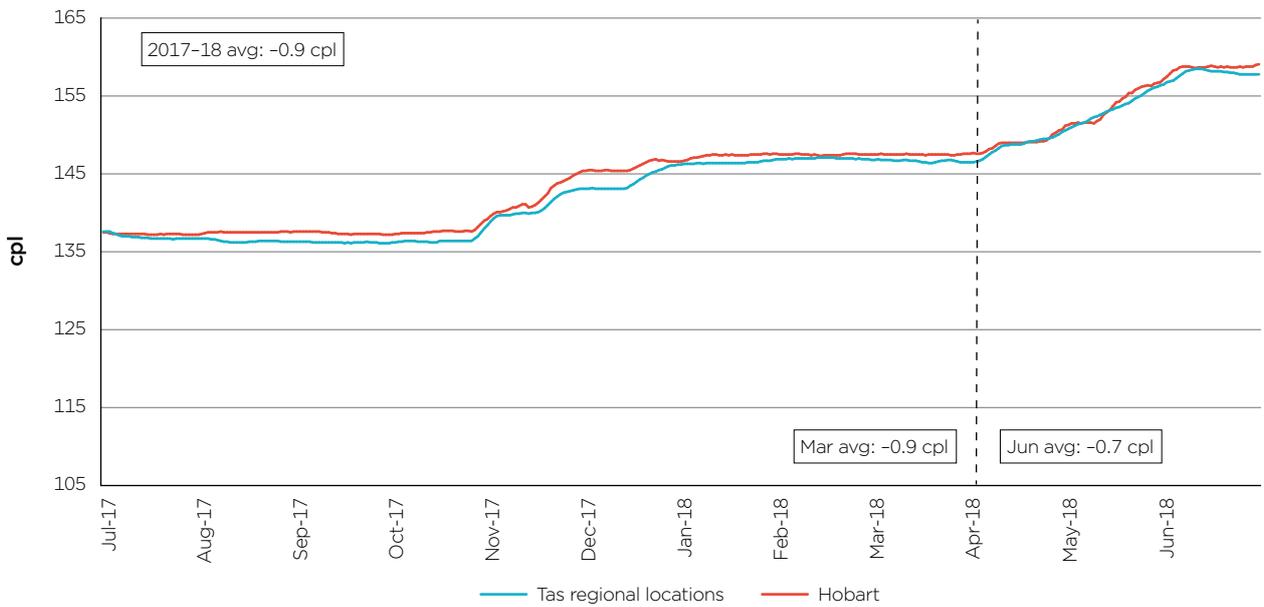
Source: ACCC calculations based on FUELtrac data.

**Chart 4.6: Seven-day rolling average petrol prices in Western Australian regional locations and Perth: 1 July 2017 to 30 June 2018**



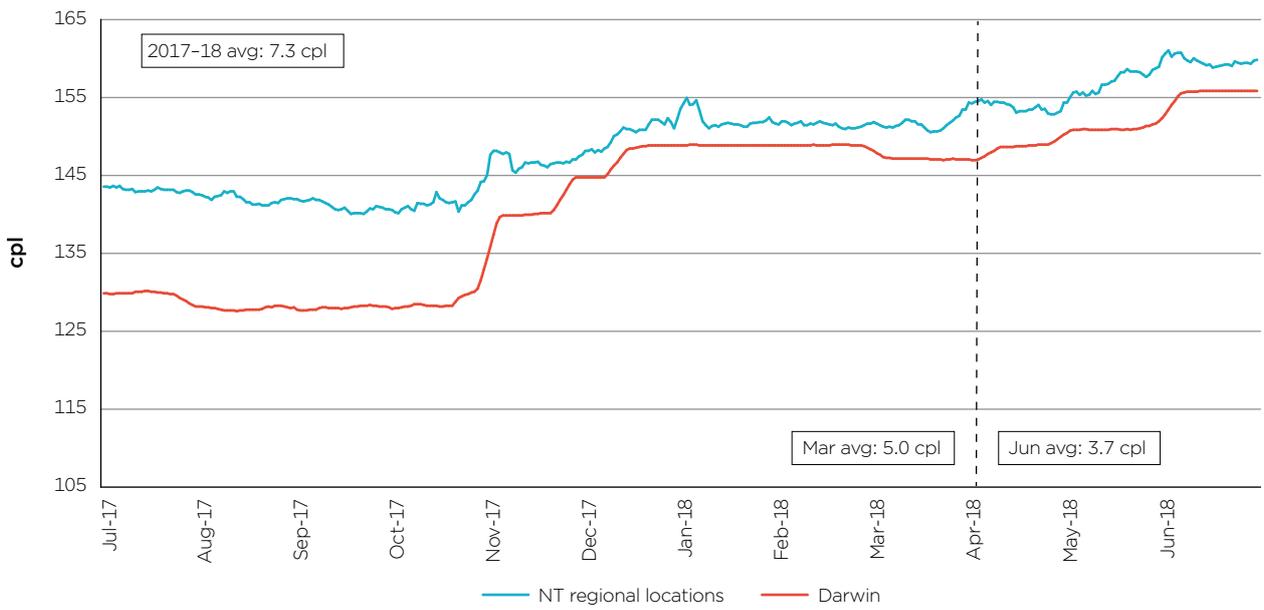
Source: ACCC calculations based on FUELtrac data.

**Chart 4.7: Seven-day rolling average petrol prices in Tasmanian regional locations and Hobart: 1 July 2017 to 30 June 2018**



Source: ACCC calculations based on FUELtrac data.

**Chart 4.8: Seven-day rolling average petrol prices in Northern Territory regional locations and Darwin: 1 July 2017 to 30 June 2018**



Source: ACCC calculations based on FUELtrac data.

# 5. International price movements

The main influences on movements in retail petrol prices in Australia are the international price of refined petrol (which, in turn, is influenced 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. The most widely used benchmark on global markets is Brent crude oil.

The relevant international benchmark price for petrol in Australia is the price of refined petrol in the Asia-Pacific region. For RULP it is 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 movements in international crude oil and refined petrol prices in the two years to June 2018.

**Chart 5.1: Weekly average Brent crude oil and Mogas 95 prices: July 2016 to June 2018**



Source: ACCC calculations based on Platts data.

Weekly average Brent crude oil prices trended upwards between July 2016 and June 2018. Prices were around USD 48 per barrel in early-June 2016 and increased to around USD 56 per barrel in early-February 2017. They subsequently decreased to around USD 45 per barrel in late-June 2017 before increasing steadily to around USD 70 per barrel at the end of January 2018. They decreased to around USD 67 per barrel at the end of March 2018.

In the June quarter 2018, weekly average Brent crude oil prices increased steadily to around USD 79 per barrel by mid-May 2018. This was their highest level since mid-November 2014. They subsequently decreased to around USD 74 per barrel in early-June 2018, before increasing to around USD 75 per barrel at the end of June 2018.

Mogas 95 prices moved in a similar manner to Brent crude oil prices over the two-year period. In the June quarter 2018, Mogas 95 prices were around USD 81 per barrel at the beginning of April 2018, before increasing to around USD 91 per barrel in late-May 2018. This was their highest level since mid-November 2014. They ended the quarter at around USD 82 per barrel.

Brent crude oil and Mogas 95 prices both increased in the June quarter 2018: quarterly average Brent crude oil prices were around USD 74 per barrel (an increase of USD 7 per barrel from the previous quarter) and quarterly average Mogas 95 prices were USD 84 per barrel (an increase of USD 6 per barrel).

The increases in prices in the June quarter 2018 were influenced by a number of factors, including the agreements in late-2016 by the Organisation of Petroleum Exporting Countries (OPEC) and some other crude oil producing countries to cut production. The influence of these production cuts was compounded in the quarter by concerns about risks to international crude oil supplies arising from a potentially spreading conflict in the Middle East, renewed US sanctions against Iran and falling crude oil output due to the political and economic crisis in Venezuela.<sup>27</sup>

On an annual basis, Brent crude oil prices increased from around USD 50 per barrel in 2016–17 to around USD 64 per barrel in 2017–18. Mogas 95 prices similarly increased, from around USD 62 per barrel in 2016–17 to around USD 75 per barrel in 2017–18.

### 5.1.2 Crude oil prices in the long term

As with many commodities, crude oil prices fluctuate greatly. In the short term, market sentiment about economic conditions and geo-political events can drive rapid movements in crude oil prices. Over the medium to longer term, prices are driven by supply and demand factors, with periods of high or low prices lasting several years.

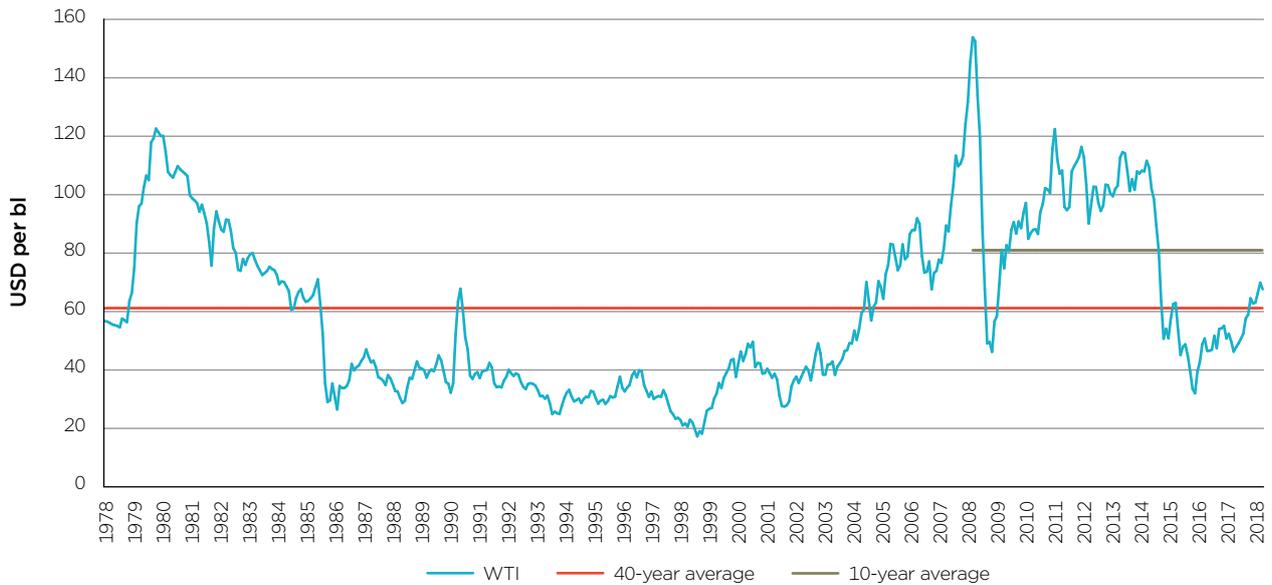
Extended periods of high crude oil prices provide an incentive for producers to invest in exploration and expansion. This leads to an increase in supply, which in turn puts downward pressure on prices. Conversely, when crude oil prices are low, producers tend not to invest, which puts upward pressure on prices, as growth in demand is not met by supply.

Chart 5.2 shows that, over the 40 years to June 2018, WTI crude oil prices in real terms were on average around USD 61 per barrel. Over the last 10 years, prices were historically high, with the average around USD 81 per barrel. In the June quarter 2018, real WTI crude oil prices were on average around USD 68 per barrel, which was around USD 4 per barrel higher than the March quarter 2018 (USD 64 per barrel) and around USD 7 per barrel higher than the 40-year average.

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<sup>27</sup> Reuters, *Oil prices rise amid risk of supply disruptions*, 17 April 2018, at: <https://www.reuters.com/article/global-oil/oil-prices-rise-amid-risk-of-supply-disruptions-idUSL3N1RU19C>, accessed on 1 August 2018.

**Chart 5.2: Monthly average real WTI crude oil prices: July 1978 to June 2018**



Source: ACCC calculations based on data used with permission from *The Wall Street Journal*, WSJ.com, Copyright 2015 Dow Jones & Company, Inc. All rights reserved, Reuters and U.S. Department of Labor, Bureau of Labor Statistics, *Consumer Price Index for all urban consumers*, at: <http://www.dlt.ti.gov/Lmi/pdf/cpi.pdf>, accessed on 1 August 2018.

Note: Real prices are shown in June 2018 dollars.

## 5.2 AUD–USD exchange rate

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

### 5.2.1 AUD–USD exchange rate movements over the last two years

Chart 5.3 shows that in the two years to June 2018, the AUD–USD exchange rate fluctuated between a low of USD 0.72 and a high of USD 0.81. The average AUD–USD exchange rate during the two-year period was USD 0.76.

The annual AUD–USD exchange rate in 2017–18 was USD 0.78, an increase of USD 0.03 from 2016–17.

**Chart 5.3: Daily AUD–USD exchange rates: 1 July 2016 to 30 June 2018**



Source: RBA data.

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

In the June quarter 2018, the average AUD–USD exchange rate was USD 0.76, which was around USD 0.03 lower than the March quarter 2018. Had the AUD–USD exchange rate remained at the September 2017 high of USD 0.81, average retail petrol prices in the June quarter 2018 in Australia would have been 5.2 cpl lower (everything else being equal).

## 5.2.2 Influence of the AUD–USD exchange rate

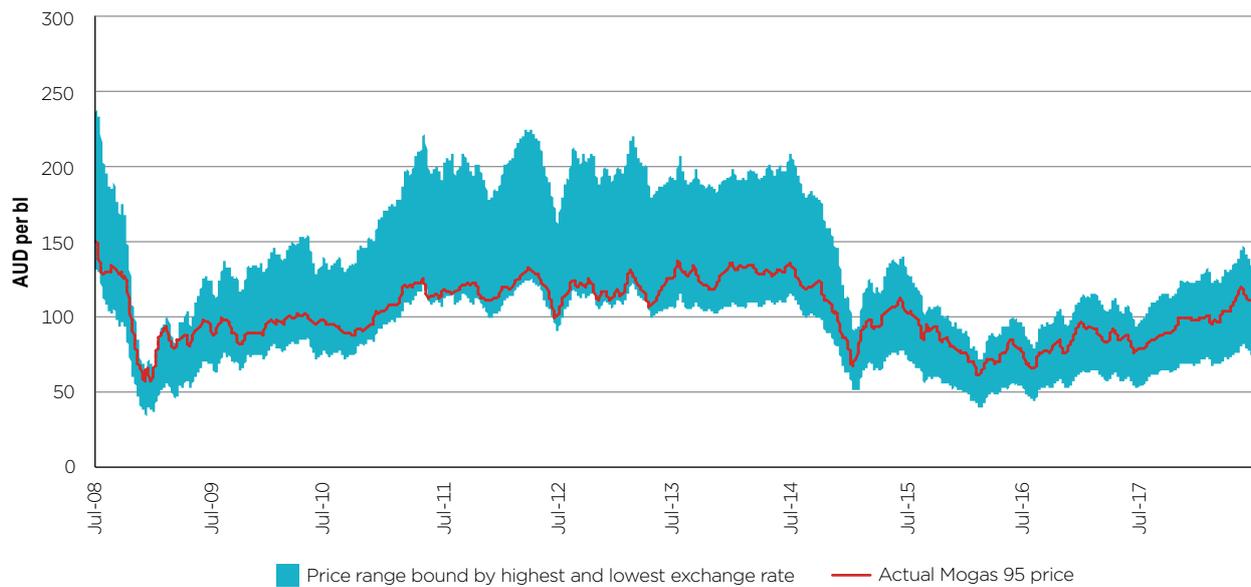
Over the 10-year period 1 July 2008 to 30 June 2018, the lowest daily AUD–USD exchange rate was around USD 0.61 on 28 October 2008, and the highest daily exchange rate was around USD 1.11 on 28 July 2011.

Chart 5.4 shows the significance of the AUD–USD exchange rate on nominal seven working-day rolling average Mogas 95 prices in Australian dollars over a longer period:<sup>28</sup>

- the red line shows actual seven working-day rolling average Mogas 95 prices from 1 July 2008 to 30 June 2018
- the upper line shows what seven working-day rolling average Mogas 95 prices would have been if the AUD–USD exchange rate was held constant at the lowest daily exchange rate over this period (i.e. around USD 0.61), everything else being equal
- the lower line shows what seven working-day rolling average Mogas 95 prices would have been if the AUD–USD exchange rate was held constant at the highest daily exchange rate over this period (i.e. around USD 1.11), everything else being equal.

<sup>28</sup> Mogas 95 prices are only available on working days (i.e. Monday to Friday), as are daily RBA exchange rates.

**Chart 5.4: Seven working-day rolling average Mogas 95 prices based on actual, minimum and maximum AUD-USD exchange rates over the period: 1 July 2008 to 30 June 2018**



Sources: ACCC calculations based on Platts and RBA data.

The chart indicates that seven working-day rolling average Mogas 95 prices:

- were at their highest in early-July 2008 at around AUD 152 per barrel. The AUD-USD exchange rate was around USD 0.96 at this time. If the exchange rate had been at its 10-year minimum level at this time (i.e. around USD 0.61), seven working-day rolling average Mogas 95 prices would have been around AUD 239 per barrel (or AUD 87 per barrel higher)
- were at their lowest in mid-December 2008 at around AUD 57 per barrel. The AUD-USD exchange rate was around USD 0.66 at this time. If the exchange rate had been at its 10-year maximum level at this time (i.e. USD 1.11), seven working-day rolling average Mogas 95 prices would have been around AUD 33 per barrel (or AUD 24 per barrel lower).

## 6. Diesel and automotive LPG prices

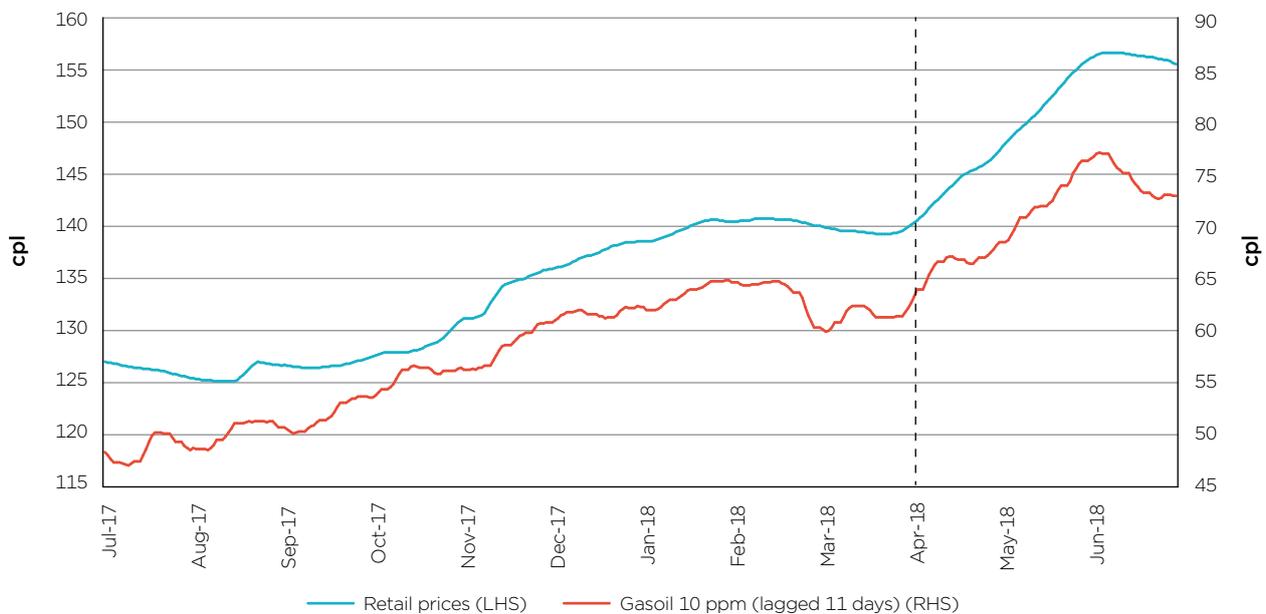
### 6.1 Diesel price movements

Quarterly average retail diesel prices in the five largest cities increased in the June quarter 2018 to 151.4 cpl, an increase of 11.3 cpl from the March quarter 2018 (140.1 cpl).

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. Unlike petrol prices, diesel prices in the five largest cities do not move in cycles.

Chart 6.1 shows that seven-day rolling average retail diesel prices in the five largest cities broadly tracked Gasoil 10 ppm prices over the past year, however retail prices decreased by less than Gasoil prices in June 2018.

**Chart 6.1: Seven-day rolling average retail diesel prices in the five largest cities and Gasoil 10 ppm prices: 1 July 2017 to 30 June 2018**



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

Note: Gasoil 10 ppm prices are lagged by 11 days as there is generally around a one to two-week lag between changes in international prices and changes in retail prices in the five largest cities.

Seven-day rolling average retail diesel prices at the beginning of the June quarter 2018 were 140.3 cpl. They steadily increased to a high of 157.0 cpl in early June 2018, before decreasing to 155.9 cpl at the end of the quarter. Gasoil 10 ppm prices were 62.9 cpl at the beginning of the quarter. They increased to a high of 77.5 cpl at the start of June 2018 and were 73.3 cpl at the end of the quarter.

Average Gasoil 10 ppm prices in the June quarter 2018 were 72.7 cpl, an increase of 9.1 cpl from the March quarter 2018 (63.6 cpl).

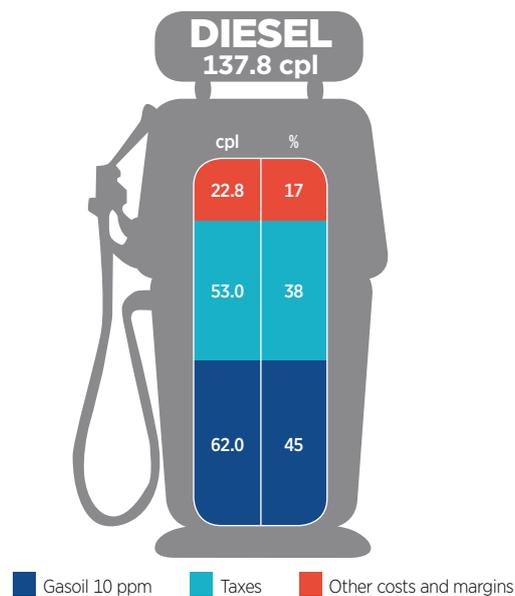
## 6.2 Components of diesel prices in 2017-18

In 2017-18 the annual average retail price of diesel in the five largest cities was 137.8 cpl, an increase of 12.0 cpl from 2016-17 (125.8 cpl).

Chart 6.2 shows that the international price of refined diesel (Gasoil 10 ppm) accounted for 45 per cent of the average pump price of diesel in 2017-18. This was five percentage points higher than in 2016-17 (40 per cent). The proportion of the average pump price represented by other costs and margins in 2017-18 (17 per cent) was lower than in 2016-17 (19 per cent).

The rate of excise on diesel increased by 0.8 cpl in 2017-18. Taxes accounted for an average of 38 per cent of the diesel pump price in 2017-18, three percentage points lower than in 2016-17 (41 per cent).

**Chart 6.2: Components of the annual average retail diesel price in the five largest cities in 2017-18**



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

## 6.3 Automotive LPG price movements

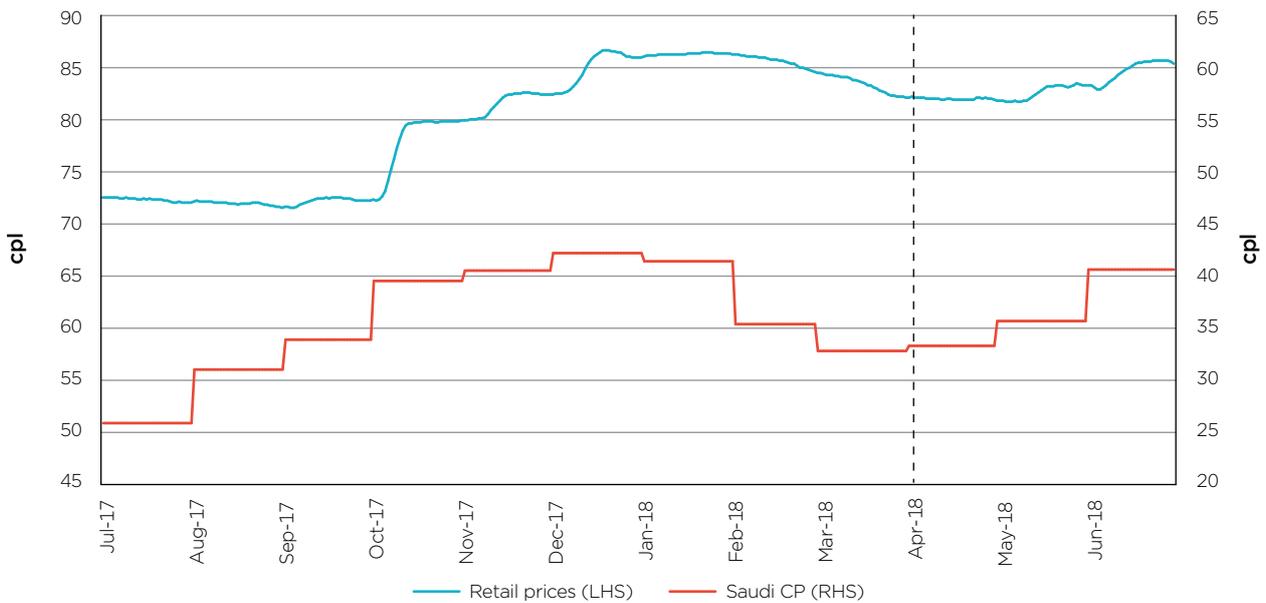
Quarterly average retail LPG prices in the five largest cities decreased in the June quarter 2018 to 83.4 cpl, a decrease of 1.8 cpl from the March quarter 2018 (85.2 cpl).

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 and diesel prices.

Seven-day rolling average retail LPG prices at the beginning of the June quarter 2018 were 82.3 cpl and peaked at 85.9 cpl towards the end of June. They subsequently decreased slightly to end the quarter at 85.6 cpl (see chart 6.3). Over the same period the Saudi CP benchmarks increased by 7.4 cpl, from 33.2 cpl in April 2018 to 40.6 cpl in June 2018.

The chart shows that average retail LPG prices were not as responsive, both down and up, to movements in Saudi CP benchmark prices in 2017-18.

**Chart 6.3: Seven-day rolling average retail LPG prices in the five largest cities and monthly Saudi CP benchmarks: 1 July 2017 to 30 June 2018**



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

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.

Like diesel prices, retail LPG prices tend to be less volatile than petrol prices and do not move in 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).

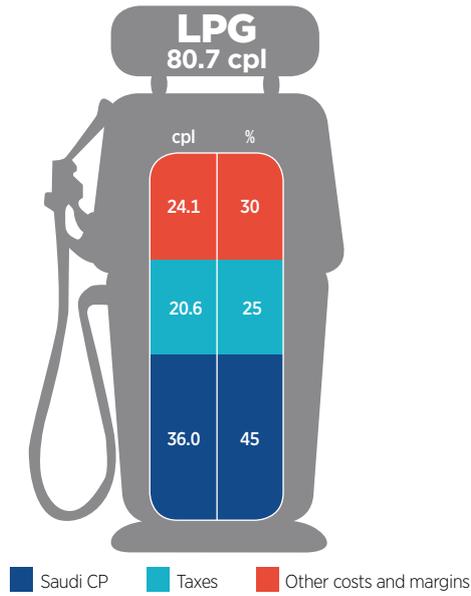
## 6.4 Components of automotive LPG prices in 2017-18

In 2017-18, the annual average retail price of automotive LPG in the five largest cities was 80.7 cpl, an increase of 11.6 cpl from 2016-17 (69.1 cpl).

Chart 6.4 shows that the Saudi CP benchmarks accounted for 45 per cent of the pump price of LPG in 2017-18. This was three percentage points higher than in 2016-17 (42 per cent). Other costs and margins accounted for 30 per cent of the average pump price in 2017-18, which was unchanged from 2016-17. Other costs and margins make up a relatively large proportion of the retail price for LPG compared with those for petrol and diesel, because of the higher transportation and storage costs for LPG, and the lower rate of excise.

The rate of excise on LPG increased by 0.2 cpl in 2017-18. Taxes accounted for 25 per cent of the average pump price of LPG in 2017-18, a decrease of three percentage points from 2016-17 (28 per cent).

Chart 6.4: Components of the annual average retail automotive LPG price in the five largest cities in 2017-18



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

# Appendix A: Petrol price data for monitored locations

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

Monthly average retail petrol prices for March and June 2018, and the change between the two, are shown in table A1.<sup>29</sup> The table also shows the differential between average petrol prices in the five largest cities and each regional location in the month of June 2018 and 2017-18.<sup>30</sup>

**Table A1: Monthly average petrol prices in March and June 2018 and city-country differentials in the month of June 2018 and 2017-18—cpl**

Location	March 2018 monthly avg	June 2018 monthly avg	Change March 2018 to June 2018	Differential June 2018	Differential 2017-18
Sydney	130.1	145.4	15.3		
Melbourne	134.6	148.9	14.3		
Brisbane	137.8	149.6	11.8		
Adelaide	134.0	143.4	9.4		
Perth	136.1	148.9	12.8		
<b>Five largest cities</b>	<b>134.5</b>	<b>147.2</b>	<b>12.7</b>		
Hobart	147.3	158.6	11.3	11.4	10.6
Canberra	146.2	155.5	9.3	8.3	7.1
Darwin	147.1	155.9	8.8	8.7	7.6
<b>New South Wales</b>					
Albury	138.8	153.4	14.6	6.2	2.2
Armidale	140.9	155.6	14.7	8.4	4.5
Ballina	141.0	154.9	13.9	7.7	5.3
Batemans Bay	140.2	153.9	13.7	6.7	6.2
Bathurst	139.0	155.1	16.1	7.9	4.2
Bega	140.2	156.4	16.2	9.2	5.3
Broken Hill	140.0	155.7	15.7	8.5	4.1
Bulahdelah	134.7	152.9	18.2	5.7	0.1
Buronga	135.5	150.3	14.8	3.1	n/a
Casino	137.5	155.9	18.4	8.7	0.6
Central Coast	136.0	153.2	17.2	6.0	1.4
Coffs Harbour	139.4	156.2	16.8	9.0	4.4
Cooma	141.0	155.8	14.8	8.6	5.9
Coonabarabran	139.2	152.3	13.1	5.1	6.7
Cootamundra	137.3	151.8	14.5	4.6	0.7
Cowra	132.9	154.2	21.3	7.0	2.2
Deniliquin	140.2	156.0	15.8	8.8	5.5

<sup>29</sup> 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. Nine locations—Blackall, Charleville, Cloncurry, Coober Pedy, Corryong, Gundagai, Normanton, Oberon and Weipa— did not have sufficient data for March 2018 and/or June 2018. Buronga did not have sufficient data for 2017-18. E10 prices instead of RULP prices are reported in Sydney, Bulahdelah, Coonabarabran, Cowra, Gilgandra, Gunnedah, Lithgow, Murwillumbah, Ulladulla and West Wyalong.

<sup>30</sup> The source for all prices in this appendix is ACCC calculations based on FUELtrac data.

<b>Location</b>	<b>March 2018 monthly avg</b>	<b>June 2018 monthly avg</b>	<b>Change March 2018 to June 2018</b>	<b>Differential June 2018</b>	<b>Differential 2017–18</b>
Dubbo	140.6	155.7	15.1	8.5	4.4
Forbes	137.9	155.9	18.0	8.7	5.6
Forster	141.4	156.4	15.0	9.2	6.3
Gilgandra	138.5	149.5	11.0	2.3	2.3
Glen Innes	138.1	155.8	17.7	8.6	3.4
Goulburn	132.8	150.7	17.9	3.5	-2.3
Grafton	137.2	155.4	18.2	8.2	0.4
Griffith	138.7	153.9	15.2	6.7	4.1
Gunnedah	130.9	152.1	21.2	4.9	-0.3
Hay	138.5	154.3	15.8	7.1	2.6
Inverell	139.0	154.4	15.4	7.2	4.1
Jerilderie	141.9	155.8	13.9	8.6	5.3
Kempsey	137.0	154.8	17.8	7.6	2.4
Leeton	135.5	153.9	18.4	6.7	0.6
Lismore	133.5	152.4	18.9	5.2	-0.5
Lithgow	123.1	150.9	27.8	3.7	-4.1
Merimbula	136.2	155.2	19.0	8.0	2.2
Mittagong	143.4	158.4	15.0	11.2	8.2
Moama	139.7	149.8	10.1	2.6	1.0
Moree	139.4	154.6	15.2	7.4	4.3
Moruya	141.4	155.8	14.4	8.6	5.3
Moss Vale	141.4	157.4	16.0	10.2	7.7
Mudgee	140.4	158.1	17.7	10.9	5.5
Murwillumbah	134.3	153.6	19.3	6.4	-2.6
Muswellbrook	135.4	158.0	22.6	10.8	4.2
Narrabri	143.4	153.7	10.3	6.5	7.2
Newcastle	138.6	155.3	16.7	8.1	2.4
Nowra	132.4	150.1	17.7	2.9	2.2
Nyngan	136.8	153.2	16.4	6.0	4.2
Orange	135.5	152.4	16.9	5.2	3.2
Parkes	138.9	156.1	17.2	8.9	5.3
Port Macquarie	142.3	155.2	12.9	8.0	6.1
Queanbeyan	136.0	154.4	18.4	7.2	3.1
Singleton	142.1	158.6	16.5	11.4	8.3
Tamworth	139.7	156.1	16.4	8.9	4.6
Taree	141.7	154.2	12.5	7.0	6.0
Temora	136.0	151.9	15.9	4.7	0.7
Tumut	138.1	155.6	17.5	8.4	3.7
Tweed Heads South	131.7	149.1	17.4	1.9	2.9
Ulladulla	138.8	150.5	11.7	3.3	1.1
Wagga Wagga	134.0	154.3	20.3	7.1	3.2
Wauchope	140.1	156.1	16.0	8.9	5.2
Wellington	139.6	155.8	16.2	8.6	3.9

<b>Location</b>	<b>March 2018 monthly avg</b>	<b>June 2018 monthly avg</b>	<b>Change March 2018 to June 2018</b>	<b>Differential June 2018</b>	<b>Differential 2017–18</b>
West Wyalong	138.1	153.6	15.5	6.4	3.3
Wollongong	139.1	151.5	12.4	4.3	3.4
Woolgoolga	141.7	155.3	13.6	8.1	4.4
Yass	143.2	151.4	8.2	4.2	4.8
<b>Northern Territory</b>					
Alice Springs	154.6	161.4	6.8	14.2	16.2
Katherine	146.1	153.5	7.4	6.3	9.5
Tennant Creek	154.9	164.6	9.7	17.4	19.4
<b>Queensland</b>					
Atherton	137.9	155.9	18.0	8.7	7.4
Ayr	139.5	155.0	15.5	7.8	3.8
Biloela	142.4	156.0	13.6	8.8	7.0
Blackwater	141.9	156.0	14.1	8.8	8.6
Bowen	139.9	155.9	16.0	8.7	5.3
Bundaberg	131.9	149.2	17.3	2.0	-0.2
Caboolture	137.3	147.6	10.3	0.4	3.3
Cairns	131.6	157.0	25.4	9.8	5.9
Charters Towers	139.5	156.2	16.7	9.0	4.9
Childers	135.2	152.5	17.3	5.3	1.3
Cunnamulla	135.9	157.9	22.0	10.7	4.0
Dalby	139.9	154.9	15.0	7.7	2.5
Emerald	141.9	157.7	15.8	10.5	8.7
Gladstone	134.6	154.1	19.5	6.9	2.1
Gold Coast	136.8	146.4	9.6	-0.8	2.2
Goondiwindi	139.9	158.4	18.5	11.2	7.1
Gympie	131.9	149.8	17.9	2.6	-1.3
Hervey Bay	141.4	156.5	15.1	9.3	4.7
Ingham	140.9	155.9	15.0	8.7	5.9
Innisfail	134.2	157.8	23.6	10.6	4.7
Ipswich	138.0	149.1	11.1	1.9	1.4
Kingaroy	140.1	153.6	13.5	6.4	5.4
Longreach	145.6	159.5	13.9	12.3	13.0
Mackay	137.8	157.3	19.5	10.1	4.7
Mareeba	135.2	157.1	21.9	9.9	4.6
Maryborough	136.3	151.7	15.4	4.5	0.4
Miles	134.1	151.1	17.0	3.9	-1.6
Moranbah	140.9	153.6	12.7	6.4	3.7
Mt Isa	149.7	159.9	10.2	12.7	12.3
Rockhampton	140.9	157.2	16.3	10.0	6.9
Roma	139.9	155.7	15.8	8.5	3.3
Sunshine Coast	138.8	150.4	11.6	3.2	3.5
Toowoomba	138.3	153.0	14.7	5.8	2.3
Townsville	139.0	156.3	17.3	9.1	3.3

<b>Location</b>	<b>March 2018 monthly avg</b>	<b>June 2018 monthly avg</b>	<b>Change March 2018 to June 2018</b>	<b>Differential June 2018</b>	<b>Differential 2017–18</b>
Tully	140.0	156.3	16.3	9.1	4.9
Warwick	140.2	153.9	13.7	6.7	4.4
Whitsunday	137.9	155.9	18.0	8.7	1.1
Yeppoon	140.6	157.2	16.6	10.0	6.4
<b>South Australia</b>					
Bordertown	135.2	149.3	14.1	2.1	-0.8
Ceduna	139.3	152.4	13.1	5.2	2.5
Clare	134.9	148.6	13.7	1.4	-1.7
Gawler	137.5	145.6	8.1	-1.6	1.4
Kadina	136.4	150.4	14.0	3.2	-0.3
Keith	136.5	150.3	13.8	3.1	0.8
Loxton	132.3	147.8	15.5	0.6	-0.4
Mt Gambier	137.0	153.4	16.4	6.2	1.4
Murray Bridge	135.5	151.4	15.9	4.2	0.5
Naracoorte	134.0	150.6	16.6	3.4	1.8
Port Augusta	139.3	155.1	15.8	7.9	2.9
Port Lincoln	139.0	152.5	13.5	5.3	2.4
Port Pirie	132.8	149.3	16.5	2.1	-1.3
Renmark	134.7	154.9	20.2	7.7	2.4
Tailem Bend	136.6	150.3	13.7	3.1	1.4
Victor Harbour	138.1	152.0	13.9	4.8	2.5
Whyalla	138.4	155.7	17.3	8.5	3.6
<b>Tasmania</b>					
Burnie	145.9	156.7	10.8	9.5	9.0
Campbell Town	147.9	157.6	9.7	10.4	10.3
Devonport	145.7	156.6	10.9	9.4	7.9
Huonville	145.6	159.8	14.2	12.6	9.6
Launceston	148.6	160.6	12.0	13.4	12.0
New Norfolk	148.2	159.9	11.7	12.7	11.3
Queenstown	147.0	160.1	13.1	12.9	11.0
Smithton	144.9	156.7	11.8	9.5	7.7
Sorell	146.5	155.8	9.3	8.6	10.2
Ulverstone	146.1	156.5	10.4	9.3	9.2
Wynyard	144.1	156.6	12.5	9.4	8.8
<b>Victoria</b>					
Ararat	141.2	150.1	8.9	2.9	2.8
Bairnsdale	134.3	146.2	11.9	-1.0	-1.8
Ballarat	135.9	150.0	14.1	2.8	0.8
Benalla	139.5	150.2	10.7	3.0	2.9
Bendigo	132.6	148.5	15.9	1.3	0.1
Cobram	136.7	151.0	14.3	3.8	1.6
Colac	139.3	149.5	10.2	2.3	1.9
Echuca	139.8	150.8	11.0	3.6	1.3

<b>Location</b>	<b>March 2018 monthly avg</b>	<b>June 2018 monthly avg</b>	<b>Change March 2018 to June 2018</b>	<b>Differential June 2018</b>	<b>Differential 2017–18</b>
Euroa	140.1	149.7	9.6	2.5	3.6
Geelong	133.5	147.9	14.4	0.7	1.1
Hamilton	139.9	150.0	10.1	2.8	3.1
Horsham	140.7	150.5	9.8	3.3	4.4
Koo Wee Rup	136.8	149.6	12.8	2.4	2.6
Kyabram	139.9	152.1	12.2	4.9	3.2
Lakes Entrance	138.5	152.9	14.4	5.7	2.8
Leongatha	139.4	150.8	11.4	3.6	2.8
Mansfield	139.9	152.9	13.0	5.7	4.7
Mildura	137.5	149.9	12.4	2.7	2.3
Moe	139.3	149.8	10.5	2.6	2.9
Morwell	133.5	145.1	11.6	-2.1	0.1
Portland	141.1	152.1	11.0	4.9	4.9
Sale	140.7	149.9	9.2	2.7	3.9
Seymour	135.3	148.4	13.1	1.2	2.4
Shepparton	132.2	148.3	16.1	1.1	-0.3
Swan Hill	137.2	151.5	14.3	4.3	1.8
Traralgon	140.0	149.9	9.9	2.7	3.6
Wallan	134.7	147.7	13.0	0.5	0.7
Wangaratta	138.5	149.9	11.4	2.7	2.6
Warrnambool	140.0	149.7	9.7	2.5	3.6
Wodonga	138.6	151.4	12.8	4.2	0.6
Wonthaggi	139.2	151.0	11.8	3.8	2.7
Yarrawonga	139.9	154.2	14.3	7.0	5.4
<b>Western Australia</b>					
Albany	140.3	156.9	16.6	9.7	3.5
Boulder	143.6	158.4	14.8	11.2	7.6
Bridgetown	139.6	151.9	12.3	4.7	2.3
Broome	160.8	171.6	10.8	24.4	20.8
Bunbury	141.1	155.7	14.6	8.5	5.0
Busselton	139.1	151.9	12.8	4.7	2.9
Carnarvon	147.5	157.8	10.3	10.6	12.0
Collie	140.1	157.9	17.8	10.7	3.6
Dongara	138.9	149.2	10.3	2.0	0.9
Esperance	142.2	156.4	14.2	9.2	5.2
Eucla	159.3	168.4	9.1	21.2	21.5
Geraldton	140.1	154.2	14.1	7.0	3.7
Kalgoorlie	145.5	159.3	13.8	12.1	8.1
Karratha	151.0	164.9	13.9	17.7	14.6
Manjimup	139.6	153.2	13.6	6.0	1.7
Mount Barker	134.1	151.5	17.4	4.3	-0.7
Port Hedland	145.9	163.6	17.7	16.4	11.5
Waroona	135.5	144.1	8.6	-3.1	-1.5

# Appendix B: Update on regional market studies

Under the previous monitoring direction, the ACCC undertook regional petrol market studies in Darwin, Launceston, Armidale and Cairns. The ACCC continues to monitor prices and GIRDs in those locations.

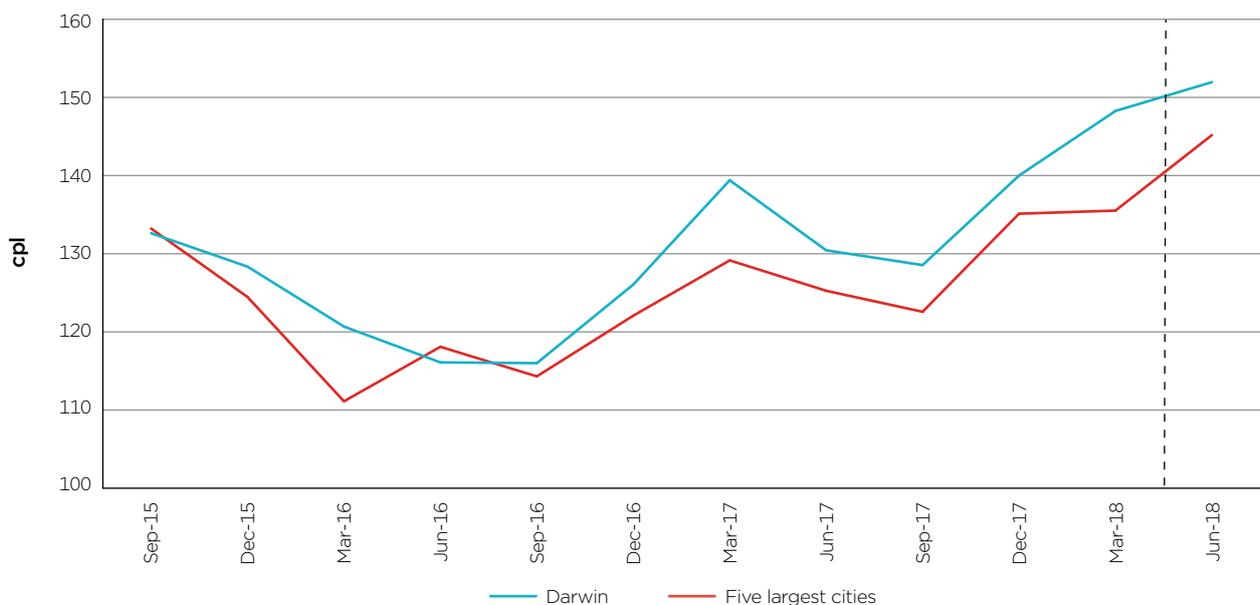
## Darwin

The ACCC's report on the Darwin petrol market was released in November 2015.<sup>31</sup> It found that the increase in retail petrol margins in Darwin in recent years had imposed a significant cost on motorists. The report noted that higher prices and profits in Darwin were the result of weak retail competition.

### Darwin petrol prices increased in the June quarter 2018

Chart B1 shows quarterly average retail petrol prices in Darwin and the five largest cities from the September quarter 2015 to the June quarter 2018.

**Chart B1: Quarterly average retail petrol prices in Darwin and the five largest cities: September quarter 2015 to June quarter 2018**



Source: ACCC calculations based on FUELtrac data.

In the June quarter 2018, average retail petrol prices in Darwin were 152.0 cpl, an increase of 3.7 cpl from the March quarter 2018 (148.3 cpl).

The market study noted that the average differential between prices in Darwin and the five largest cities in 2012-13 and 2013-14 was over 19.0 cpl. Since then it has decreased significantly. In the June quarter 2018, the average differential was 6.8 cpl, a decrease of 6.0 cpl from the March quarter 2018 (12.8 cpl).

In 2017-18, the annual average retail petrol price in Darwin was 142.1 cpl, an increase of 14.3 cpl from 2016-17 (127.9 cpl). The annual average differential between Darwin prices and prices in the five largest cities was 7.6 cpl in 2017-18, which was 2.3 cpl higher than in 2016-17 (5.3 cpl).

<sup>31</sup> ACCC, *Report on the Darwin petrol market*, 23 November 2015, at: <https://www.accc.gov.au/publications/petrol-market-studies/report-on-the-darwin-petrol-market>.

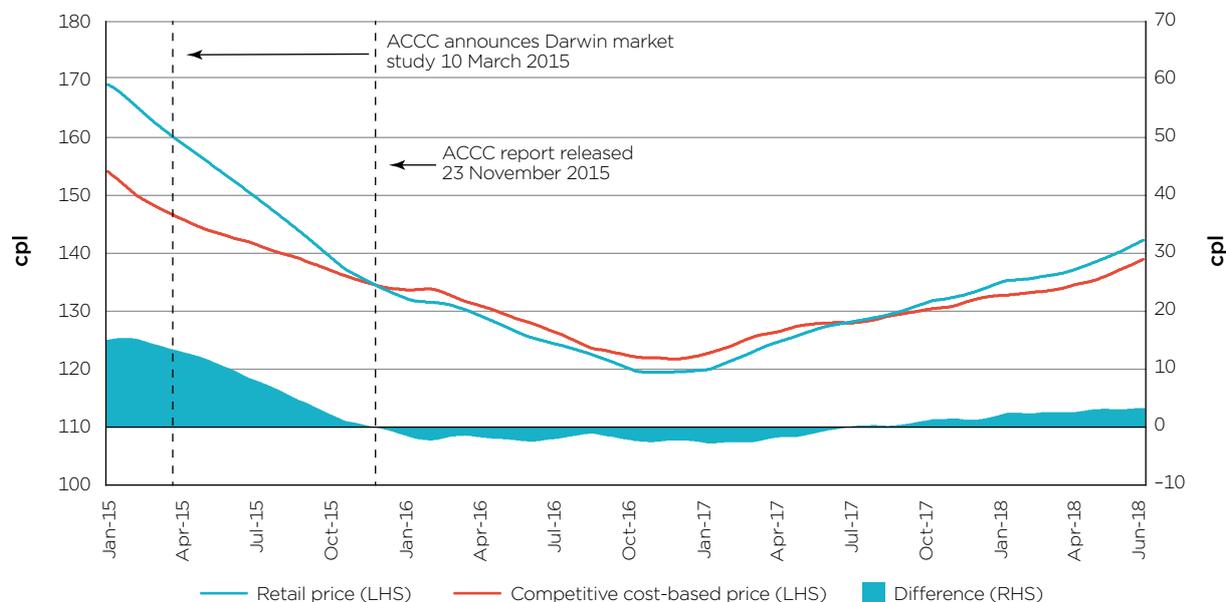
## Darwin petrol prices were above a long-term competitive cost-based price

The ACCC's Darwin report noted that motorists were paying around 10.0 cpl more than they should have been in a competitive market. This was based on a comparison of GIRDs in Darwin with those in the larger capital cities.

Chart B2 shows Darwin petrol prices on a rolling annual average basis from 1 January 2015 to 30 June 2018. 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 long-term 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 long-term 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, this may be indicative of a less-competitive market in which retailers are earning higher margins at the expense of consumers.

**Chart B2: Rolling annual average retail prices and a long-term competitive cost-based price in Darwin, and the difference: 1 January 2015 to 30 June 2018**



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

The chart indicates that petrol prices in Darwin remained above a long-term competitive cost-based price in the June quarter 2018.

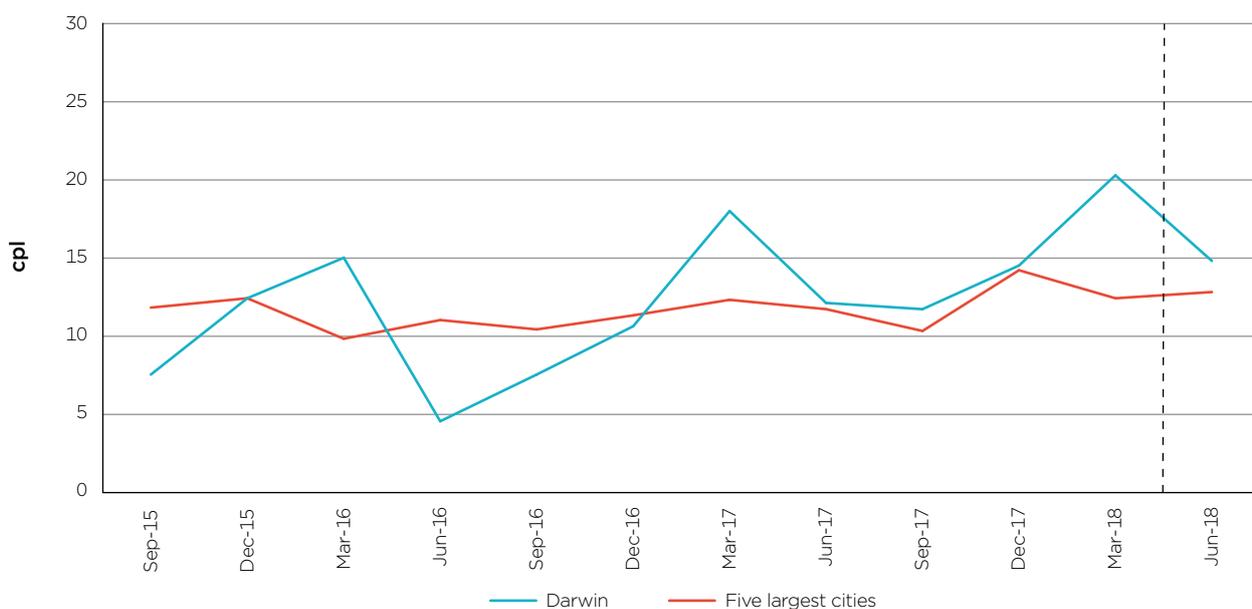
## Darwin GIRDs decreased significantly in the June quarter 2018

Chart B3 shows quarterly average GIRDs in Darwin over a three-year period from the September quarter 2015 to the June quarter 2018. GIRDs in Darwin have decreased in recent years since the peak of 30.6 cpl in the September quarter 2014.

In the June quarter 2018, Darwin GIRDs were 14.8 cpl, a decrease of 5.5 cpl from the March quarter 2018 (20.3 cpl). Darwin GIRDs were only 2.0 cpl higher than the five largest cities in the June quarter 2018, a decrease of 5.9 cpl from the previous quarter (7.9 cpl).

In 2017-18, annual average GIRDs in Darwin were 15.3 cpl, an increase of 3.2 cpl from 2016-17 (12.1 cpl). Darwin GIRDs were 2.9 cpl higher than in the five largest cities (12.4 cpl).

**Chart B3: Quarterly average petrol GIRDs in Darwin and the five largest cities: September quarter 2015 to June quarter 2018**



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

## Darwin retail prices since the introduction of MyFuel NT

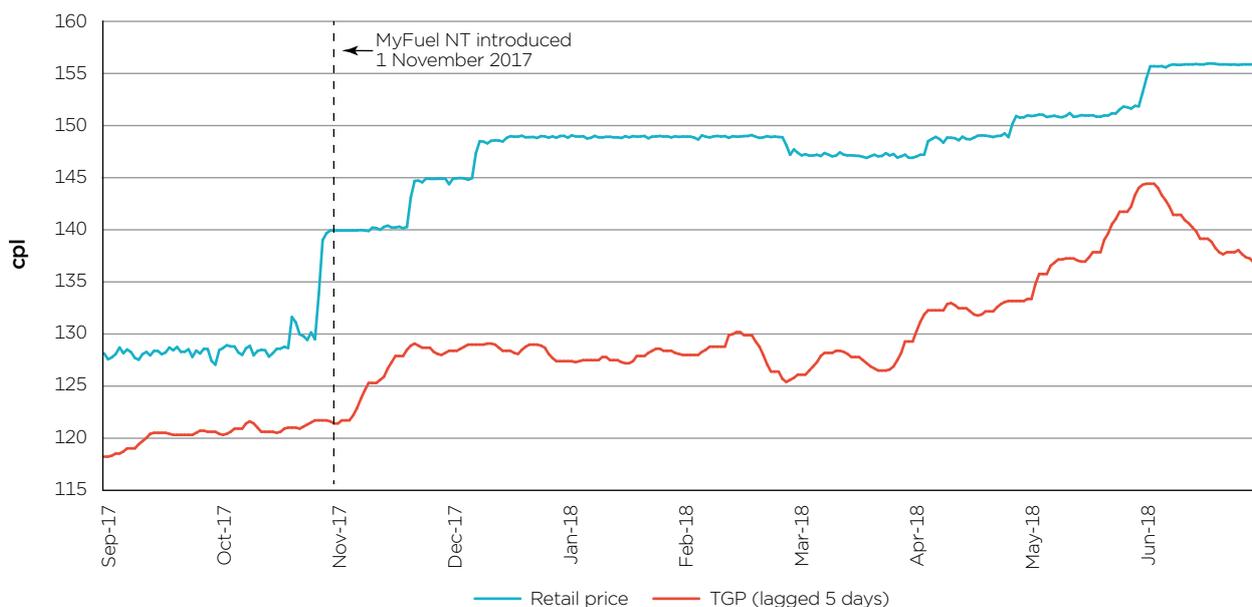
The MyFuel NT scheme commenced on 1 November 2017. It is a territory-wide real-time mandatory retail fuel price-reporting scheme, which gives consumers access (via website or mobile app) to live data from every fuel retailer in the NT. MyFuel NT is similar to the FuelCheck scheme in NSW.

Chart B4 shows daily average petrol prices and TGPs (lagged by five days) in Darwin over the period 1 September 2017 to 30 June 2018.

Retail prices increased significantly prior to the introduction of MyFuel NT following an increase in TGPs. However, the increase in retail prices (around 11.0 cpl) was larger than the increase in TGPs (around 8.0 cpl) and occurred immediately. Retail prices increased in mid-November 2017 by around 5.0 cpl, and again in early-December 2017 by a further 4.0 cpl to around 149.0 cpl.

Retail prices in Darwin were 147.0 cpl at the beginning of the June quarter 2018. They increased by 2.0 cpl in early-April to 149.0 cpl, and by another 2.0 cpl in late-April to 151.0 cpl. They subsequently increased by another 5.0 cpl between late-May and early-June 2018 to around 156.0 cpl. TGPs were 130.2 cpl at the beginning of the quarter and increased by 14.2 cpl to 144.4 cpl in early-June. Retail prices in Darwin remained broadly stable at around 156.0 cpl during June, while TGPs decreased by 7.6 cpl to end the quarter at 136.8 cpl.

**Chart B4: Daily average petrol prices and TGPs in Darwin: 1 September 2017 to 30 June 2018**



Source: ACCC calculations based on FUELtrac and AIP data.

Motorists can use the MyFuel NT scheme to identify the highest and lowest priced retail sites in Darwin. For example, on 8 August 2018, it showed that six retail sites (three Coles Express, two Caltex and one BP) had the highest retail price (155.9 cpl), and FuelXpress Winnellie had the lowest retail price (148.7 cpl).

## Launceston

The ACCC report on the Launceston petrol market was released in July 2016.<sup>32</sup> It found that between 2012–13 and the first half of 2015–16 Launceston motorists paid on average around 12.0 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.

### Launceston petrol prices increased in the June quarter 2018

In the June quarter 2018, average retail petrol prices in Launceston were 156.1 cpl, an increase of 7.7 cpl from the March quarter 2018 (148.4 cpl) (see chart B5). The average differential between prices in Launceston and the five largest cities was 10.9 cpl, a decrease of 2.0 cpl from the March quarter 2018 (12.9 cpl).

In 2017–18, the annual average retail petrol price in Launceston was 146.5 cpl, an increase of 12.0 cpl from 2016–17 (134.5 cpl). The annual average differential between Launceston prices and prices in the five largest cities was 12.0 cpl in 2017–18, which was 0.1 cpl higher than in 2016–17 (11.9 cpl).

<sup>32</sup> ACCC, *Report on the Launceston petrol market*, 20 July 2016, at: <https://www.accc.gov.au/publications/petrol-market-studies/report-on-the-launceston-petrol-market>.

**Chart B5: Quarterly average retail petrol prices in Launceston and the five largest cities: September quarter 2015 to June quarter 2018**

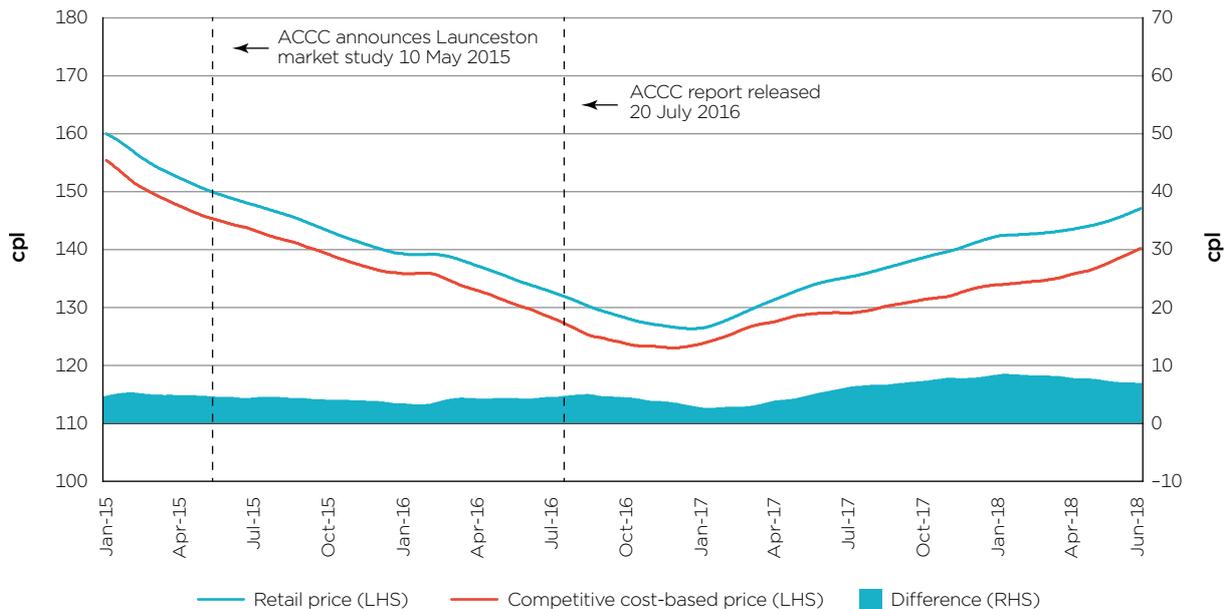


Source: ACCC calculations based on FUELtrac data.

### Launceston petrol prices remained significantly above a long-term competitive cost-based price

Chart B6 shows Launceston petrol prices on a rolling annual average basis and estimated Launceston prices calculated on a long-term competitive cost basis from 1 January 2015 to 30 June 2018. These prices have been calculated on the same basis as outlined for Darwin. The chart shows that the differential between petrol prices in Launceston and the long-term competitive cost-based price decreased over the June quarter 2018 but it remains significantly high. This may reflect the absence of vigorous and effective competition in Launceston.

**Chart B6: Rolling annual average retail prices and a long-term competitive cost-based price in Launceston, and the difference: 1 January 2015 to 30 June 2018**



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

## Launceston GIRDs decreased in the June quarter 2018

Chart B7 shows quarterly average GIRDs in Launceston and the five largest cities over the three-year period from the September quarter 2015 to the June quarter 2018.<sup>33</sup>

In the June quarter 2018, Launceston GIRDs were 18.2 cpl, a decrease of 1.7 cpl from the March quarter 2018 (19.9 cpl). Launceston GIRDs were 5.4 cpl higher than in the five largest cities (12.8 cpl).

In 2017-18, annual average GIRDs in Launceston were 18.9 cpl, an increase of 0.8 cpl from 2016-17 (18.1 cpl). Launceston GIRDs were 6.5 cpl higher than in the five largest cities (12.4 cpl).

**Chart B7: Quarterly average petrol GIRDs in Launceston and the five largest cities: September quarter 2015 to June quarter 2018**



Source: ACCC calculations based on FUELtrac, AIP, BP, Caltex, Mobil, Viva Energy and WA FuelWatch data.

Note: Hobart TGPs are used as a proxy for TGPs in Launceston.

## Armidale

The ACCC report on the Armidale petrol market was released in November 2016.<sup>34</sup> It found that relatively weak retail competition in Armidale, reflected by a lack of price discounting, contributed to E10 prices in Armidale being on average 8.0 cpl higher than RULP prices in the five largest cities between 2012-13 and 2014-15.

## Armidale petrol prices increased in the June quarter 2018

Chart B8 shows quarterly average retail petrol prices in Armidale and the five largest cities from the September quarter 2015 to the June quarter 2018.

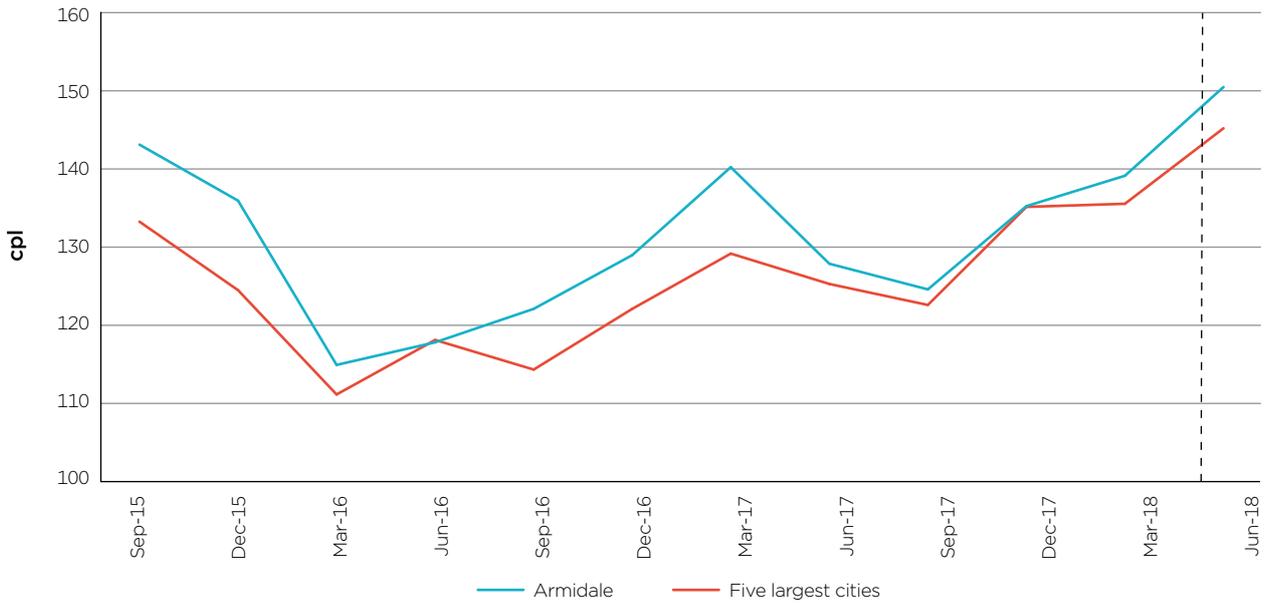
In the June quarter 2018, average retail petrol prices in Armidale were 150.5 cpl, an increase of 11.4 cpl from the March quarter 2018 (139.1 cpl). The average differential between prices in Armidale and the five largest cities was 5.3 cpl in the June quarter 2018, an increase of 1.7 cpl from the March quarter 2018 (3.6 cpl).

In 2017-18, the annual average retail petrol price in Armidale was 137.3 cpl, an increase of 7.6 cpl from 2016-17 (129.7 cpl). The annual average differential between Armidale prices and prices in the five largest cities was 2.8 cpl in 2017-18, which was 4.3 cpl lower than in 2016-17 (7.1 cpl).

<sup>33</sup> Hobart TGPs are used as a proxy for TGPs in Launceston.

<sup>34</sup> ACCC, *Report on the Armidale petrol market*, 21 November 2016, at: <https://www.accc.gov.au/publications/petrol-market-studies/report-on-the-armidale-petrol-market>. References to petrol prices in Armidale are to E10 prices.

**Chart B8: Quarterly average retail petrol prices in Armidale and the five largest cities: September quarter 2015 to June quarter 2018**

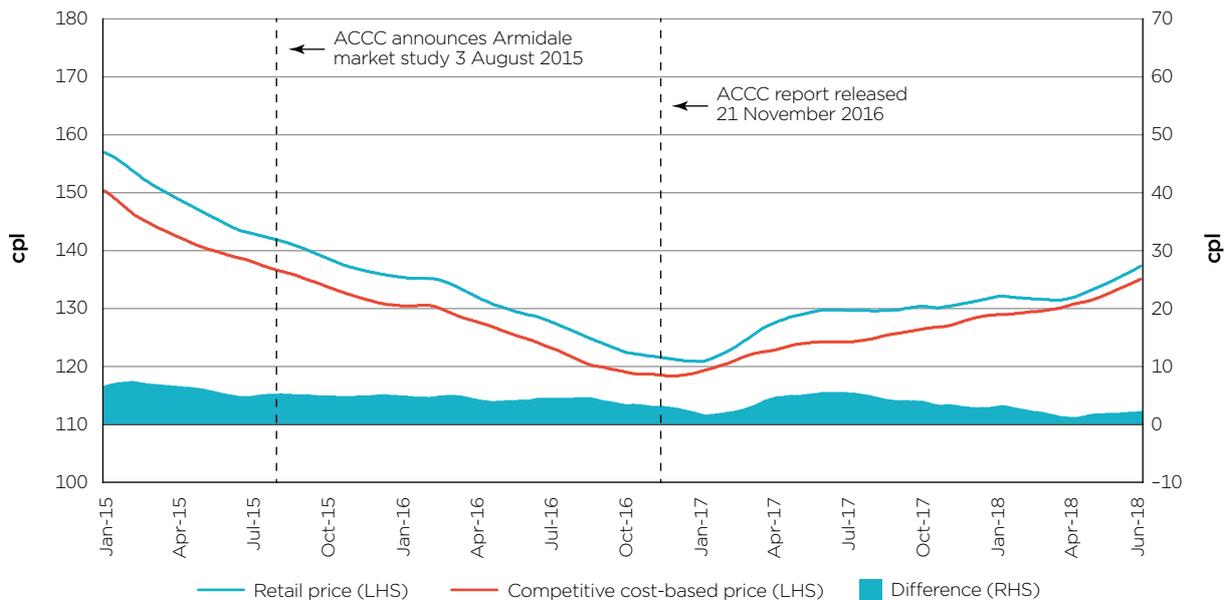


Source: ACCC calculations based on FUELtrac data.

### Armidale petrol prices were marginally above a long-term competitive cost-based price

Chart B9 shows Armidale petrol prices on a rolling annual average basis and estimated Armidale prices calculated on a long-term competitive cost basis from 1 January 2015 to 30 June 2018. These prices have been calculated on the same basis as outlined for Darwin. The chart indicates that at the end of June 2018, petrol prices in Armidale were marginally above a long-term competitive cost-based price.

**Chart B9: Rolling annual average retail prices and a long-term competitive cost-based price in Armidale, and the difference: 1 January 2015 to 30 June 2018**



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

## Armidale GIRDs increased in the June quarter 2018

Chart B10 shows quarterly average GIRDs in Armidale over a three-year period from the September quarter 2015 to the June quarter 2018.

In the June quarter 2018, average GIRDs in Armidale were 19.3 cpl, an increase of 2.1 cpl from the March quarter 2018 (17.2 cpl). Armidale GIRDs were 6.5 cpl higher than in the five largest cities (12.8 cpl).

In 2017-18, annual average GIRDs in Armidale were 16.3 cpl, a decrease of 3.2 cpl from 2016-17 (19.5 cpl). Armidale GIRDs were 3.9 cpl higher than in the five largest cities (12.4 cpl).

**Chart B10: Quarterly average petrol GIRDs in Armidale and the five largest cities: September quarter 2015 to June quarter 2018**



Source: ACCC calculations based on FUELtrac, BP, Caltex, Mobil, Viva Energy and WA FuelWatch data.

Note: Sydney and Brisbane E10 TGP from monitored companies are used as a proxy for Armidale TGPs.

## Cairns

The ACCC report on the Cairns petrol market was released in May 2017.<sup>35</sup> It found that between 2012-13 and the first half of 2016-17, the average differential between prices in Cairns and the five largest cities was around 11.0 cpl. It concluded that a lack of vigorous and effective retail price competition in Cairns contributed to the increase in retail margins and profits in recent years.

## Cairns petrol prices increased in the June quarter 2018

Chart B11 shows quarterly average retail petrol prices in Cairns and the five largest cities from the September quarter 2015 to the June quarter 2018.

In the June quarter 2018, the annual average retail petrol price in Cairns was 150.4 cpl, an increase of 14.9 cpl from the March quarter 2018 (135.5 cpl). The average differential between prices in Cairns and the five largest cities was 5.2 cpl, an increase of 5.2 cpl from the March quarter 2018 (when Cairns prices were equal to the average price in the five largest cities).

In 2017-18, the annual average retail petrol price in Cairns was 140.4 cpl, an increase of 4.7 cpl from 2016-17 (135.7 cpl). The annual average differential between Cairns prices and prices in the five largest cities was 5.9 cpl in 2017-18, which was 7.2 cpl lower than in 2016-17 (13.1 cpl).

<sup>35</sup> ACCC, *Report on the Cairns petrol market*, 29 May 2017, at: <https://www.accc.gov.au/publications/petrol-market-studies/report-on-the-cairns-petrol-market>.

**Chart B11: Quarterly average retail petrol prices in Cairns and the five largest cities: September quarter 2015 to June quarter 2018**

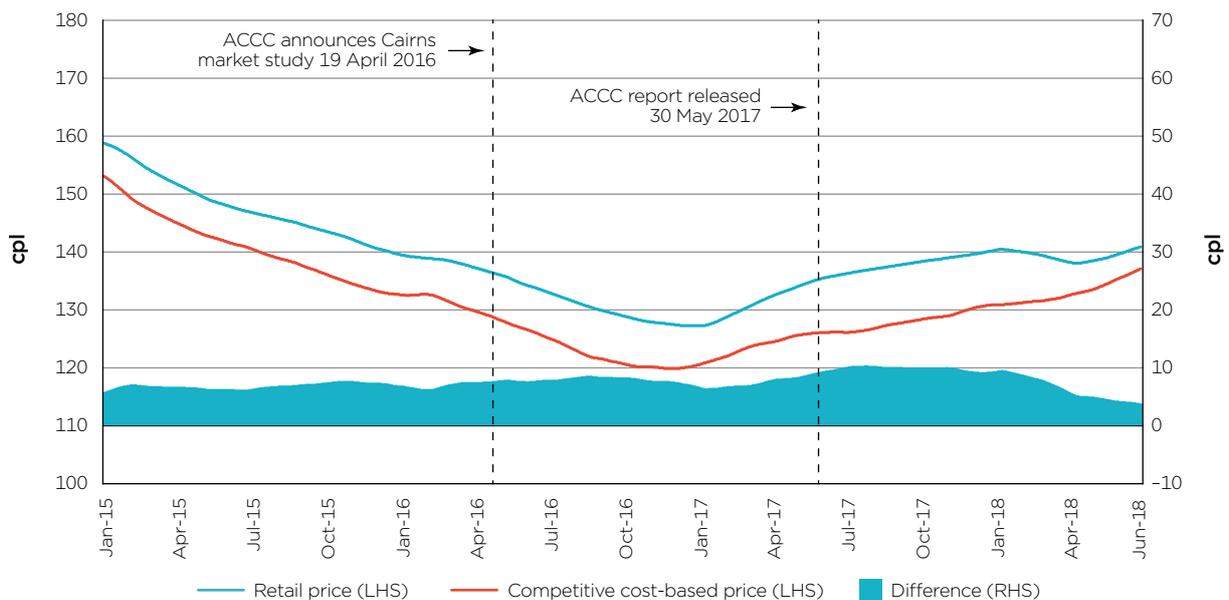


Source: ACCC calculations based on FUELtrac data.

### Cairns petrol prices were above a long-term competitive cost-based price, but the difference has been decreasing

Chart B12 shows Cairns petrol prices on a rolling annual average basis and estimated Cairns prices calculated on a long-term competitive cost basis from 1 January 2015 to 30 June 2018. These prices have been calculated on the same basis as outlined for Darwin. The chart indicates that petrol prices in Cairns were above a long-term competitive cost-based price, but the difference between petrol prices in Cairns and the long-term competitive cost-based price decreased significantly over the first six months of 2018. This decrease may have been due to more vigorous competition following the increasing presence of United in the Cairns area in the March quarter 2018.

**Chart B12: Rolling annual average retail prices and a long-term competitive cost-based price in Cairns, and the difference: 1 January 2015 to 30 June 2018**



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

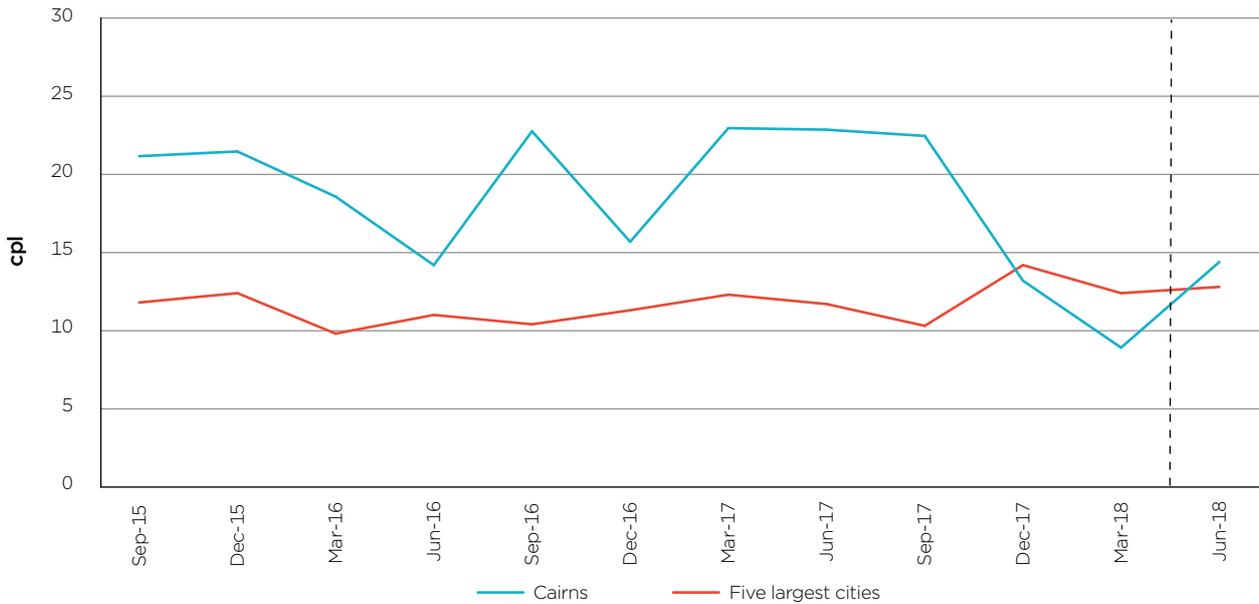
## Cairns GIRDs increased in the June quarter 2018

Chart B13 shows quarterly average GIRDs in Cairns over the three-year period from the September quarter 2015 to the June quarter 2018.

In the June quarter 2018, average GIRDs in Cairns were 14.4 cpl, an increase of 5.5 cpl from the March quarter 2018 (8.9 cpl). Cairns GIRDS were 1.6 cpl higher than in the five largest cities.

In 2017-18 annual average GIRDs in Cairns were 14.8 cpl, a decrease of 6.3 cpl from 2016-17 (21.1 cpl). Cairns GIRDs were 2.4 cpl higher than in the five largest cities (12.4 cpl).

**Chart B13: Quarterly average petrol GIRDs in Cairns and the five largest cities: September quarter 2015 to June quarter 2018**



Source: ACCC calculations based on FUELtrac, BP, Caltex, Mobil, Viva Energy and WA FuelWatch data.