



**SELECT COMMITTEE ON PRICING OF PETROLEUM  
PRODUCTS**

**GETTING A FAIR DEAL  
FOR  
WESTERN AUSTRALIAN  
MOTORISTS**

**Report**

**12 October 2000**

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PRODUCTS**

**GETTING A FAIR DEAL FOR  
WESTERN AUSTRALIAN MOTORISTS**

Presented by:  
**Mr Dan Sullivan MLA**  
Laid on the Table of the Legislative Assembly  
on 12 October 2000



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## **TERMS OF REFERENCE**

On 6 April 2000, on the motion of the Hon. D.J. Shave, MLA, Minister for Fair Trading, a Select Committee was appointed with the following terms of reference -

- (1) To investigate and report on the wholesale and retail price of petrol fuel and LPG Autogas petroleum products in metropolitan and non-metropolitan Western Australia, and in particular –
  - (a) the reasons for differences in the price of petroleum products in metropolitan and non-metropolitan Western Australia;
  - (b) the reasons for significant price fluctuations in petroleum products;
  - (c) the impact of State and Federal Government policies, taxes and charges on the price of petroleum products in both metropolitan and non-metropolitan areas of the State;
  - (d) the effect on the price of petroleum products of current changes in the system of petroleum product franchising throughout Western Australia;
  - (e) the reasons for the high cost of LPG Autogas in Western Australia relative to other Australian States;
  - (f) whether legislative intervention is necessary or desirable to reduce the difference in the price for petroleum products within and between metropolitan and non-metropolitan areas of Western Australia; and
  - (g) recommendations for any other measures to reduce the price difference for petroleum products within and between metropolitan and non-metropolitan areas of Western Australia.
- (2) That the committee finally report by 30 September 2000.

## **REAPPOINTMENT OF COMMITTEE AND EXTENSION TO REPORTING DATE**

Following the prorogation of the Third Session of the 35<sup>th</sup> Parliament, the Committee was reappointed on 9 August 2000 with the same terms of reference, and on 14 September 2000 the reporting date was extended to 12 October 2000.



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## COMMITTEE MEMBERS

<b>CHAIRMAN</b>	Mr Dan Sullivan MLA <i>(Member for Mitchell)</i>	.....
<b>DEPUTY CHAIRMAN</b>	Mr Larry Graham MLA <i>(Member for Pilbara)</i>	.....
<b>MEMBERS</b>	Mr Bob Bloffwitch MLA <i>(Member for Geraldton)</i>	.....
	Hon. Julian Grill MLA <i>(Member for Eyre)</i>	.....
	Mr Max Trenorden MLA <i>(Member for Avon)</i>	.....

## COMMITTEE STAFF

<b>CLERK TO THE COMMITTEE</b>	Mr Keith Kendrick
<b>SENIOR ADVISER</b>	Mr Allen Tenger
<b>RESEARCH OFFICER</b>	Mr Mick Drover
<b>SECRETARY</b>	Mrs Patricia Roach

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## **MINISTERIAL DIRECTION**

Pursuant to Standing Order 277, the Select Committee directs that the following Ministers –

Premier;  
Minister for Energy;  
Minister for Fair Trading;  
Minister for the Environment;  
Minister representing the Minister for Transport; and  
Minister representing the Minister for Finance

be required, within not more than three months, or at the earliest opportunity after that time if the Assembly is adjourned or in recess, to report to the Assembly as to the action, if any, proposed to be taken by the Government with respect to the recommendations of the Committee.



## CHAIRMAN'S FOREWORD

The marketing and pricing of fuel is fraught with deeply entrenched problems which seriously restrict competition, resulting in market manipulation and excessive prices, especially in country areas.

The significant difference in petrol prices between country and metropolitan Western Australia has been estimated to cost country motorists at least \$2 million extra each week. There is considerable resentment throughout the country and enormous frustration, too, as people question why prices are so high and who is to blame.

In the metropolitan area, while average prices are lower than for the country, motorists have fallen victim to a petrol marketing system in which prices fluctuate daily, even hourly, for no obvious reason.

This frustration is matched only by the despair felt by many small business people in the petroleum industry, particularly independent and franchise retailers. Many are trying vainly to compete for a living in an environment where the major oil companies dominate and where the normal rules of free enterprise no longer apply.

There is a veneer of competition, in the metropolitan area at least. But, during the six months of this enquiry, we uncovered an industry desperately lacking in healthy, genuine competition.

The nature of this industry, especially the oil companies' domination at every level of production (known as vertical integration), means that nothing short of sweeping reforms will succeed in creating a truly competitive environment. This would be impossible without legislative backing. Fortunately, existing legislation enables the State Government to act swiftly to start addressing some of the key issues, especially excessive country prices.

The danger of inaction is not just that the existing fuel pricing fiasco would continue indefinitely, at great expense to so many Western Australian motorists. The further risk is that the limited degree of competition experienced in the metropolitan area could end eventually, or be seriously eroded. As one independent retailer put it:

*“. . . the multinationals will force people like me out of the industry. They will then control the industry right across the board and then you will really see what the price of fuel will be.”*

### ***Giving the people a real say . . .***

From the outset we recognised that this is a “people’s issue” and the Committee responded by making a special effort to hold meetings and formal hearings around the State, giving as many people as possible the opportunity to have their say directly.

Also, the Committee took the unique step of encouraging community feedback through the Internet, as well as using conventional advertising methods. This is the first Western Australian Parliamentary Select Committee to use the Internet in this way and the results exceeded all expectations with 34,812 hits recorded on the Committee’s web site. Of the total number of submissions, 183 were received through this medium. Clearly there is a strong future for the Internet as a tool for promoting healthy public debate and community participation in Parliamentary activities.

Encouragingly, we experienced a high degree of cooperation in our endeavour to reach the truth. Senior representatives of BP, Shell and Caltex were the only witnesses who failed to provide essential commercial information after agreeing to do so. Fortunately, the Committee was able to secure this detailed retail pricing information through other means, so it was not necessary to issue a summons on each company although the resolve certainly was there.

***Thanks . . .***

Finally, I would like to thank my fellow Committee members, who approached the various complex and, at times, controversial issues in a constructive and bi-partisan manner. Individual mention should be made of our Deputy Chairman, Larry Graham, MLA, who has been at the forefront in the campaign for lower country fuel prices and has been a power of strength on the Committee.

Special thanks are extended to Mr Allen Tenger, our Senior Adviser, whose assistance and extensive knowledge of this field has been invaluable. Also, thanks go to Mr Mick Drover, our Research Officer, Mr Keith Kendrick, Clerk to the Committee and to our Committee Secretary, Mrs Patricia Roach. Their contributions ensured accurate research and completion of the report in a very tight timeframe.

But, most of all, let me extend the Committee's appreciation to those Western Australians from all walks of life who made the effort to appear before the Committee or who took the time to prepare and present submissions. Your guidance and advice helped with our deliberations and ensured we remained focussed on the key issues.

DAN SULLIVAN, MLA  
CHAIRMAN

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## EXECUTIVE SUMMARY

This Committee has embarked on the first review of petroleum pricing in Western Australia for seventeen years. It did this against a backdrop of increasing world prices, high retail prices in the country and a high level of consumer frustration with a highly volatile metropolitan market with frequent and unexplained price fluctuations.

The paradox of rising prices in their towns and the constant news reports of price wars in the city confounded country motorists.

Whilst the inquiry was of a short-term nature it has been a most comprehensive examination of a complex industry. Approximately 90% of the 1.85 billion litres of fuel sold in the state is processed through the BP refinery at Kwinana. The 848 retail sites are operated under a variety of arrangements, as are the distribution and marketing mechanisms.

Major international oil companies dominate all levels of the industry. Commercial information is extremely sensitive and the relevant parties that make up the industry all hold and express very strong views on the future for the industry.

Many of the retail outlets in the metropolitan area, particularly those operated under franchise arrangements with the oil companies, receive price support payments and discounts. These can range between 2 and 8 cents per litre. These schemes were not generally available to country retailers and this is one of the major reasons for the difference between city and country prices.

World oil prices strongly influence the price of petroleum products in Western Australia. The world oil market is not a market that is free from interference and distortions. The recent United States interventions in the market and the ongoing OPEC manipulations are clear demonstrations of this.

Published reports from the oil companies and evidence submitted to the Committee make it clear that the windfall gain from high oil prices is benefiting the oil companies.

The Commonwealth Government excise and GST are the subject of major findings and recommendations in the report. The Committee was interested to note that in October 1990, high fuel costs resulting from the Gulf War would produce a retail price of approximately 84cpl rather than the 98 cpl if the federal Excise and GST remained at those 1990 levels.

The Commonwealth Government increased excise by 1.7 cpl during the transition to the GST. The report clearly demonstrates the way that the GST is applied on fuel is inequitable to country residents and has a greater impact there.

The Committee made some significant findings that indicate:

- The impact of high fuel prices is greater in the country than the city.
- The gap between country and city fuel prices has widened since deregulation in 1993.
- The major oil companies dictate and manipulate retail prices at franchisee sites.
- The way GST is applied on fuel discriminates against country consumers.
- Retail competition has been limited to the city.
- Freight is not a major factor in the price differential between city and country prices.

- Oil companies do not generally discount in the country areas of the State.
- Oil companies do not offer price support in the country areas of the State.
- Oil companies have made windfall gains from world parity pricing.

The Committee is of the view that genuine competition will provide the long-term pressures to ensure the lowest possible prices. For a variety of reasons explained in the report, this is not able to occur at the moment and accordingly the Committee recommends:

- The immediate introduction of price control in country WA.
- The rejection of the CPI linked indexation increase due in February 2001.
- The lowest transparent retail prices through the introduction of genuine, healthy competition.
- Less frequent fluctuations in metropolitan fuel prices.
- The introduction of a maximum wholesale price for petroleum products in Western Australia.
- Greater market power for retailers by allowing stock purchases from a variety of sources.
- A comprehensive price monitoring system.
- Introduction of price control legislation for LPG.
- Review of the Commonwealth Fuel Sales Grant Scheme.
- The windfall tax gains in Government Revenue to be returned to motorists.
- A rebate on diesel for remote area power generators.
- Subsidisation of LPG powered vehicles.
- Conversion of a major part of the Government Car Fleet to LPG.
- The introduction of a bottled gas scheme subsidy for seniors.

It was found that the petroleum market is not characterised by healthy competition at all levels. Genuine competition at both wholesale and retail levels should deliver the lowest possible prices for the future. To achieve this the Committee recommended that a true Terminal Gate Pricing system be introduced at the wholesale level.

The True Terminal Gate Price would be set daily taking into account the levels of discounts and rebates in the market place. It would be available to all purchasers on similar terms. The effect of this recommendation is that country consumers would receive the benefits of the same rebates and discounts that are traditionally offered in the city.

Importantly, the Committee considers that the State should request that the Commonwealth conduct a review of world parity pricing and supply arrangements.

The Committee recommends that the State Government should stimulate the LPG market and pursue the use of alternative fuels, especially CNG and LNG. It is also acknowledged that the State has vast resources of natural gas and sufficient supplies should be hypothecated to domestic consumption. Applicable legislation should be introduced and price should be based on actual costs and reasonable profit margins.

A complete summary of the findings and recommendations is included in this report.



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## GLOSSARY

ACCC	Australian Competition and Consumer Commission.
Barrier to Entry	Factors which prevent or deter the entry of new firms into an industry even when the incumbents are earning excessive profits.
Bi-Fuel	In the natural gas context refers to petrol engines that can be switched between petrol and natural gas.
Branded Dealer	A dealer who purchases the product from, and uses the brand name of the supplier and sells through a retail site.
CNG	Compressed product of natural gas.
Commission agent	A retail site operator who receives a commission for selling the supplier's product through a site owned or leased by the supplier. The supplier usually retains the right to set prices at the site.
Dealer	Service Station site operator. A lessee dealer is one who leases the business from a major marketer and therefore is obliged to carry its product and its signage.
Distributor	Business operated for the purpose of receiving, storing, selling and delivering petroleum products to resellers and other end-users.
Dual-Fuel	In the LPG context refers to petrol engines that can be switched between petrol and LPG. In reference to natural gas the term relates to diesel engines that operate on a mixture of diesel and natural gas. In the natural gas application a dual-fuel engine typically uses 20% diesel and 80% gas, with the diesel acting as the ignition source.
Economies of Scale	Occur if the average costs per unit of output decrease with the increase in the scale of the firm.
Extraction Plant	Means of recovery of LPG from various hydrocarbon streams.
Franchisee	A person or enterprise entering a franchise agreement to operate a business selling the franchisor's products through property and or facilities owned or leased by the franchisor.
Freight Differential	A variable element for transportation factored into total costs at different locations.
Import Parity Pricing	Pricing of domestically produced goods and services to equal domestic market prices of equivalent imported goods.

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Independent	Purchases product from the supplier and sells it through independently distributor-owned depot and equipment. May carry the brand of the supplying oil major.
Independent Retailer	Sells fuel to the public from an independently owned site may be either oil major branded or independently branded.
LNG	Liquefied natural gas.
Liquefied Petroleum Gas (LPG)	Liquefied Petroleum Gas refers to the hydrocarbons, propane, butane and other light ends. At normal temperature LPG is gaseous but it can be liquefied under pressure and refrigeration.
Natural Gas	Gaseous forms of petroleum consisting of mixtures of hydrocarbon gases and vapours including methane, ethane, propane, butane, pentane and hexane. It is usually produced direct from a gas well or in conjunction with crude oil and condensate from an oil well
Oil Majors	The refiner/marketer companies – Ampol, BP, Mobil and Shell.
Platts	Singapore based international petroleum prices monitoring service.
Price Monitoring	Activities related to the collection of prices and other market information, including consumer complaints.
Price elasticity of Demand	The responsiveness of demand to variations in price.
PSA	Prices Surveillance Authority.
Refinery	Business enterprise where crude oil is processed into various petroleum products including fuels, lubricants and chemicals.
Service Station	Roadside outlet or site operated mainly for the purpose of retailing automotive fuels and lubricants and dispensing related services to motorists.
Terminal	Locality with the facility to receive, store and dispense petroleum products in bulk, usually situated at a refinery/fractionation plant or at a population centre distant from the source.
Vertical Integration	The undertaking by a single firm of successive stages in the process of production and supply of a particular good.

Source: Australian Competition and Consumer Commission reports (a) Inquiry Into Petroleum Products Declaration August 1996; and (b) Draft Report Review of LPG and LPG Cylinder Prices in Western Australia September 1999.

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## SUMMARY OF FINDINGS AND RECOMMENDATIONS

### Term of Reference 1

*Reasons for differences in the price of petroleum products in metropolitan and non-metropolitan Western Australia.*

#### ***Finding***

*The impact of high country fuel prices is compounded by heavy reliance on road transport.*

#### ***Finding***

*The gap between country and city prices has widened since controls were deregulated in 1993.*

#### ***Finding***

*Since fuel price control ceased in 1993, competition in the petroleum retail market has been limited principally to the metropolitan area.*

#### ***Finding***

*Freight costs are not a major factor in the differential in prices between country and city prices.*

#### ***Finding***

*Country motorists paid considerably more for their fuel, due principally to high wholesale costs and not because of retailers' margins, higher freight costs or lower volume sales.*

#### ***Finding***

*Low volumes do not explain high country fuel prices in areas where relatively high turnover is evident, especially in major regional centres.*

***Finding***

*A greater retail involvement by major oil companies in retailing would not necessarily reduce fuel prices in the country.*

***Finding***

*Country retail margins vary considerably, but some appear excessive.*

***Finding***

*The major reasons for the difference in prices between larger country locations and those in metropolitan Perth are:*

- *lack of price support;*
- *lack of discounting;*
- *limited competition at wholesale and retail levels;*
- *high wholesale margins; and*
- *sometimes high retail margins.*

**Term of Reference 2**

*Reasons for significant price fluctuations in petroleum products.*

***Finding***

*Current diesel prices are due to strong pre-winter demand for diesel fuel in the northern hemisphere which, through world parity pricing, dictates a high price for Australian refineries and importers.*

***Finding***

*World parity pricing can increase fuel costs independently of production costs, resulting in windfall gains for oil majors.*

***Finding***

*The major oil companies dictate and manipulate retail prices at franchisee sites.*

**Recommendation Two**

**That legislation be developed and implemented requiring retail sites to advertise and charge only one price for each fuel product daily.**

**Term of Reference 3**

*The impact of State and Federal Government policies, taxes and charges on the price of petroleum products in both metropolitan and non-metropolitan areas of the State.*

***Finding***

*The way GST is applied on fuel is discriminatory and inequitable to country consumers.*

***Finding***

*The Committee rejects the need for a CPI linked increase on excise on 1 February 2001.*

***Finding***

*The lack of diesel rebates for operators in remote communities is inequitable.*

**Recommendation Three**

**That remote communities dependent on diesel for power generation be assisted to transfer to more economically viable fuel sources over a five year transition period.**

**That these communities be entitled to the Commonwealth Diesel Fuel Rebate during the transition period.**

**That the State Government establish a scheme to assist with conversion costs.**

***Finding***

*The obvious and well publicised anomalies in the Commonwealth Fuel Sales Grant Scheme have not been rectified.*

**Recommendation Four**

**That the Commonwealth forgo the February CPI adjustment to excise on petroleum products.**

**That the Commonwealth and State Governments return any windfall gains to motorists as:**

- lower fuel prices;
- additional road projects; and
- the development and promotion of alternative vehicular fuel.

**That the Fuel Sales Grants Scheme be reviewed to remove anomalies.**

**Term of Reference 4**

*The effect on the price of petroleum products of current changes in the system of petroleum product franchising throughout Western Australia.*

***Finding***

*The petroleum industry, from wellhead to bowser, is highly vertically integrated.*

***Finding***

*Multi-franchising arrangements operated by BP Australia Limited enable BP to directly control retail prices.*

*The operations of BP multi-site franchises are consistent with those of commission agencies which appear to circumvent the intentions of the Commonwealth Petroleum Retail Marketing Sites Act 1980.*

**Term of Reference 5**

*The reasons for the high cost of LPG Autogas in Western Australia relative to other Australian States.*

***Finding***

*Western Australia's capacity to produce LPG far exceeds current local demand.*

***Finding***

*It is not uncommon for LPG Autogas prices in Perth to exceed non-discount prices in other Australian capital cities by around 5 percent.*

***Finding***

*There exists an urgent need to provide greater access to fuel retail sites for all gas suppliers, to stimulate competition.*

***Finding***

*Western Australia's LPG market is highly vertically integrated.*

*Western Australia's LPG market would benefit from increased sales volumes and greater competition.*

***Finding***

*Greater use of LPG would reduce motoring costs and have significant environmental benefits, warranting direct Government stimulation of the LPG Autogas market.*

**Recommendation Five**

**The State Government should:**

- **subsidise the conversion of private vehicles to LPG Autogas, in accordance with the principles outlined in this report;**
- **consider other conversion incentives including but not limited to reduced vehicle registration fees for LPG converted vehicles;**
- **convert at least two thirds of the State Government's car fleet to dedicated LPG within three years;**
- **develop a strategy to achieve further LPG use within the private and public sectors generally, including corporate agencies such as the Water Corporation and Western Power;**
- **implement these LPG promotion programs in such a way as to create a substantial unified market for LPG, enabling more secure and lower prices to be negotiated; and**
- **implement an extensive community education and promotional program in conjunction with industry in relation to LPG use for motoring, promoting the fuel's environmental attributes, its price advantage, and its widespread availability.**

**Recommendation Six**

**That an effective subsidy scheme be introduced to alleviate the cost of bottled gas for seniors.**

**That an extensive price monitoring and promotion process be carried out in regard to bottled gas prices and service fees, including the widespread publication of prices designed to facilitate consumer choice.**



**Term of Reference 6**

Whether legislative intervention is necessary or desirable to reduce the difference in the price for petroleum products within and between metropolitan and non-metropolitan areas of Western Australia.

***Finding***

*The State Government currently has legislative authority to control maximum wholesale and retail fuel prices.*

***Finding***

*The petrol market in Western Australia is not characterised by healthy processes of market competition at all levels.*

*Genuine competition will deliver the lowest possible prices into the future.*

*Both the wholesale and retail levels in the industry require a greater degree of genuine competition.*

***Finding***

*A true Terminal Gate Pricing policy would introduce competition at the wholesale level of the industry.*

**Recommendation Seven**

**That the Government establish a true Terminal Gate Price system, as described in this report.**

***Finding***

*There are grounds for a system of monitoring LPG autogas prices with a view to imposing price control should retail prices exceed acceptable levels, based on appropriate commercial considerations.*

***Finding***

*Retailers should be legally entitled to purchase a substantial proportion of their stock from the supplier of their choice.*

**Recommendation Eight**

**That the Minister for Fair Trading arrange:**

- **an extensive price monitoring process for LPG to be established;**
- **for the *Petroleum Products Pricing Act 1983* to be amended to provide legislative authority to control LPG pricing; and**
- **for an extensive audit of LPG pricing to be carried out, including assessing the need to institute price control.**

**Recommendation Nine**

**That the *Petroleum Retailers Rights and Liabilities Act 1982* be amended to ensure that the discretionary 50 percent purchasing objectives are met.**

**That the *Petroleum Retailers Rights and Liabilities Act 1982* be amended to also apply to LPG autogas.**

**Recommendation Ten**

**That legislation be enacted to prevent the use of conditions of sale covenants which prevent service station sites being reused for that purpose.**

***Finding***

*Oil company credit cards could be used to circumvent normal commercial arrangements.*

**Recommendation Eleven**

*That the Minister for Fair Trading arrange to monitor the use of all oil company credit cards to determine their impact on retailers' margins and to ensure they are not used to circumvent normal commercial arrangements.*

**Recommendation Twelve**

**That the Minister for Fair Trading immediately establish a Prices Advisory Committee and institute procedures for price control of petrol and diesel in country Western Australia.**

**Term of Reference 7**

*Recommendations for any other measures to reduce the price difference for petroleum products within and between metropolitan and non-metropolitan areas of Western Australia.*

***Finding***

*Regardless of the future of world parity pricing, it is essential that a coordinated effort is made to break the nation's dependence on petroleum products by promoting alternative natural sources of energy.*

**Recommendation One**

**That the State Government request the Commonwealth Government to conduct an extensive review of the nation's current world parity pricing and supply arrangements regarding petroleum products.**

**Recommendation Thirteen**

**That the Minister for Fair Trading arrange for:**

- **the establishment of an ongoing and transparent fuel price monitoring system;**
- **implementation of a system whereby consumers can access daily retail prices; and**
- **all retailers to be required by law to display adequately sized price boards for all of their fuel products.**

***Finding***

*A positive State Government involvement to stimulate the LPG market and pursue alternative fuel options, especially CNG and LNG would provide much needed competition to the traditional petroleum market.*

**Recommendation Fourteen**

**That the State Government develop a strategy, in conjunction with private sector participants, to promote the use of alternative fuels such as LNG and CNG, especially for freight use.**

**That the use of alternative fuels such as LNG and CNG, be promoted, especially for freight use.**

**Recommendation Fifteen**

**That a peak body, possibly a Cabinet Sub-Committee, be established to coordinate vehicular energy policy matters in Western Australia.**

**Recommendation Sixteen**

**That the State Government pursue legislation with the Commonwealth to ensure that sufficient LNG and CNG production in Australia is hypothecated to domestic consumption.**

**That the domestic price of LNG and CNG be regulated to reflect actual costs and reasonable profit returns.**

**That the prevailing pricing formulas and arrangements, as well as true costs of production, be identified and taken into account when enacting the two preceding recommendations.**

**Recommendation Seventeen**

**That there be further evaluation of the USA divorce and anti-trust legislation relevant to the petroleum industry, possibly by a Committee of Parliament.**

**Recommendation Eighteen**

**That the peak body established to coordinate vehicle energy policy actively work to promote rural and industry cooperatives and alliances to reduce fuel costs.**

**Recommendation Nineteen**

**That the technical and operating problems experienced with diesel and LRP be examined in detail.**

**That the Ministers for Fair Trading, Environment and Primary Industry report to Parliament detailing progress.**

**Recommendation Twenty**

**That the Minister for Fair Trading review the exemption of franchise agreements in relation to turnover rents.**

# 1. INTRODUCTION

## 1.1 OVERVIEW

### 1.1 (a) Petroleum Products

Retailing of petroleum and associated products in Western Australia is undertaken through some 848<sup>1</sup> sites operated under a variety of corporate arrangements:

Franchises	270
Multi Site Franchisees (120)	
Single Site Franchisees (150)	
Commission Agents (Oil Company)	34
Dealer Owned (Supplied by Refiner)	90
Dealer and Distributor Owned (Supplied by Distributor)	350
Independents	100
Supermarkets	4

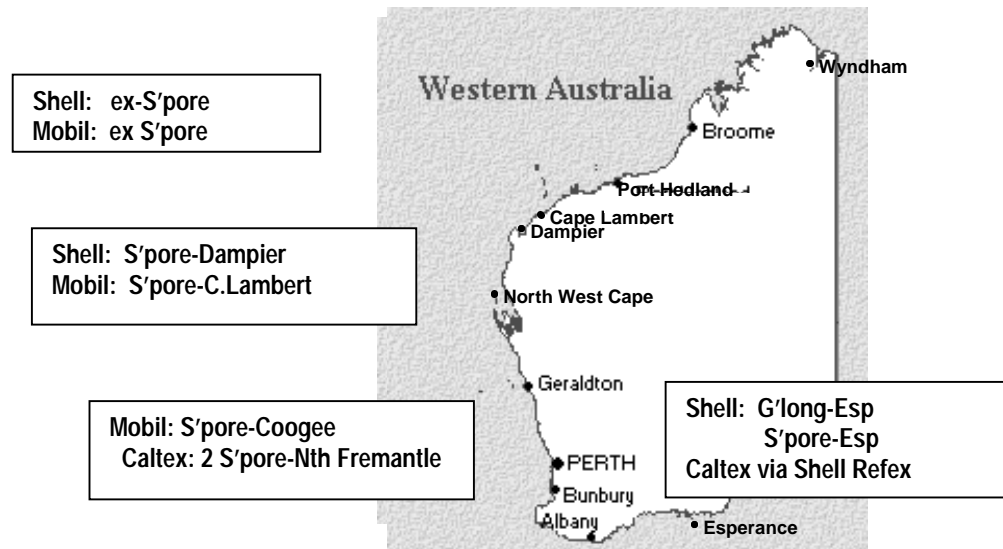
Petroleum products are distributed to commercial customers and through retail sites, either directly by major oil companies or indirectly through both branded and unbranded distributors.

In the metropolitan area fuel is generally delivered in large capacity tankers direct from the refinery or terminals. Fuel distributors operate mainly in country areas delivering bulk product from domestic refiners to their own branded, oil major branded or non oil major branded retail outlets as well as directly supplying other end users, such as primary producers.

The number of petroleum distributors in Western Australia declined from around 1600 in 1980 to 400 in 1996 as a consequence of industry rationalisation programs. Industry sources estimate that there are now fewer than 30 distributors active in Western Australia. During this period, the independent status of distributorships progressively gave way to 50% to 100% partnership or equity relationships with major petroleum companies.

Industry assessments estimate that about 90% of the fuel sold in Western Australia comes from the BP Refinery at Kwinana. Relatively small amounts of fuel are also acquired from overseas, principally from Singapore, and from other Australian States and transported to ports in the northwest and southwest of the State. 1.85 billion litres of petrol was sold into the Western Australian market during the 1999/2000 financial year.

<sup>1</sup> Submission, Motor Trade Association.



Source: Submission BP Australia

The BP refinery at Kwinana participates in a national product exchange agreement with other oil companies active in Western Australia. Under the terms of that agreement, BP supplies products to other petroleum companies in exchange for equal quantities of the same products from other companies' refining facilities in those States not served by a BP refinery.

### 1.1 (b) Competition

The oil industry is to a great extent influenced by artificial factors at all levels. Production levels are manipulated by output from member nations of the Organisation of Petroleum Exporting Countries (OPEC). This effectively sets crude oil prices.

The refining, distribution and retailing of petroleum is dominated by the major oil companies, most of which have moved in recent years towards total vertical integration through multi-site franchising arrangements for retailing and the purchase and rationalisation of distribution networks. The oil company majors also have substantial equity at that distribution level.

It became obvious to the Committee that the current pricing of both petroleum and LPG in Western Australia could largely be attributed to the absence of significant competitive influence at both the wholesale and retail levels of parts of those markets. The absence of meaningful market competition is particularly evident in country Western Australia and generally throughout the LPG market.

Evidence given to the Committee by Farmers Fuel and by an independent distributor, for example, identified the influence that genuine competition could have on securing cheaper prices in country areas. Furthermore the presence of independent operators in both Kalgoorlie/Boulder and Northam were cited as examples of a positive competitive influence contributing to reduced prices in those areas.



The Committee was advised by independent interests that they faced particular difficulty obtaining access to suitably zoned service station sites in most major country locations. Restrictive contract of sale clauses preclude reactivation of former oil company retail fuel sites by other operators. It was made clear that elimination of that competitive impediment would substantially increase the level of independent price competition in some larger regional centres.

The cost imposts of establishing and operating efficient fuel terminals and distribution networks was also seen as a significant barrier to market entry and to direct import options for independent operators. The Committee noted however that Gull Petroleum had in the past established independent direct product import facilities as a prerequisite to the empowered negotiating position it presently enjoys with the BP refinery at Kwinana. Gull advised the Committee that while those storage/terminal facilities remain idle they are available, on appropriate commercial terms, to any independent source seeking to import refined petroleum product from overseas sources of supply.

### ***Finding***

***The petroleum industry, from wellhead to bowser, is highly vertically integrated.***

#### **1.1 (c) Increasing Diesel Prices**

In response to the current high diesel prices in this State and the extent of concern, especially in country areas, a special report on diesel prices was commissioned by the Select Committee. From 1990 until wholesale price regulation was removed on 1 August 1998, the ACCC (and PSA before it) established separate wholesale price caps for petrol and diesel by reference to import parity formulae.

These formulae used a seven-day rolling average of 'Platts' Singapore spot quotes for refined petrol and diesel, and not for crude oil. This recognised that world prices for each product are influenced by individual supply/demand factors and that world refining margins (ie margin above the crude oil price) fluctuate.

Following wholesale price deregulation, the oil majors have generally continued to set their wholesale list prices by reference to product import parity with Singapore spot prices. Singapore prices for petrol and diesel individually are influenced by different world supply and demand pressures and can, and do, move in different directions depending on influences such as seasonal factors, specification changes and stock levels.

Northern hemisphere winters result in substantial increases in demand for diesel for heating and power generation. However, petrol demand for motor vehicles tends to ease as driving conditions deteriorate.

Over the recent month or so, diesel prices on the world market have risen well above petrol prices as a result of a 'panic' replenishment of stocks toward winter, especially in the US. The Singapore diesel price has reflected this trend and subsequent import parity calculations have resulted in higher ex-tax wholesale price levels for diesel over petrol in Australia. Wholesale list prices for diesel currently being set by oil majors in Australia are therefore higher than those for unleaded petrol (excise levels are the same).

In respect of diesel pump prices in capital cities, the oil companies have traditionally resisted price support-driven price cycles that reflect competition in the metropolitan petrol market. Therefore price trends in diesel are longer term and city consumers do not see the price fluctuations that they have come to expect with petrol. There may also be a trend for dealers to set margins in pump prices for diesel that compensate to some extent for being 'squeezed' on petrol margins.

### ***Finding***

***Current diesel prices are due to strong pre-winter demand for diesel fuel in the northern hemisphere which, through world parity pricing, dictates a high price for Australian refineries and importers.***

## **2. DISCOUNTING AND PRICE SUPPORT**

All major oil companies have established rebate schemes where price support is given to allow dealers to meet competition. Price rebate schemes are generally only available to franchise sites owned by major oil companies. Alternative price reduction arrangements are available to other wholesale purchasers. A typical support scheme guarantees a margin to the franchisee at a certain price. For example, some companies' price support of 8.0 cpl would provide a margin for the retailer of 2.0 cpl at that level. These rebates are reflected as reduced retail prices, but are never seen by the public. The schemes allow oil companies to manipulate prices at franchised sites.

Evidence given to the Committee also indicated that the oil company majors were influencing prices through price support schemes that ostensibly are geared to meeting competition and to protecting market share.

When price support is at its highest the discounting cycle is at its lowest price. Discounting and price support rarely occurs in country areas and this is one of the major reasons for the disparity between country and city prices.

Evidence provided to the Committee and confirmed by submission also indicated a range of other prices for independents of between 4 and 8 cpl below normal refinery price. Commercial prices were also negotiated at prices well below all of these arrangements. Independents who buy at a discount of 4 cpl cannot compete with company owned sites when price support exceeds their discount and to match the market price those independents will be selling at a loss.

Government contract prices for fuel for both country and city areas are also considerably below the refinery/wholesale prices charged to franchisees, (see Appendix Two). It is also appropriate to note that proprietors' margins on those transactions are fixed by the oil majors at levels below normal operating margins. The Government Fleet Contract price with Shell in Kalgoorlie/Boulder on 18 September 2000 was 93.64 cpl while the normal retail price posted by Shell on that day was 105.7 cpl.



### 3. COUNTRY COSTS

#### 3.1 COUNTRY IMPACTS

The Committee was concerned at the effect that high fuel prices were having on small country towns where quite often there is only one retailer of fuel who operates on very low volumes. These sites would not be viable for operators and distributors that are in the process of being vertically integrated and that rely on high volumes.

It is likely that many of these sites will close and areas will lose retail fuel services. The loss of those services would be detrimental to local communities with compounding impacts for economic viability and tourism.

#### 3.2 PUBLIC TRANSPORT DISPARITY

One of the major issues that was raised with the Committee during visits to the country was the extent to which country communities are reliant upon motor vehicles for transport.

Most country communities do not have access to public transport and have no option but to use motor vehicles. High country fuel prices are an added disadvantage to country residents under these circumstances.

This is in marked contrast to the metropolitan area where public transport is readily available. Advice from the Department of Transport indicated that the metropolitan public transport network attracts a range of subsidies to \$204.5 million dollars annually.

#### *Finding*

*The impact of high country fuel prices is compounded by heavy reliance on road transport.*

#### 3.3 UTILITIES AND OVERHEADS

Evidence was given to the Committee that there are significant cost differences in operating service stations in remote areas such as the North–West. Electricity costs for air conditioning and refrigeration can exceed \$5000 per month. Staff wages for console operators were quoted at \$15.70 per hour compared to \$11.77 in Perth.

While exhibiting similar operational and functional characteristics service stations in the North-West of the State reportedly also face 30% higher overhead costs and 50% lower sales volumes than comparable stations in the Perth metropolitan area.

This is consistent with claims in submissions that higher margins are needed in remote areas to offset lower sales volumes and the higher costs of utilities staffing and other overheads.



## 4. LEGISLATION AND INDUSTRY REGULATION

Specific legislation that applies to the Retail Petroleum Industry is:

### 4.1 COMMONWEALTH LEGISLATION

- The Petroleum Retail Marketing (Sites) Act 1980*  
Fixed the number of sites that could be owned and operated by the oil company majors (vertical integration).  
There is currently a Bill before the Commonwealth Senate to repeal this legislation.
- The Petroleum Retail Marketing (Franchise) Act 1980*  
Addresses the imbalance in bargaining power between franchisor and franchisees by setting minimum terms and conditions for franchise agreements.
- Trade Practices Act 1974*  
Deals with mergers and acquisitions; price fixing; resale price maintenance and exclusive dealing.

### 4.2 STATE LEGISLATION

- Petroleum Products Pricing Act 1983*  
Enables the price or rates charged for petroleum products to be regulated.
- Petroleum Retailers Rights and Liabilities Act 1982*  
Intended to give lessee dealers who were parties to a franchise agreement the indisputable right to purchase up to 50 per cent of their fuel supplies from sources other than the landlord suppliers.

The effectiveness of the Act has been curtailed by a successful Supreme Court action, *BP Australia vs Dragoon Holdings*.

### 4.3 REGULATED FUEL PRICES - WESTERN AUSTRALIA

Retail petrol prices in Western Australia were controlled, in the Perth metropolitan area and in specified regional locations, from April 1983 until April 1993 under provisions in the Petroleum Products Pricing Act 1983.

By 1993 Western Australia was the only State to apply legislated controls to retail petrol prices although Victoria at that time did retain an informal 'trigger' point in respect to fuel prices.

Western Australian retail petrol price determinations took into account wholesale price endorsements and freight rate determinations by the then Federal Prices Surveillance Authority. Accordingly, the State effectively controlled only the maximum margin available to fuel retailers.

The Federal Prices Surveillance Authority calculated indicator wholesale prices referred to as the Maximum Endorsed Wholesale Price (MEWP). Those determinations were based on import parity conditions and applied equally to wholesale transactions nationally.

Oil companies were entitled to post wholesale prices to levels not exceeding MEWP determinations. Calculation of those national wholesale indicator prices took into account:

- import parity as a “landed cost” of fuel derived from the price of petrol and diesel stock in Singapore;
- assessment of local component (7.1cpl) reflecting influences such as marketing and administration;
- freight differential where appropriate; and
- State and Federal Government Franchise Fees (since 1997 referred to as Excise).

Immediately preceding termination of price controls, in 1993, retail margins and approved freight differentials relevant to prices set under the Western Australian Petroleum Products Pricing Act 1983 were:

<b>Location</b>	<b>Approved Margin cpl</b>	<b>Freight Differential (cpl)</b>	<b>Approved Variation From Metro(cpl)</b>
Perth	6.00		
Albany	7.50	0.3	1.8
Bunbury	6.00	1.3	1.3
Busselton	7.00	1.4	2.4
Dampier	9.00	0.7	3.7
Esperance	7.50	0.3	2.8
Geraldton	7.50	0.3	2.8
Kalgoorlie/Boulder	8.00	3.5	5.5
Karratha	9.00	2.2	5.2
South Hedland	9.10	0.4	3.5

Incorporating those prescribed conditions the retail price of petrol in identified regional localities could not exceed the maximum metropolitan retail price by more than the combined effect of the dealer margin variation and the freight differential approved for each locality. In most instances those outcomes compared more than favourably with retail price variations observed at the top of the Perth pricing cycle sampled on Thursday, 14 September 2000. The regional variations from metropolitan prices would be more pronounced during periods of heavy discounting in the Perth market.



Location	Advertised Price cpl	Variation from Metro Cpl
Perth	98.8	
Albany	107.0	8.1
Bunbury	104.6	5.6
Busselton	105.2	6.3
Dampier	109.5	10.6
Esperance	101.9	3.0
Geraldton	108.3	9.4
Kalgoorlie/Boulder	105.7	6.8
Karratha	110.1	11.2
Port Hedland	111.0	12.1

Source: Shell website [www.shell.com.au](http://www.shell.com.au) 14 September 2000.

### ***Finding***

*The gap between country and city prices has widened since controls were deregulated in 1993.*

Notwithstanding the level of State control over retail prices, there existed however, a range of external factors that contributed to petrol price movements which were beyond State influence. Those historic factors, including OPEC oil pricing policies, import parity policies, fluctuating international currency exchange rates and bi-annual adjustments to the Commonwealth petroleum excise, continue to exert significant influence on petroleum prices.

The effect of international influences on retail fuel prices were clearly demonstrated during the 1990 Gulf War, when local metropolitan unleaded petrol prices peaked at 87.4 cents per litre, and more recently in response to depressed A\$ exchange rates and crude oil production caps imposed by OPEC.

Re-consideration of Western Australian retail price setting procedures in February 1993 concluded that the oil industry was a national resource more appropriately controlled at that level. Ministerial approval to discontinue retail price controls become effective from 26 April 1993.

The relevant legislation was not repealed, however, so that it could be available for possible future use. That legislation, the *Petroleum Products Pricing Act 1983*, contains specific provision enabling reinstatement of retail controls.

### ***Finding***

*The State Government currently has legislative authority to control maximum wholesale and retail fuel prices.*

Petrol prices in Perth remain low relative to country locations and OECD countries, notwithstanding the removal of State controls.

Remaining controls on fuel prices were deregulated nationally by the Commonwealth Government in 1998.

***Finding***

***Since fuel price control ceased in 1993, competition in the petroleum retail market has been limited principally to the metropolitan area.***

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## 5. WORLD PARITY PRICING

Prices in the international oil market are initially determined by forces of world supply and demand.

However those forces are interfered with at a variety of levels. The world oil market is not a free market where market forces determine the price. It can be argued that the major characteristic of the market is manipulation of those market forces.

The market is manipulated by OPEC and major oil companies to influence world parity prices for crude oil and refined petroleum product. In establishing quotas, OPEC countries endeavour to balance the competing interests of their national good, international factors and simple supply and demand.

The recent US intervention in the market is indicative of the huge forces that further impact on the market.

Internationally set price benchmarks do not reflect the cost of production and a range of mechanisms exist that enable oil companies to enhance the benefits from world parity pricing. These include forward contracting, hedging arrangements and access to spot sales.

The effects of world parity pricing and vertical integration policies observed by petroleum companies were demonstrated in evidence given to the Committee by Mr Michael J McGuinness, Retail Fuels Manager, and Mr Bill Frilay, Manager Government Relations, BP Australia on 24 July 2000:

Mr GRAHAM: On page 12 of your submission you referred to the price of petrol for the week commencing 29 May. It is a little dangerous for you, but we will work off these figures if we can. Who gets the import parity price of 37.4 shown in the middle column?

Mr McGuinness: The import parity price is the current Singapore product price based on the exchange rate for the Australian dollar with the addition of national shipping, wharfage and other fees. Essentially, that 37.4 would go to the refinery.

Mr GRAHAM: I understand that. In your figure of 85.94, does BP get the import parity price of 37.4?

Mr McGuinness: That goes to the refinery.

Mr GRAHAM: Who owns the refinery?

Mr McGuinness: BP.

Mr GRAHAM: Who gets the 0.54 for terminal costs?

Mr McGuinness: BP.

Mr GRAHAM: Who gets the wholesale profit of 1.14?

Mr McGuinness: That would be BP. That is obviously a BP sale.

Mr GRAHAM: Who gets the 0.64 delivery cost?

Mr McGuinness: The transport operator.

Mr GRAHAM: Who is the transport operator generally?

Mr McGuinness: It is not BP. We outsource that and it goes to the transport operator.

Mr GRAHAM: Is that tendered for competitively?

Mr McGuinness: That is tendered for competitively every six months.

Mr GRAHAM: Who gets the excise of 44.14?

Mr McGuinness: The Federal Government.

Mr GRAHAM: To whom does the retail margin of 2.54 go?

Mr McGuinness: The owner or operator of the filling station.

Mr GRAHAM: Which could be BP?

Mr McGuinness: Yes.

Mr Frilay: I should add one matter relating to that. These are gross figures.

Mr GRAHAM: I understand that. Is world parity pricing obligatory? Must it be done by law?

Mr McGuinness: No, but there is no other way to value the price than to have world parity pricing. At the end of the day the refinery has one choice. It must sell its product and it will sell that product to the highest seller and for every refinery in this region, that will obviously be what the market will deliver for that product. At times the refinery may choose to sell off shore and at times it may choose to sell on shore. That is the refinery's choice.

Mr GRAHAM: What is the relationship between import parity pricing and your costs of production?

Mr McGuinness: It goes back to costs versus value. The refinery gives a price based on the value of the price in the marketplace, irrespective of its costs. The refinery margins are designed to tell you that at the moment it is selling its products cheaper than it is actually costing to make it.

Mr GRAHAM: I do not want to be unreasonable. There are limits, and I understand all of that, but can we please not talk in the third party. You are BP, and I am asking BP. I am not asking about oil refiners or producers; I am asking about BP. Do you think I am in a sensitive area that is going to affect you commercially? I am happy for you to tell me that and we will consider whether that is appropriate or not. The question that I asked was: What is the relationship for BP between your refinery costs of production and world parity pricing?

Mr Frilay: The import parity price is what the market says the product is worth here in Perth, and that is basically the market the oil refinery has to compete against. If our costs of production are higher than that, and they can be - in fact the refinery is not operating at a profit at the moment - then obviously we are in a rough situation. If we are below, which every refinery in Australia tries to be wherever it is located, then we are making profit. The key element of the cost of production is the crude, which is by far the biggest, and has to be purchased on the world market at the going rate. Therefore, the world price is fundamental to the operation of the refinery.

Mr GRAHAM: I understand that. Perhaps I should have asked the question this way: Is there a relationship between the costs of production and world parity price?

Mr McGuinness: The only relationship between the two is the value of crude versus the value of products. That is the relationship. The rest is cost of a component.

Mr GRAHAM: Your costs of production can vary and your price list makes that clear at your instigation.

Mr McGuinness: The major cost is buying the crude. The only cost variation to the refinery relates to the choice of crude to buy and there are variable costs to the refinery relating to labour. There is not much that can be varied at the refinery.

## ***Finding***

***World parity pricing can increase fuel costs independently of production costs, resulting in windfall gains for oil majors.***

For Australian petroleum producers world parity principles establish a benchmark price for the sale or purchase of domestic or internationally produced petroleum products. The Committee considered the prospect of developing a legislative mechanism aimed at artificially reducing the cost of crude and refined products sold to the Western Australian refinery and to other importers. Dr Frank Harman, in a recent paper commissioned by this Committee, identified a number of difficulties likely to arise from the absence of an established world standard.

The Committee accepts that any move to amend the policy of world parity pricing would be an extremely complex process. However, the reasons given for the introduction of world parity pricing, which stemmed from the oil shocks of the 1970s, do not appear to have the same relevance in today's world.

Essentially, the price of crude is now at such a high level, and the social and economic impact is so significant, that a comprehensive Federal review of world parity pricing is warranted.

The broad impact of world parity pricing in times of high international crude prices can be demonstrated by considering an economic analysis of the situation in 1974, when oil prices increased substantially. At the time, Australian petroleum prices were isolated to an extent by policy of below world pricing. It has been calculated that, had world parity pricing been in effect then, GDP would have fallen by 1 percent, employment would have declined by 2 percent and the CPI would have risen by 5 percent. (*Source: Murdoch University policy dissertation of 1986*).

The following points are worthy of consideration in a context of world parity pricing:

- in times of rising world prices, a world parity pricing policy results in Australia's domestic resources being highly priced;
- under a world parity regime no relationship exists between the actual costs of production and the pricing regime;
- world parity increases oil company windfall profits;
- high Federal revenues at times of high international crude oil prices, at the direct expense of consumers, especially in country areas; and

- ❑ current high crude prices ensure that the returns on oil companies' investments are more than sufficient to warrant consideration of a cap on oil pricing of domestic crude without jeopardising further exploration. Between 1972 and 1976 exploration fell by 77 percent due to below world parity pricing.

Any serious re-examination of world parity pricing requires, among other things, detailed consideration of:

- ❑ how best to ensure the allocation of as much domestic crude as possible for domestic refining and consumption, possibly by hypothecating amounts for domestic use;
- ❑ a mechanism ensuring that fuel retail prices were contained effectively without creating an undue administrative burden and associated costs;
- ❑ the technical suitability of Australian crude oil supplies and any technical refining problems associated with maximising the use of Australian crude;
- ❑ ameliorating the impact on Federal revenues by adopting a price capping mechanism designed not to reduce the existing revenue base but to limit the extent of windfall gains arising from future oil price increases; and
- ❑ the strategic advantages of ensuring the ongoing utilisation of Australian refineries, thereby protecting the nation's future refining capacity.

### ***Finding***

*Regardless of the future of world parity pricing, it is essential that a coordinated effort is made to break the nation's dependence on petroleum products by promoting alternative natural sources of energy.*

### **Recommendation One**

**That the State Government request the Commonwealth Government to conduct an extensive review of the nation's current world parity pricing and supply arrangements regarding petroleum products.**

## 6. LIQUEFIED PETROLEUM GAS (LPG)

### 6.1 MARKET OVERVIEW (LPG)

In September 1999 the Australian Competition and Consumer Commission (ACCC) finalised a draft *Review of LPG Autogas Prices and LPG Cylinder Prices in Western Australia*. That review featured a contemporary snapshot of the LPG supply and marketing profile in Western Australia. Given the time constraints allowed for this Select Committee enquiry, the Committee gave particular credibility to the data featured in the draft ACCC report.

LPG is produced as a by-product of petroleum refinery operations or through extraction procedures from natural gas. Both of these processes are utilised in Western Australia to produce LPG. The Western Australian market is serviced by production facilities operated by three organisations: BP Australia Ltd (BP); Wesfarmers LPG Pty Ltd (Wesfarmers) and BHP Petroleum Pty Ltd (BHPP).

Western Australia is the second largest producer but the smallest consumer of LPG among the mainland Australian States. In 1998 Western Australian production of LPG was about one million tonnes or about one third of total Australian production. Western Australian consumption, however, amounted to only 167,000 tonnes or about 8% of total national production. The majority of LPG produced in Western Australia is exported, predominantly from facilities at the North-West Shelf. The demands of the Western Australian domestic market are met from LPG produced in Kwinana. The significant production excess from that source is also exported to international markets. Industry sources estimated that 67,000 tonnes or approximately 132 million litres of LPG were used by Western Australian consumers as autogas in 1999.

BP produces LPG as a by-product of its petroleum refining operations at Kwinana. In 1998 LPG by-product from the BP refinery was 72,000 tonnes comprising 60,000 tonnes of propane and 12,000 tonnes of butane. The entire amount was sold into the Western Australian market.

Wesfarmers LPG operates a gas stripping facility at Kwinana which produces propane and butane from the natural gas flow in the Dampier-to-Bunbury pipeline. In 1998 Wesfarmers obtained 250,000 tonnes of LPG from those extraction methods. 170,000 tonnes were exported and 80,000 tonnes were directed into domestic markets.

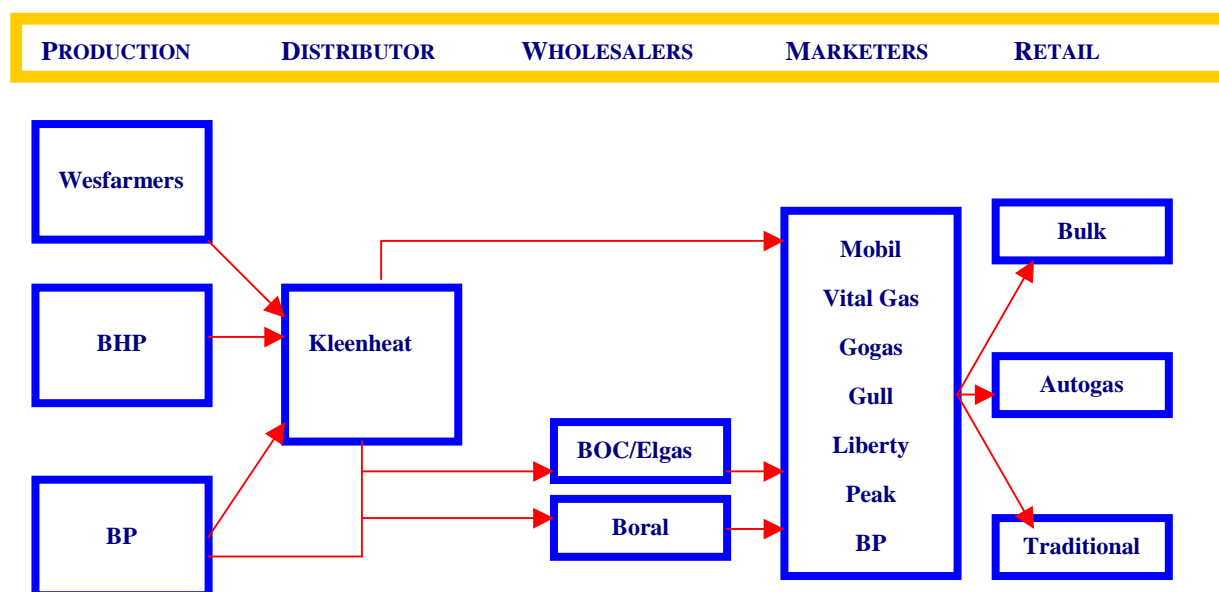
BHPP produces LPG at a processing plant in Onslow from gas flows and as a by-product of petroleum operations at the Griffin field in the Northwest Shelf. Total annual production in 1998 was about 15,000 tonnes all of which was sold on contract to Wesfarmers LPG distributor affiliate Wesfarmers Kleenheat Gas Pty Ltd.

## Finding

*Western Australia's capacity to produce LPG far exceeds current local demand.*

The Western Australian LPG market is characterised by the inter-dependent operations of groups identified as producers, distributors, wholesalers/marketers, and retailers.

The relationships between those major industry segments and the movement of LPG supplies from producers to retailers was identified by the ACCC and demonstrated in its draft report by the following diagram:



That configuration identified the unique role occupied by Kleenheat in the Western Australian LPG market. Kleenheat is a subsidiary of Wesfarmers Limited which owns Wesfarmers LPG, the operator of the LPG extraction plant in Kwinana. Wesfarmers Kleenheat Gas Pty Ltd is responsible for selling the output of Wesfarmers LPG into the domestic market. It also purchases surplus LPG from the BP Kwinana facility and from the BHPP processing plant in Onslow.

The situation with LPG in both metropolitan and country areas was indicative of an immature and underdeveloped market in which increased volume provided the best prospects for cheaper prices. LPG is the primary or secondary fuel source in only 30,000 of the 1,700,000 vehicles registered in Western Australia in August 2000.



## 7. ADDRESSING THE TERMS OF REFERENCE

### 7.1 THE REASONS FOR DIFFERENCES IN THE PRICE OF PETROLEUM PRODUCTS IN METROPOLITAN AND NON-METROPOLITAN WESTERN AUSTRALIA

This is one of the most significant and contentious areas raised with the Committee through submissions and on its country visits.

The major reasons for the difference between country and city prices are that price support and discounting by the oil company majors is generally not available to retailers in the country where there is limited or no competition. Consequently, country motorists pay a cost premium above city prices.

The impact of those cost premiums was clearly evident on Monday, 11 September 2000, for example, when discounted unleaded petrol prices in metropolitan Perth were compared to normal retail prices in selected regional locations:

Area	Advertised Prices	Variation from Metro
Perth Metro	91.9	
Albany	107.0	15.1
Bunbury	105.4	13.5
Carnarvon	103.3	11.4
Esperance	101.9	10.0
Geraldton	108.4	16.5
Kalgoorlie	106.4	14.5
Port Hedland	111.5	19.6
Narrogin	105.9	14.0
Dowerin	106.9	15.0
Mukinbudin	111.9	20.0

Source: Shell website [www.shell.com.au](http://www.shell.com.au) 11 September 2000 and Committee Research

The Motor Trade Association submitted that regional fuel prices can be expected to exceed those in the metropolitan area because of the higher costs of operating, maintaining, financing, staffing and stocking service stations in country areas.

A significant proportion of retailers in country areas rely on distributors to deliver fuel supplies from local depots at costs estimated by the Australian Petroleum Agents and Distributors Association (APADA) to average about 5 cpl. Oil company majors have been purchasing or taking substantial equity in larger country distributors.

APADA also suggested that major oil companies, through direct equity or contractual arrangements with country distributorships, exercise significant influence over the manner in which fuel is distributed in regional locations and the costs associated with those services.

Regional retail markets accordingly tend to be characterised by higher less volatile prices than those in the metropolitan area, which are subject to regular retail price intervention programs by major petroleum companies in pursuit of market share. All major petroleum companies assured the Committee that discount price support options were also available to regional franchisee dealers. The Committee noted however, that the exercise of those options was neither encouraged nor relevant because company support programs were pitched at levels unlikely to offset losses for regional dealers.

Representatives of the petroleum industry submitted that variations between metropolitan and country fuel prices are due to higher costs in the country attributed to:

- transportation;
- storage and handling;
- service delivery;
- sales methods;
- retail margins; and
- volume through-put.

### ***Transportation Costs***

It was determined that transportation costs in the Perth metropolitan area ranged from 0.003 to 0.008 cpl. Rural fuel transportation costs reportedly varied from 1.0 to 2.0 cpl for delivery to near metropolitan localities. Freight rates applicable to major country destinations in Western Australia are published on the Caltex website which features the following data:

<b>Location</b>	<b>Freight Rate (cpl)</b>
Albany	0.9
Broome	0.7
Bunbury	1.8
Carnarvon	3.9
Esperance	0.9
Geraldton	0.9
Kalgoorlie/Boulder	3.8
Port Hedland	1.0

Indeed, the Committee heard evidence that transportation costs to certain country centres can be lower than these rates. Consequently the Committee did not consider freight costs to be the major contributor to, or explanation for, price differentials between metropolitan and regional fuel prices.

## ***Finding***

***Freight costs are not a major factor in the differential in prices between country and city prices.***

### ***Storage and Handling Costs***

Storage and handling costs could also add to regional fuel prices. In some circumstances these costs could be avoided, however, by stations able to take “direct drops” of 40,000 litres delivered direct from metropolitan based terminal facilities. Country stations unable to handle large (40,000 litre) deliveries, however, often do incur additional distributor small tanker delivery or depot handling and storage costs.

### ***Service Provision Costs***

Factors such as levels of distributor service provision were also identified by petroleum industry submissions as additional cost elements in country fuel prices. In some circumstances country distributors reportedly provided pumps, signage and other assets, which contribute to the final retail cost per litre.

### ***Account Management***

The cost of maintaining manual account arrangements was also identified as a factor in regional fuel costs. It was suggested that metropolitan operators largely avoided those imposts through the higher incidence of cash.

### ***Reduced Volume***

Difficulties associated with higher transportation, storage, and service provision costs are compounded for regional fuel retailers by comparatively lower volume fuel and shop sales and accordingly the need for higher operating margins on all products. Petrol sales of 100,000 litres per month represent the exception rather than the rule for many country outlets.

A recurring theme in evidence given by oil companies was that large sites with high sales volumes can return the cheapest fuel prices through overall efficiencies. It was suggested that the oil companies should be allowed to open and operate more sites in country areas, by scrapping the current restrictions imposed by the Federal *Petroleum Retail Marketing Sites Act 1980*.

Mr Frank Topham, Government Affairs Manager, Caltex Australia Limited for example, said in evidence to the Committee that Caltex only operated one site in country Western Australia because of this Act.

How can country prices be reduced? There are a number of factors here. The first one is more competition....Major oil companies such as Caltex...are restricted. The federal Petroleum Retail Marketing Sites Act prevents companies from operating more than a limited

number of sites. In Caltex's case, it is 136 sites. That quota of sites which we can operate ourselves means that we tend to use that quota for the sites which are most profitable to us; that means they tend to be in the metropolitan areas rather than the country areas. I think-I will check my notes in a minute-there are only one or two sites in country Western Australia that we operate directly. In other words, we have no direct ability to influence the board price in country Western Australia, apart from at those one or two sites....That strategy of going for volume through posting low prices is not available to us essentially. If it were, that would be one more strategy we could pursue which could help, particularly in major locations, in driving down country prices.....

Later on, Mr Topham was asked about a Caltex company site in the Bunbury area with relatively high sales volumes.

MR BLOFFWITCH: You said that if you had more company-operated sites the price would come down. You have one in Bunbury. Why is that not happening there?

Mr Topham: I said that one could consider that strategy. Why would Caltex pursue that strategy? Presumably because it would lead to a better profit at that site....The best thing would be for me to take the question on notice. I am happy to provide an answer in general terms about the retail strategy being pursued. I did refer to "considering it". We must take all the circumstances into account. It does not mean that that strategy would be pursued at every site. I am not implying that if Caltex had that freedom it would necessarily pursue that strategy everywhere, but if we would have that opportunity . . .

MR SULLIVAN: I will refer to Bunbury rather than any other regional centre because I am familiar with it and it has a significant number of petrol stations....Why does your company not want to compete in that area? Why does it not want to sell more fuel by lowering the price?

Mr Topham: That is the one site outside Perth at which Caltex can set the board price....My guess is that we have determined that Bunbury is a large market and we are simply following the prevailing prices in the area . . .

The Select Committee conducted an extensive survey of prices and other retail data and found that this site was charging well in excess of Ampol/Caltex sites in the metropolitan area with comparable volume sales. While some details must remain commercially confidential, it was recorded that the site in question charged 103.9 cpl for unleaded petrol compared with 91.9 cpl at another country Caltex site and 92.9 cpl at a metropolitan site, both of which actually had lower sales volumes. This is a recurrent situation and was not unique to the day of the Committee's price survey.

The Committee, on examining the pricing situation in Bunbury in greater detail, found that retailers' margins at several sites examined were in the order of 4 to 5 cpl at the time of the survey analysis. Margins at Perth sites ranged from 2 - 5 cents that day. Extensive price support was provided to Perth sites, ranging from 1 - 9.5 cpl. However, there was no price support or rebating available to retailers in Bunbury, resulting in a significantly higher average price than was experienced in Perth on that day, despite a 1.0 cpl Federal subsidy.

### ***Finding***

***Country motorists paid considerably more for their fuel, principally due to high wholesale costs and not because of retailers' margins, higher freight costs or lower volume sales.***

***Finding***

*Low volumes do not explain high country fuel prices in areas where relatively high turnover is evident, especially in major regional centres.*

***Finding***

*A greater retail involvement by major oil companies in retailing would not necessarily reduce fuel prices in the country.*

This simple example reveals that oil companies cannot be counted on to apply competitive behaviour which would reduce prices at country sites with relatively high sales volume. Indeed, a detailed analysis carried out by the Committee using commercially confidential information from a variety of sites under a number of brand names highlighted the potential for high oil company wholesale margins in country areas where the wholesale prices are dictated by oil company pricing policy, without discounting.

***Margin Comparison***

While fuel margins in the metropolitan area are commonly around 2.5 to 3 cpl, evidence presented to the Committee acknowledged retail margins as high as 14 cpl in Port Hedland and as low as 1.38 cpl in the metropolitan area.

Data provided by BP concluded that average metropolitan volumes were around 350,000 litres per month and rising while average country sites delivered around 100,000 litres per month. On that basis a metropolitan retail margin of 2.5 cpl would return \$9,000 a month while, on average, country operators would need to recover 9.0 cpl to make the same \$ margin. Lower volumes and returns from shop sales at country sites exert additional upward pressures on regional fuel margin considerations.

***Finding***

*Country retail margins vary considerably, but some appear excessive.*

Notwithstanding widely varying operational conditions faced by metropolitan and country dealers the Committee discovered most major petroleum companies provided fuel to larger commercial users throughout the State at prices far below those otherwise available.

The Government fleet contract conditions for September 2000 (Appendix Two) provide a stark demonstration of the scope of the fuel cost savings that could be negotiated with petroleum companies on final end-user prices. Evidence of heavily discounted diesel prices available to the mining and transportation sectors was also revealed during the Committee's research efforts.

The Committee concluded with concern that the marked variations from normal retail prices, particularly in regional locations, provided an insight into the level of profitability factored into vertically integrated petroleum company supply chains.

On 18 September 2000, for example, Shell Card District prices for Western Australia were 97.7cpl and 99.64 cpl respectively for Perth and country areas. The Government Fleet contract provides for a discount of 6 cpl from those daily posted prices resulting in final Government metropolitan and country prices of 91.7cpl and 93.64cpl respectively. Meanwhile, conventional retail prices, also posted by Shell on 18 September, were 95.8cpl (metropolitan Perth); 103.9cpl (Bunbury); 105.7cpl (Kalgoorlie/Boulder) and 107.8cpl (Geraldton).

Having regard for all data posted by Shell on 18 September it was apparent that the Shell supply line provided a combined margin of about 15.4 cpl to be shared by wholesale and retail elements active in the Geraldton retail market on that day.

For all practical purposes major end-user card transactions represent direct sales from petroleum companies to users from which delivering dealers accrue little financial benefit. The incidence of those card transactions further depreciates profitability potential for regional dealers. Country dealers accordingly set higher retail margins on other fuel sales to maintain viability.

### ***Finding***

*The major reasons for the difference in prices between larger country locations and those in metropolitan Perth are:*

- *lack of price support;*
- *lack of discounting;*
- *limited competition at wholesale and retail levels;*
- *high wholesale margins; and*
- *sometimes high retail margins.*

## **7.2 THE REASONS FOR SIGNIFICANT PRICE FLUCTUATIONS IN PETROLEUM PRODUCTS**

Fluctuations in the pricing of petroleum products occur at both the wholesale and retail levels of the market. While such fluctuations may occur concurrently, different forces drive them.

### ***International Price Movements***

In a market observing world parity pricing it must be acknowledged that crude oil is an internationally traded commodity, subject to price and supply variations often beyond the scope of national influence. In that global context Australian oil companies are price takers in the international crude oil market. Dr Harman's paper, referred to earlier, explained this phenomenon concisely.

The international market for crude oil is highly volatile, and is presently dominated by the presence of the OPEC cartel. OPEC currently determines production quotas based on international prices. By that means OPEC largely manipulates supply/demand ratios through agreements which provide for increased production when international prices exceed pre-determined upper limits and for reduced outputs when prices fall below pre-determined specifications. Over the past year and a half OPEC has clearly demonstrated a market power and a willingness to manipulate international prices. International benchmark prices established for crude oil, refined petroleum product and LPG do not in any way reflect the actual production costs for those commodities.

Throughout 1999/2000 international oil companies have been major beneficiaries of OPEC price manipulation strategies.

Financial statements published by the respective oil companies clearly demonstrate that throughout 1999/2000 the international oil companies have been the major beneficiaries of rising world oil prices.

The Royal Dutch Shell Group of Companies for the second quarter of 2000 featured a 95 per cent improvement in adjusted current cost of supply earnings from \$1,614 million in 1999 to \$3,149 million in 2000. Those and other significant improvements were largely attributed to higher international oil and gas prices.

The Shell Australia website contains economic information. The segment titled *Economic Bottom Line* states that: "The 1999 income was an improvement on 1998, being underpinned substantially by higher world oil prices and continuing emphasis on cost control and business reorganisation".

For its part BP Amoco recorded record profits for the second quarter of 2000, the proforma result increased by 164 per cent. The company statements indicate that the increased result reflected "significantly higher oil and gas prices and cost savings".

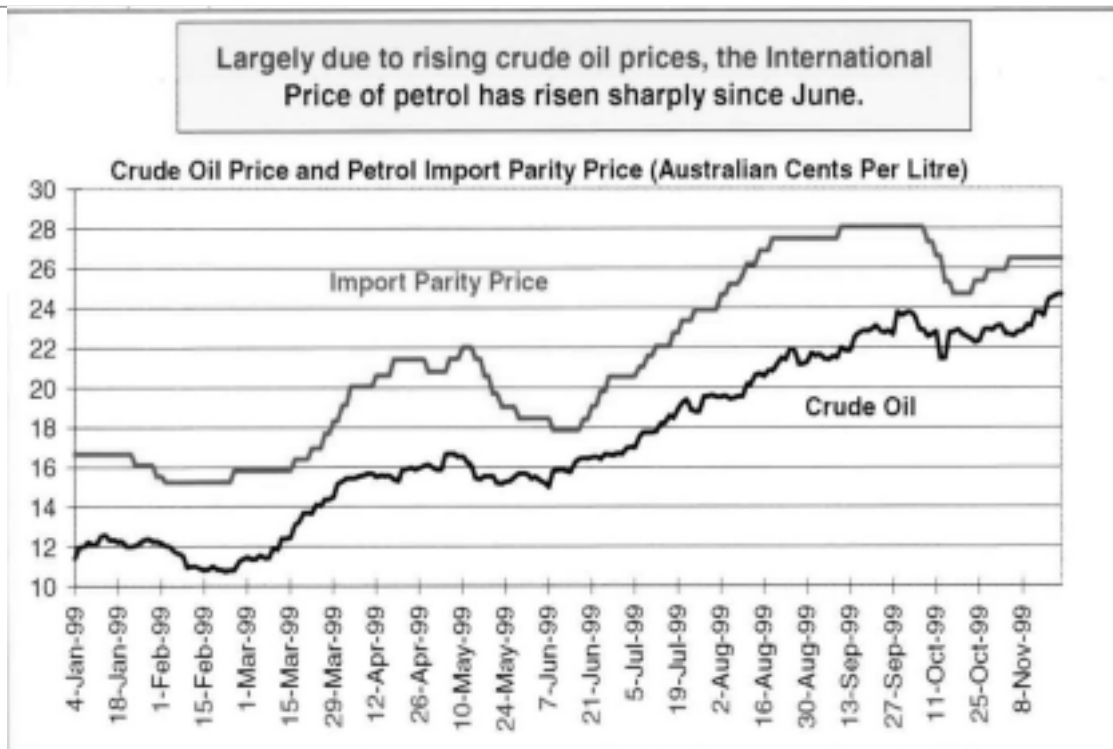
In declaring an increased profit for the six months to June 2000, Caltex Australia advised its shareholders that:

The 16 per cent increase in profit was primarily a result of higher oil prices, improved global refining margins and better results from the retail offering.

The Committee was made aware of the threat to refinery operations in Australia from the larger refineries in Asia from where it could be more economical to import finished products into Australia.

The Committee was also made aware of the low refinery margins currently being experienced in Australia by refineries. Although the Committee did not have access to detailed refinery costs, this information probably has some validity. On the basis of the evidence before the Committee it appears that refinery margins are not excessive and the Committee would not want to see any action which could jeopardise the refinery industry in Australia.

However, the Committee noted that the Australian subsidiaries of the major oil companies do have substantial margins for marketing and distribution and that these companies sell fuel to selected customers at prices sometimes substantially less than their refinery price.



The previous comments regarding profits of major international oil companies over the last twelve months are also relevant.

This information is not compatible with assertions that prices in Australia are too low.

Movements in the value of the Australian dollar against the US dollar also exert upward and downward pressures. As crude oil is priced in US dollars, any deterioration in that exchange rate impacts adversely upon prices paid by Australian companies for crude oil or refined petroleum product.

Climatic extremes in the high consumption northern hemisphere also exert considerable influence over international crude oil prices. Colder than expected temperatures in Europe and North America generally foreshadow rising international crude oil prices in response to increased demands for heating oil.

The international price of crude oil represents the largest single component in the price of a litre of petrol, on a pre-tax basis.

While regular retail price fluctuations in the metropolitan area are in part a reflection of changing conditions on international markets, a retail price fluctuation cycle commences when competitors try to obtain a volume advantage by posting lower prices.

### ***Retail Price Movements***

The Motor Trade Association submitted that petroleum companies extend discounted prices only to independent wholesalers (eg Gull and Liberty). The Committee confirmed this in its hearings and found that, when retail franchisees cannot compete on price with independent retailers and oil company operated sites, access to discounted fuel is still withheld in favour



of a system of retrospective rebating. The scope of discretionary rebates rests entirely with oil company suppliers to whom franchisees are contractually tied.

In evidence to the Committee oil company representatives submitted that the differences between discounted wholesale pricing and retail price rebating systems available to independents and franchisees respectively were justified on the basis of the commercial risk faced by each group. In a franchise relationship dealers, in addition to fuel supply arrangements, have access to oil company land, buildings and equipment and in a price discounting war can receive rebated company price support when retail prices fall below 3 or 4 cpl above wholesale prices. By contrast, oil company supply agreements with independent operators provide only for the supply of fuel at prices discounted to reflect volume and other savings to the oil majors.

Notwithstanding the commercial implications, the Committee concluded that the circumstances nevertheless enabled petroleum companies to exert extensive influence and effective control over retail prices also at franchised outlets.

The majority of sites retailing fuel under independent banners operate as commission agents selling fuel at prices set by independent wholesaler/independent oil company suppliers. The extent of discounts extended by oil companies to independent wholesalers is known only to contract participants, however discounts to about 8 cents per litre represent the widely held industry assessment. Independent banner retail commission agents receive about 2.5 cents per litre on volume sold from those sites.

The effect of these arrangements means that tied franchisee dealers do not operate independently in the market. They are dictated to by the major oil companies. To remain competitive in the market they do so on the basis of selective and conditional price support programs.

### ***Finding***

***The major oil companies dictate and manipulate retail prices at franchisee sites.***

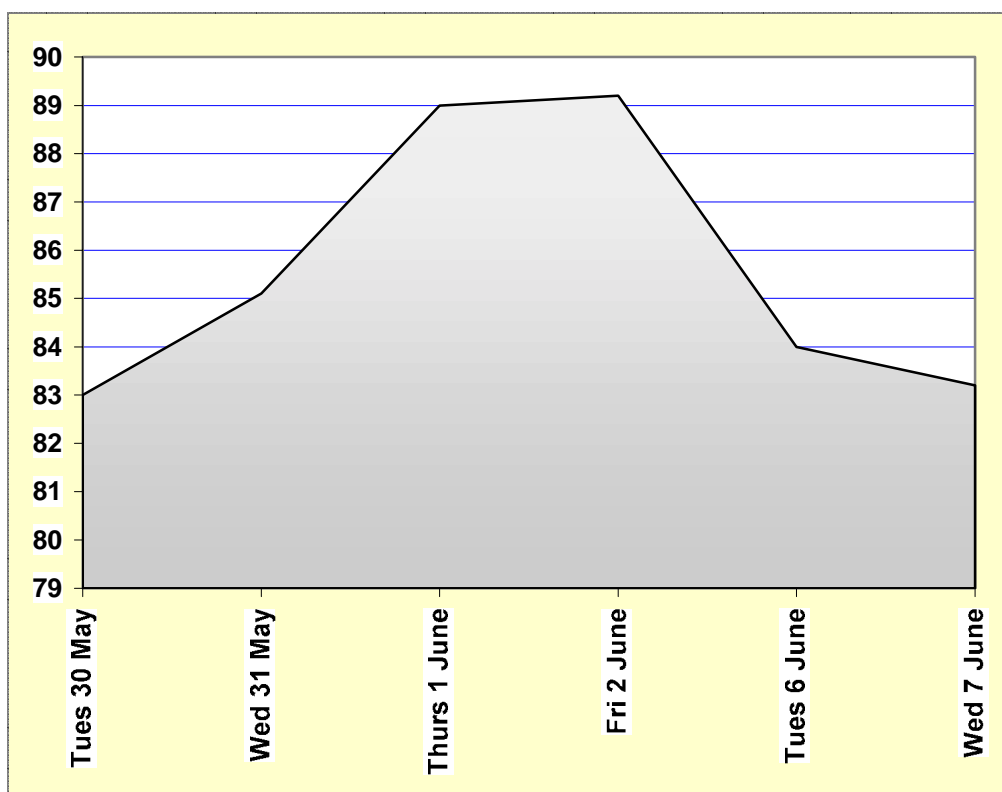
Petroleum company submissions presented the alternative view that in the competitive metropolitan market sales volume can shift quickly from one site to another as consumers move to more competitively priced locations. Competitor price matching and undercutting policies, invariably, result in downwardly spiralling prices to levels that are often below financial viability.

The adoption of lower price levels from a significant number of retail locations progressively increases pressure on all for an inevitable market correction to more sustainable and profitable levels. A move back to more sustainable levels is usually followed by other competitors similarly affected by the margin pressures on the price cycle downside. An upward domino effect results in prices rising very quickly as all operators seize the opportunity to restore some profitability lost in the downward part of the pricing cycle.

Discounted fuel price cycles apparently seem to last for about a week in the metropolitan market. Discounted fuel options are seldom available to country consumers for reasons outlined earlier in this report. In most instances country consumers have fewer purchasing options and accordingly do not usually benefit from those market characteristics.

Opportunistic pricing policies at peak consumption times of the year also contribute to significant fluctuations in the retail price of petroleum products. Typically price movements immediately preceding Easter, Christmas and significant long weekend holiday periods usually reflect the worst outcomes of those policies.

**UNLEADED PETROL AVERAGE RETAIL PRICES  
PRECEDING/POST LABOUR DAY WEEKEND  
3 to 5 June 2000**



(Source : Independent Survey by the Western Australian Ministry of Fair Trading conducted on behalf of the Committee)

***Preventing Wild Price Fluctuations***

The competitive pricing system recommended later in this report is designed to ensure genuine competition at the retail level. In turn, this would reduce the ability of oil majors to directly or indirectly engage in strategic market manipulation, including the current practice of regular fluctuations in bowser prices.

However, this was a major concern among metropolitan motorists especially and, in recognition of this, this Committee recommends the development of new legislation requiring retail sites to advertise and charge only one price for each fuel product daily.

The Committee considers that this can be achieved without precluding competition, while providing greater price certainty and less confusion for consumers. Recent media campaigns have demonstrated the benefits associated with greater price transparency and price promotion. This, combined with a daily fixed retail pricing system, would assist tremendously in promoting cheap fuel sites (through media and internet price reports), thereby stimulating healthy price competition.

The main concern raised by this Committee about such a process is in relation to the policing of such a law, although setting a single daily timeslot for price changes would foster community policing. In any event, until a True Terminal Gate Pricing system can be implemented, this is the only option for addressing this major community concern. Consequently, this Committee would support such legislation having a sunset clause.

Also, a safeguard is needed in the development of enabling legislation to ensure that retailers are not penalised through an inability to change prices to reflect genuinely unexpected cost increases. For example, if retail prices were set every Monday at 7.00 am but an individual retailer found that a large fuel delivery the next day was unexpectedly high, an adjustment would be necessary to prevent trading losses.

For this reason, it is recommended that this process be trialed for six months to determine its effect on price fluctuations, retail competitiveness, and operational practicability for retailers.

### **Recommendation Two**

**That legislation be developed and implemented requiring retail sites to advertise and charge only one price for each fuel product daily.**

## **7.3 THE IMPACT OF STATE AND FEDERAL GOVERNMENT POLICIES, TAXES AND CHARGES ON THE PRICE OF PETROLEUM PRODUCTS IN BOTH METROPOLITAN AND NON-METROPOLITAN AREAS OF THE STATE**

### **7.3 (a) State Fuel Franchise Fees/Commonwealth Excise Goods and Services Tax**

State fuel franchise fees on both petrol and diesel were incorporated in the wholesale price of fuel in Western Australia until 1997. A High Court decision at that time determined that the Commonwealth Government alone was empowered to collect taxes or excise duties on fuel, tobacco or alcohol.

The Commonwealth Government accordingly increased the excise duty on petrol and diesel and returned the full amount of the increase directly to the States and Territories affected by the High Court decision.

Western Australian fuel franchise fees at that time were 9.67 cpl and 7.45 cpl respectively for motor spirit and diesel. The Commonwealth/State revenue agreement provided for 8.1 cpl to be collected on all petroleum products and returned to the affected States and Territories. As a consequence Western Australian revenue from fuel franchise fees was boosted by 0.67 cpl on diesel and diminished by about 1.6 cpl for motor spirit.

Off-setting those outcomes agreement was concluded with petroleum companies to reduce the price of motor spirit in Western Australia by about 1.6 cpl and to return windfall revenue from diesel sales to Western Australian motorists. Procedures established enabled petroleum companies to reclaim excessive diesel franchise fees in exchange for retail prices reduced to the extent of 0.67 cpl.

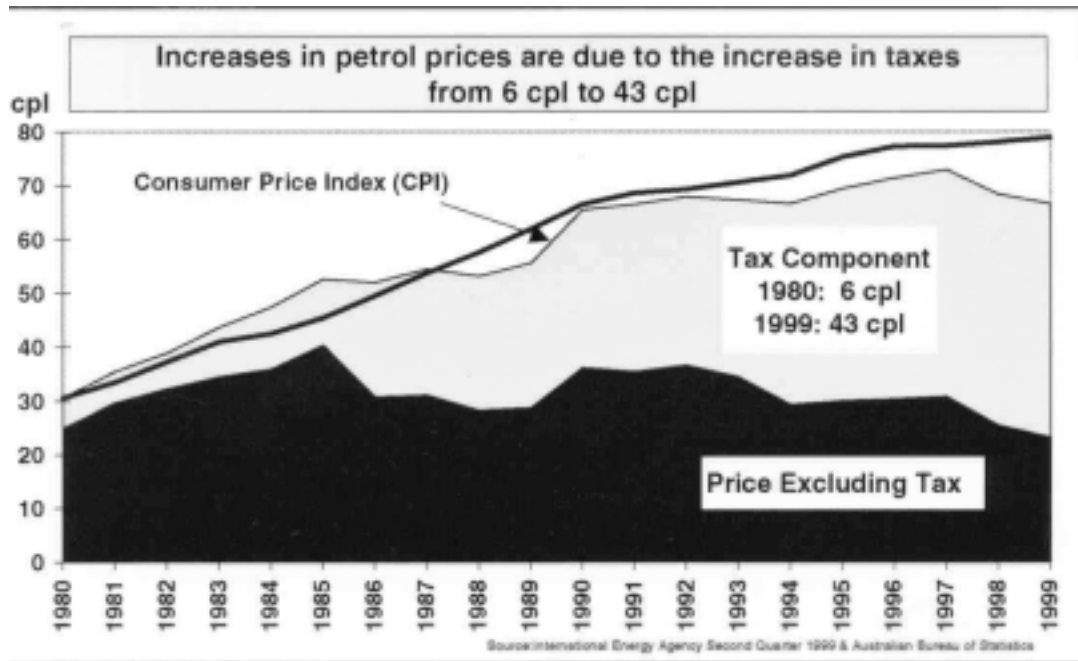
The excise on unleaded petrol and diesel, immediately preceding the introduction of the GST, was 44.14 cents per litre, incorporating:

- ❑ a Commonwealth component of 35.8 cpl; and
- ❑ a State component of 8.35 cpl.

Australian fuel prices (exclusive of taxes) were at that time the lowest among all OECD countries. The level of taxation on fuel was also among the lowest in the OECD. However, the Committee noted that fuel prices in oil producing Asian countries were considerably below Australian prices.

Concurrent with the introduction of the GST, arrangements returning a component of excise collections to States and Territories were discontinued and the level of fuel excise collected by the Federal Government decreased from a total of 44.14 cpl to around 37.5 cpl; effectively a net gain for the Commonwealth of about 1.7 cpl when compared to the pre-GST Commonwealth excise component of 35.8 cpl.

The relationship between taxation increases and rising fuel prices was exemplified in submissions to the Committee featuring the performance of both cost elements from 1980 to 1999.



From 1 July 2000 the Federal/State GST implementation agreement provided for GST fuel sales revenue to be passed to State and Territory Governments offsetting the revenue losses otherwise arising from the Commonwealth withdrawal from the pre- GST State tax collection arrangements. The Western Australian Government expects to receive about \$295 million annually in GST fuel revenue from total national GST fuel revenue collections of \$2.95 billion.

The Committee found the impact from the GST to be discriminatory and inequitable to country consumers to the extent that it is calculated on retail prices which include additional country freight and margin costs incurred as a consequence of distance and lower fuel sales volumes. Examples of discriminatory GST impact were found in comparable Perth and Port Hedland unleaded petrol prices for Thursday 28 September 2000.

	<u>Perth</u>	<u>Port Hedland</u>
Price	93.70 cpl	111.80 cpl
GST	8.52 cpl	10.16 cpl

***Finding***

***The way GST is applied on fuel is discriminatory and inequitable to country consumers.***

Consumer Price Index (CPI) based adjustments to the Federal fuel excise continue to occur on 1 August and 1 February annually. Those adjustments apply to both excise and GST elements and accordingly also proportionally increase the level of tax collected under GST.

When combined with the GST those six monthly adjustments to excise effectively become a tax on a tax. The effect of that tax duplication further compounds the disparity between country and city fuel prices particularly as the increases apply also to freight costs affecting country locations.

Since 30 June 2000 tax collections on unleaded fuel in metropolitan Perth have risen by an average of 2.8 cpl as a consequence of the following elements:

- ❑ an increase in the Commonwealth excise of 1.7 cpl;
- ❑ replacement of the average State Franchisee Fee collection 8.35 cpl by a GST averaging 8.84 cpl, an increase of 0.49 cpl; and
- ❑ the 1 August CPI adjustment of 0.6 cpl to the Commonwealth excise.

The Commonwealth excise on fuel is expected to increase by a further 1.8 cpl when CPI data is again factored into fuel prices from 1 February 2001. With the addition of GST, this will be approximately 2.0 cpl.

Unrestrained bi-annual CPI adjustments to fuel excise between 1990 and 2000 increased the Commonwealth tax revenue from a litre of unleaded fuel by 52.9% from 24.92 cpl to 38.1 cpl. The referenced period, October 1990, also featured high fuel costs (87.4 cpl) as a consequence of the Gulf War and the Committee noted with interest that, were it not for the extraordinary level of the Commonwealth increases to excise, today's equally turbulent international fuel costs would reflect in the Perth retail market closer to 84 cpl than 98 cpl.

Prices monitoring outcomes since 1 July 2000 indicate that the principal effect of the GST and Commonwealth excise adjustments has been to increase prices in the majority of country towns notwithstanding the intentions of the 1.00 or 2.00 cpl subsidising effects of the Fuel Sales Grant Scheme.

Consumer recognition of Commonwealth excise as a key component in recently spiralling fuel costs has resulted in mounting nation-wide pressure for a freeze or reduction in the level of Commonwealth fuel excise.

### ***Finding***

***The Committee rejects the need for a CPI linked increase on excise on 1 February 2001.***

### **7(3)(b) Commonwealth Resource Rent Tax**

The Commonwealth receives revenue from this tax which is charged to the resource producer. The higher the price of resources, particularly oil, the greater the rent tax that is received. On current oil prices the windfall gain will be shared between the Commonwealth and the oil companies.

### **7(3)(c) Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations**

The Commonwealth has guaranteed that no State budget will be worse off from tax reform. To achieve this, States' GST revenues will be augmented by guaranteed top up to offset any shortfall between the gains and losses to State budgets from tax reform.

If GST revenue is greater than anticipated, due to higher fuel prices for example, then guarantee payments will be correspondingly lower, so that there is no net impact on State finances. Instead the Commonwealth will benefit from making lower guarantee payments.

However, once the guarantee payments fall to zero, the States will receive the benefits from GST revenue growth.

### **7.3(d) Fuel Subsidies and Grants**

#### ***Commonwealth Diesel Fuel Rebate Scheme***

The Commonwealth Diesel Fuel Rebate Scheme (DRFS) provides for the rebate of excise collected on diesel fuel used in specified, industrial, residential and domestic applications.

In pre-GST circumstances, the rebate was restricted to off-road applications and claimable amounts varied from 76% to 100% of the declared Commonwealth Rebate Rate. At the same time the Western Australian Government also returned 100% of the State excise component (7.683 cpl) for eligible off-road diesel consumption.

The Western Australian Government also made available a small subsidy of 0.67 cpl for all on-road diesel consumption; effectively returning to Western Australian motorists the amount by which the 1997 Federal excise increase exceeded the Western Australian diesel Fuel Franchise Fee.

The Western Australian component of the off-road diesel fuel rebate scheme was terminated with the introduction of the GST on 1 July 2000.

Initial proposals to also terminate the Western Australian on-road diesel subsidy (0.67 cpl) were withdrawn in July. Arrangements to reinstate that retail cost impact subsidy will however require legislative amendment.

The Commonwealth DFRS was extended and expanded with the implementation of the GST to allow all previously eligible and additional users in the marine and rail transport industries to claim the excise at the optimum declared rebate rate in respect of all eligible consumption.

It is important to note that the excise rebate rate in both pre and post-GST circumstances related only to the Commonwealth component. The rebate rate payable remains dependent on monthly CPI movements. Accordingly the amount payable usually differs from the actual amount of excise included in the cost of each litre of fuel. By way of example the Commonwealth excise component on diesel in June 2000 was about 35.85 cpl while the optimum excise rebate available at that time was 35.60 cpl.

**COMPARISON OF COMMONWEALTH OFF-ROAD DIESEL FUEL REBATE  
SCHEMES (PRE/POST GST)**

Eligible Use	Pre GST Rebate Rate (% of Commonwealth Excise)	Post GST Rebate Rate (% of total Diesel Fuel Excise)
Agriculture	100%	100%
Mining	93%	100%
Forestry	100%	100%
Fishing	100%	100%
Residential premises	76%	100%
Aged Persons homes	76%	100%
Nursing homes	76%	100%
Hospitals	76%	100%
Marine Use 1	Nil	100%
Rail transport 1	Nil	100%

Note 1: Must be in the course of carrying on an enterprise (business). Recreational use does not qualify.

Recovery claims under the Diesel Fuel Rebate Scheme are made by petroleum companies citing details of all transactions completed with eligible certificated users.

***Shortcomings - Commonwealth Diesel Fuel Rebate Scheme***

An anomaly that was brought to the attention of the Committee was that some very small towns, isolated communities and businesses that are not serviced by Western Power are reliant on electricity generated from local diesel powered facilities. The operators of these services are not eligible for rebates under the expanded Commonwealth scheme and the recent large increases in the price of diesel have made these services virtually uneconomic.

***Finding***

***The lack of diesel rebates for operators in remote communities is inequitable.***



**Recommendation Three**

**That remote communities dependent on diesel for power generation be assisted to transfer to more economically viable fuel sources over a five year transition period.**

**That these communities be entitled to the Commonwealth Diesel Fuel Rebate during the transition period.**

**That the State Government establish a scheme to assist with conversion costs.**

**7.3(e) Commonwealth Diesel and Alternative Fuels Grant Scheme**

Complementing the extended Diesel Fuel Rebate Scheme the Federal Fuel Sales Grants Bill 2000 foreshadowed the introduction of the Diesel and Alternative Fuels Grants Scheme. The Scheme makes available special grants for eligible heavy transport operations using diesel or alternative fuel sources.

The grants prescribed for the use of diesel or alternative fuels are available for the operation of road transport vehicles of Gross Vehicle Mass (GVM) greater than 4.5 tonnes but less than 20 tonnes if the vehicles are engaged:

- in transporting goods or passengers within regional areas;
- between a metropolitan area and a regional area (and vice-versa), or
- between metropolitan areas on an interstate journey.

Vehicles in excess of 20 tonnes GVM qualify for the special grants if the vehicles are used for road transport purposes and when the operating business is registered for that purpose with the Australian Taxation Office.

Transportation business grants available under this scheme are:

- Diesel - 17.798 cents per litre;
- Liquefied Petroleum Gas (LPG) - 11.466 cents per litre;
- Compressed Natural Gas (CNG) - 12.132 cents per litre; and
- Ethanol - 20.009 cents per litre.

The grants, in conjunction with fully recoverable GST input tax credits, provide significant savings for eligible transport operations particularly those servicing regional and remote areas. The savings, over-time, should flow-on to produce broad business input and general living cost savings.

### 7.3(f) Commonwealth Fuel Sales Grants Scheme

Coordinated with the introduction of the GST, the Federal Government made a Fuel Sales Grants Scheme available to distributors and retailers of petrol and diesel in specified regional and remote areas.

Eligible distributors and retailers may claim a grant under the terms of this scheme for fuel sold to final consumers in eligible remote and regional locations. Metropolitan distributors of bulk consignments to final consumers in eligible areas are also entitled to claim under the Fuel Sales Grant Scheme.

The benefits of the scheme, in conjunction with concurrent excise reductions, sought to ensure that regional and remote area consumers did not face fuel price increases arising only from the introduction of the GST regime.

Examples of the impact for Western Australian localities follow:

Post Code	Area Name	Zone	Grant
6000	Perth City	Metropolitan	0 cents per litre
6014	Wembley	Metropolitan	0 cpl
6035	Yanchep	Regional Zone 1	1 cpl
6068	Whiteman	Regional Zone 1	1 cpl
6556	Chidlow	Regional Zone 1	1 cpl
6113	Oakford	Regional Zone 1	1 cpl
6202	Mundijong	Regional Zone 1	1 cpl
6168	Rockingham	Regional Zone 1	1 cpl
6210	Mandurah	Regional Zone 1	1 cpl
6041	Guilderton	Regional Zone 1	1 cpl
6213	Dwellingup	Regional Zone 1	1 cpl
6230	Bunbury	Regional Zone 1	1 cpl
6260	Pemberton	Regional Zone 1	1 cpl
6280	Marybrook	Regional Zone 1	1 cpl
6285	Margaret River	Regional Zone 1	1 cpl
6304	Beverley	Regional Zone 1	1 cpl
6324	Mount Barker	Regional Zone 1	1 cpl
6330	Albany	Regional Zone 1	1 cpl
6370	Wickepin	Regional Zone 1	1 cpl
6430	Kalgoorlie	Regional Zone 1	1 cpl
6438	Leonora	Remote Zone 2	2 cpl
6444	Kambalda West	Regional Zone 1	1 cpl
6450	Esperance	Remote Zone 2	2 cpl
6466	Cadoux	Regional Zone 1	1 cpl
6530	Geraldton	Regional Zone 1	1 cpl
6642	Meekatharra	Remote Zone 2	2 cpl
6707	Exmouth	Remote Zone 2	2 cpl
6714	Karratha	Remote Zone 2	2 cpl
6721	Port Hedland	Remote Zone 2	2 cpl
6723	Goldsworthy	Remote Zone 2	2 cpl
6728	Derby	Remote Zone 2	2 cpl

Analysis of this scheme highlights anomalies between the intentions of the policy and market realities in some areas of Western Australia. Retail fuel outlets in the City of Mandurah (a coastal town approximately 75 kms south of Perth) and Northam (a significant rural centre approximately 98 kms east of Perth) for example, consistently feature fuel at prices competitively outstripping most metropolitan outlets, notwithstanding that the wholesale price of fuel to Mandurah and Northam involves a freight differential at levels not always borne by metropolitan retailers. Kwinana, a metropolitan suburb and the site of the BP refinery also qualifies for a rebate of 1 cpl under this scheme.

Clearly, the competitive nature of both the Mandurah and Northam markets and the consequential benefits flowing to local consumers in any event would ensure that the effects of the GST should be less critical than outcomes in the Perth metropolitan area. The Fuel Sales Grant Scheme, however, provides a Regional Zone Grant of 1 cpl to those already competitive areas.

In similarly incomprehensible circumstances it was noted that Esperance (a coastal port town with bulk deliveries by sea) was classified as a Remote Zone attracting a grant of 2 cpl. By comparison, the more remote City of Kalgoorlie/Boulder (which is generally supplied by Esperance, 400 km away) benefits to the extent of only 1 cpl as a Regional Zone, notwithstanding that unleaded fuel prices in Esperance are usually about 3-4 cpl less than those available in Kalgoorlie/Boulder. Accordingly, on top of that the GST element in Esperance fuel prices will always be lower than that in Kalgoorlie/Boulder.

### ***Finding***

***The obvious and well publicised anomalies in the Commonwealth Fuel Sales Grant Scheme have not been rectified.***

The ACCC is investigating allegations that some oil companies and distributors have been absorbing the grant.

### **Recommendation Four**

**That the Commonwealth forgo the February CPI adjustment to excise on petroleum products.**

**That the Commonwealth and State Governments return any windfall gains to motorists as:**

- **lower fuel prices;**
- **additional road projects; and**
- **the development and promotion of alternative vehicular fuel.**

**That the Fuel Sales Grants Scheme be reviewed to remove anomalies.**

#### **7.4 THE EFFECT ON THE PRICE OF PETROLEUM PRODUCTS OF CURRENT CHANGES IN THE SYSTEM OF PETROLEUM PRODUCT FRANCHISING THROUGHOUT WESTERN AUSTRALIA**

The Commonwealth *Petroleum Retail Marketing Sites Act 1980* limits nationally the number of retail sites that can be operated directly by major petroleum companies. Since 1993 most major oil companies have responded to those restrictions by adopting multi-site franchising, rather than individual franchise arrangements.

Adoption of the strategy varies considerably between the major petroleum companies. Shell has proven the most vigorous exponent of the multi-site concept resulting in a massive overhaul of its national retail network. In Western Australia the company has set in place arrangements enabling one franchisee, Novek Pty Ltd, to operate 47 sites.

Concerns relating to petroleum company multi-site agreements were examined by the Australian Competition and Consumer Commission (ACCC) and featured in its report of August 1996. The Commission at that time concluded that the strategic arrangement should enhance efficiency and contribute to lower costs. The Commission cautioned however that multi-site operations could also increase the ability of petroleum company majors to monitor market trends and influence retail prices.

The retail prices reservations expressed by the ACCC in 1996 were vindicated in December 1999 in a Western Research Institute report prepared for the New South Wales Minister for Fair Trading. The Institute identified a range of implications arising from multi-site franchising. The Institute found that the strategy strengthened the indirect control exercised by major petroleum companies through the use of retail rebates, or price support, across the whole franchise network.

This transferred much of the responsibility for cross subsidisation of retail sites, previously undertaken by the major petroleum companies, to the multi-site franchise operator and it was concluded that the arrangement could also facilitate site rationalisation policies, including a reduction in the number of retail sites.

Information available to the Committee indicated that the BP multi-site franchise model enabled direct control of retail fuel prices by the oil major throughout that element of its network. For all practical purposes those BP relationships exhibited characteristics more consistent with commission agency than franchise operations.

It was reported that a side effect in country areas of New South Wales involved the removal of the "local small business" element from the rationalisation and price competition argument. Small business franchisee operators in minor country localities were often replaced by multi-site operators from adjacent major cities.

***Finding***

***Multi-franchising arrangements operated by BP Australia Limited enable BP to directly control retail prices.***

***The operations of BP multi-site franchises are consistent with those of commission agencies which appear to circumvent the intentions of the Commonwealth Petroleum Retail Marketing Sites Act 1980.***

**7.5 THE REASONS FOR THE HIGH COST OF LPG AUTOGAS IN WESTERN AUSTRALIA RELATIVE TO OTHER AUSTRALIAN STATES****7.5 (a) Price of LPG Auto Gas**

Kleenheat submitted that perceptions of extreme retail price variation between Western Australian and Eastern States autogas markets were largely misconceptions. It was contended that those misconceptions arose from comparisons of the more stable, less price competitive Perth market with prices at the bottom of competitive cycles in more volatile Eastern States capital cities.

Industry prices analysis, for the period from February to May 2000, presented by Kleenheat, indicated that the daily average variation between prices in Perth and other capital cities was about 2 cents per litre. Kleenheat also submitted that autogas prices in non-metropolitan Western Australia were generally comparable to prices in similar localities in other States.

A survey conducted for the Committee on Thursday, 5 October 2000, found that the average price in Perth (49.3 cpl) exceeded the average price in Melbourne (48.1 cpl) by only 1.2 cpl.

***Finding***

***It is not uncommon for LPG autogas prices in Perth to exceed non-discount prices in other Australian capital cities by around 5 percent.***

It was argued that higher autogas prices in Perth were attributable to the small size of the Perth market, the absence from the market of a significant and influential independent presence, and petroleum company vertical integration policies which, to varying degrees, preclude economies of scale, meaningful price competition and market growth. In that regard Kleenheat argued that its inability to obtain access to the majority of oil company controlled sites in Perth constituted a key structural impediment to competition at the wholesale level of the autogas market. It noted that major oil companies collectively controlled over 70% of all retail fuel sites in the metropolitan area and that exclusive supply agreements prevent most retailers from accessing alternative wholesale autogas sources.

## ***Finding***

***There exists an urgent need to provide greater access to fuel retail sites for all gas suppliers, to stimulate competition.***

The ACCC findings confirmed the view that comparatively low LPG volumes could impact adversely on operating costs and, by implication, on margins at individual retail sites. Assessing that consideration it was noted that LPG sales from metropolitan Perth sites averaged about 500,000 litres annually compared to average sales volumes of around 4,000,000 litres annually in Melbourne.

Notwithstanding concessions attributable to lower volume sales, the ACCC also concluded, however, that those factors aside, there did not appear to be any other material cost-related influences that would necessitate higher retail margins. On balance, therefore, the singular influence of low volumes on retail margins could not be considered the main reason for higher autogas prices in Perth. Other evidence indicated that autogas retail margins in Perth were not excessive and ranged from 2.5 to 4.5 cents per litre.

In those circumstances the Committee considered that beneficial outcomes were more likely to emerge from closer attention prices monitoring and close examination of the level of competitive activity in the industry.

The positive influence of independent retailers in higher volume Eastern States markets was identified for examination during the Kleenheat appearance at public hearings in Perth. The company contended that the Melbourne autogas market was characterised by aggressive pricing policies pursued at an extensive number of non-aligned independent operations. The nature of those aggressive pricing regimes was such that, at the bottom of competitive cycles, autogas prices represented simply a bait from which consumers were exposed to “other convenience products”, the sale of which determined the profitability or otherwise of each independent retail site. The influence of those marketing strategies affects all retail outlets, resulting in a cyclic autogas market not dissimilar in pricing characteristics to the Perth petroleum market.

The profile of both independent and petroleum company aligned retailers and wholesalers has grown in the Perth market in recent years. Significant movements in that regard have included the re-entry of Mobil, and the commissioning of sites operated by independent petroleum companies such as Liberty and Peak. While those changes have supported a re-alignment of market shares at wholesaler level they have not been accompanied by any meaningful change at distributor and producer levels.

Production of LPG in Western Australian remains a firmly imbedded duopoly, the spoils of which are shared unequally between corporate Wesfarmers and BP. Vertical integration throughout production, distribution and wholesale supply lines enabled the corporate Wesfarmers organisation to control 265,000 tonnes or 78.4% of Western Australian LPG production in 1997/98. Similar corporate configurations vested BP with control of most

remaining Western Australian produced LPG in 1997/98 (72,000 tonnes or 21.3% of total production).<sup>2</sup>

Assessment of Western Australian domestic LPG distribution confirmed the existence of a near duopoly market vesting the Wesfarmers/Kleenheat conglomerate with control of 118,000 tonnes or 69.4% of the 170,100 tonnes destined for domestic consumption in 1997/98. Distribution of the remaining 52,000 was completed from BP and interstate sources in proportions amounting to 24.8% and 5.9% of domestic consumption respectively.

### ***Finding***

***Western Australia's LPG market is highly vertically integrated.***

***Western Australia's LPG market would benefit from increased sales volumes and greater competition.***

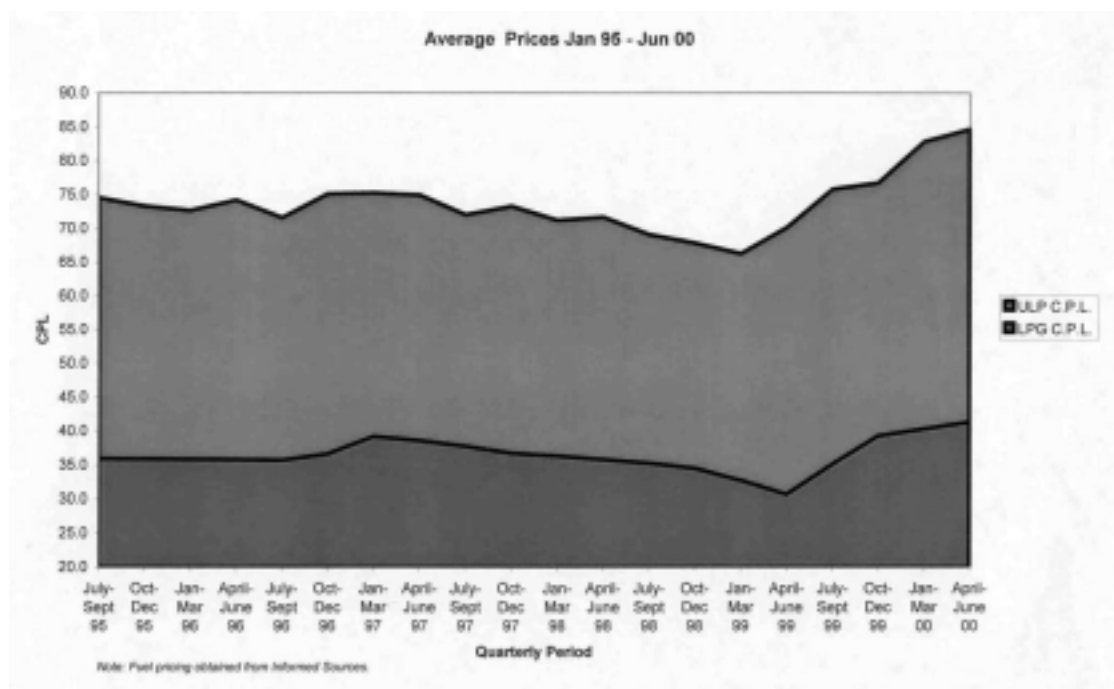
**Distributional Flows of LPG Supplies in Western Australia, 1997-98**

<b>Producers</b>	<b>Destination of LPG Supplies</b>	<b>Quantities Tonnes of LPG, 1997-98</b>	<b>Shares of Supplies Tonnes %</b>	
Wesfarmers LPG	Kleenheat	80,000	118,000	69.4
BP	“	23,000		
BHPP	“	15,000		
BP	BP autogas network	20,000	42,100	24.8
BP	Boral	19,000		
Interstate	BP autogas network	3,100		
BP			10,000	5.9
Total Domestic Supplies		170,000	170,000	100.0

Quarterly Perth prices data presented by Kleenheat Gas Pty Ltd for the period from July/September 1995 to April/June 2000 identified a close relationship between price movements reflected in both unleaded petrol and LPG. It was evident however that the LPG price advantage in comparison to petrol was extended during that period from about 38 to 43 cpl.

The price differential between unleaded petrol and LPG continued to grow through September 2000 in the metropolitan area, to levels often in excess of 48 cpl, notwithstanding the negative effect on prices of the Goods and Services Tax from 1 July 2000. LPG autogas was not subject to any taxation levies prior to 1 July 2000. Those LPG purchasing advantages were less evident in most Western Australian regional locations. Data for August 2000 more commonly reflected a LPG price advantage in regional areas at about 39 cpl.

<sup>2</sup> (Source: ACCC Review of LPG Autogas Prices and LPG Cylinder Prices in Western Australia Draft Report September 1999.)



### *Driving down the price of LPG*

Prior to 1991, when the industry was deregulated, import parity pricing was utilised by the Prices Surveillance Authority to determine maximum producer prices. There are currently no controls on the product. Producers however, still utilise the Saudia Aramco Contract price (import parity price).

Nonetheless, the lack of excise on LPG still makes this a considerably more affordable vehicle fuel. Also, this Committee fully recognises and endorses the relative environmental benefits of LPG. Furthermore, more extensive use of LPG in the domestic market can only lead to increased pressure on oil companies to respond through price competition, to the benefit of petrol consumers.

This Committee found that LPG passenger vehicle conversions are now efficient and reliable. Also, LPG-powered vehicles are now being produced on the factory floor in Australia. For these reasons, and because a ready market network exists for LPG distribution, this fuel warrants extensive promotion even at current retail LPG prices.

However, there is extensive concern within the community regarding LPG prices, highlighted in the Committee's public hearings. With this in mind, this Committee considered that the best way to achieve the lowest possible LPG prices in Western Australia generally is to encourage competition in the market through:

- the promotion of LPG for vehicular use, thereby increasing volumes of sales to drive down prices and, ultimately, encouraging new participants into the market; and
- reducing current barriers to competition at the retail level.



For this reason the Committee considers that there needs to be a Government endorsed stimulation of this market. Combined with the environmental benefits attributed to LPG use, this prompted the Committee to recommend that Government market stimulation programs should include adoption of a policy to replace petrol and diesel powered vehicles with LPG alternatives.

The policy should reflect strict guidelines to ensure that most 6 and 8 cylinder vehicles in the Government Fleet conform to the LPG objectives within 3 years. 6150 vehicles in the Government Fleet could fall within the ambit of the proposed LPG policy. Costs associated with such a policy would be minimal as LPG powered production vehicles are now available from one Australian manufacturer at an additional cost of around \$700. Leasing costs for LPG vehicles amount to an additional \$20 per calendar month. Cost increases associated with leasing LPG powered vehicles would be offset from fuel cost savings which presently range from 39 to 50 cents per litre in regional or metropolitan areas respectively. In any event figures presented to the Committee indicated that an LPG powered vehicle travelling 40,000 kilometres in two years would break even on costs at 22,000 kilometres and produce operational costs savings thereafter. The sale of kilometre or time expired Government fleet vehicles into the Western Australian used vehicle market would further enhance the considerable environmental and cost benefits to the State.

### ***Finding***

***Greater use of LPG would reduce motoring costs and have significant environmental benefits, warranting direct Government stimulation of the LPG Autogas market.***

The Committee considers that the following principles should guide the development of a statewide conversion and new vehicle LPG incentive program:

Financial incentives should:

- apply equally to metropolitan and regional areas (to maximise the increase in LPG sales volume and for equity);
- be developed in consultation with the industry (to encourage industry participation and greater overall incentives);
- apply to new and used vehicles alike; and
- involve minimum administration costs (to increase funds available for actual incentives).

**Recommendation Five****The State Government should:**

- **subsidise the conversion of private vehicles to LPG Autogas, in accordance with the principles outlined in this report;**
- **consider other conversion incentives including but not limited to reduced vehicle registration fees for LPG converted vehicles;**
- **convert at least two thirds of the State Government's car fleet to dedicated LPG within three years;**
- **develop a strategy to achieve further LPG use within the private and public sectors generally, including corporate agencies such as the Water Corporation and Western Power;**
- **implement these LPG promotion programs in such a way as to create a substantial unified market for LPG, enabling more secure and lower prices to be negotiated; and**
- **implement an extensive community education and promotional program in conjunction with industry in relation to LPG use for motoring, promoting the fuel's environmental attributes, its price advantage, and its widespread availability.**

***The price of domestic LPG cylinders***

Although not a specific term of reference for this enquiry, the high level of concern within the community regarding bottled gas prices, especially from among people of retirement age, prompted the Select Committee to examine the situation in some detail.

In particular, a number of submissions to the Committee focused attention on price increases for domestic gas cylinders and comparative prices in other States. The Committee noted the findings of a recent ACCC draft report which concluded that cylinder gas prices in Western Australia did not appear excessive relative to prices in other States.

Forming that conclusion the ACCC noted that the average price for a 45 kilogram cylinder from Kleenheat in Western Australia was \$69.48. Prices in other Australian States varied from \$72.10 and \$70.21 in Queensland and New South Wales respectively to \$67.98 and \$62.60 respectively in South Australia and Victoria. Most markets also levy an annual cylinder maintenance service fee, which varies from \$20 to \$45 annually for a typical two cylinder domestic installation. The fee in Western Australia is currently \$36.30 per annum.

Nonetheless, the Select Committee agreed that the additional cost relative to natural gas, and the vulnerability of LPG bottled gas prices to severe international oil price fluctuations, was a major concern. This was especially so for residents in areas not currently serviced by reticulated natural gas, predominantly in the country, who pay relatively high costs for their home heating and cooking needs. Retired people were deemed to be more likely to be affected through a lack of financial capacity to offset this inequality.

For these reasons, some form of assistance appeared warranted for those most affected, in the form of a community service obligation.

### **Recommendation Six**

**That an effective subsidy scheme be introduced to alleviate the cost of bottled gas for seniors.**

**That an extensive price monitoring and promotion process be carried out in regard to bottled gas prices and service fees, including the widespread publication of prices designed to facilitate consumer choice.**

## **7.6 WHETHER LEGISLATIVE INTERVENTION IS NECESSARY OR DESIRABLE TO REDUCE THE DIFFERENCE IN THE PRICE FOR PETROLEUM PRODUCTS WITHIN AND BETWEEN METROPOLITAN AND NON-METROPOLITAN AREAS OF WESTERN AUSTRALIA.**

Commonwealth and Western Australian jurisdictions both feature statutes that are capable of addressing most of the shortcomings and imbalances in the distribution, marketing and retail pricing of motor fuel.

Legislative intervention in the form of price control was not supported by experienced industry participants to this inquiry, such as the MTA and RACWA. However, there is a substantial body of support for legislative amendments strengthening existing statutes for the purposes of price transparency and competition at both wholesale and retail levels of the market.

### ***Finding***

***The petrol market in Western Australia is not characterised by healthy processes of market competition at all levels.***

***Genuine competition will deliver the lowest possible prices into the future.***

***Both the wholesale and retail levels in the industry require a greater degree of genuine competition.***

### ***Creating a competitive environment through Terminal Gate Pricing***

The introduction of a true Terminal Gate Price system which would provide bulk fuel supplies at the same wholesale price to any purchaser intending to on-sell fuel would introduce the needed competitive forces.

#### ***Finding***

***A true Terminal Gate Pricing policy would introduce competition at the wholesale level of the industry.***

This system would be designed to ensure that, on any day, each major petroleum company engaged in wholesaling fuel from the refinery or storage depot must provide and advertise one open and accountable price which will be available to all market participants engaged in reselling.

As high volume fuel users like mining and freight companies are not engaged in fuel distribution or retailing, the reselling qualification is necessary so that these companies are not precluded from achieving contracted or bulk discounts.

The effect of this Terminal Gate Pricing policy would be to provide a greater degree of certainty in the market and to promote competition. There were two main options available to the Committee in relation to wholesale pricing:

- to allow the oil companies to determine their own Terminal Gate Prices without any price control mechanism in place; or
- to use the State price control legislation to set a maximum wholesale Terminal Gate Price.

On balance, the Committee considered a prescriptive solution to be more effective.

The *Petroleum Products Pricing Act 1983* makes provision by way of inquiry, investigation, price or rate fixing and enforcement procedures for the purpose of preventing:

- (a) excessive prices being charged for the sale of petroleum products, whether in relation wholesale or retail trading; or
- (b) excessive rates being charged for the supply of petroleum services.

Invoking these legislative provisions would empower the Commissioner of Fair Trading to establish or set a maximum terminal gate price for each oil company daily. The oil companies would be able to sell below the maximum Terminal Gate Price set by the Commissioner each day but would be required to advertise their prices accordingly.

Each Terminal Gate Price, whether the maximum set by the Commissioner or a lower one set by the respective oil company, must be available to any purchaser, under similar and reasonable conditions. Where a dispute exists as to what constitutes reasonable conditions, the Commissioner of Fair Trading would be required to arbitrate the matters.

To ensure the lowest possible maximum Terminal Gate Price, the Commissioner would be required to have regard for a number of essential factors, including but not limited to:

- the prevailing level and extent of discounting;
- any profit support given by the oil companies to selected retail operations;
- any price support given by the oil companies to selected retail operations;
- costs incurred by the oil companies up until the terminal gate stage;
- the costs of marketing;
- the costs of distribution;
- refinery costs;
- freight;
- administration, etc;
- other relevant factors such as reasonable rates of return, depreciation, etc; and
- any other factors that the Commissioner of Fair Trading considers relevant.

Importantly, to prevent market manipulation or the creation of a secondary market favouring oil company sites, multi-site franchises or any other dominant player, strict conditions would need to be included in legislation and/or upheld in administering the new Terminal Gate Price system, including:

- legislative provision enabling all retail sites to purchase at least 50 percent of their stock from the company of their choice;
- providing for purchasers to make "spot purchases" at the terminal, with no need to enter into term contracts;
- ensuring access to supply at the terminal on a first-come, first-served basis;
- providing mandatory and extensive promotion of each Terminal Gate Price, including through the Internet;
- identifying all services provided by the oil companies beyond the terminal gate, including transport services, delivery services, the provision of credit and equipment and brand fees;
- ensuring the provision of individual costs for each of these "add-on" services and detailed monitoring of these costs by the Commissioner to ensure they are fair and reasonable in a commercial sense; and
- ensuring that purchasers have the option of whether or not to purchase these services and that these services are made available to any purchaser under reasonable circumstances.

**Recommendation Seven:**

**That the Government establish a true Terminal Gate Price system, as described in this report.**

***LPG Autogas Price Control***

The Committee's findings in relation to LPG marketing and pricing in Western Australia highlighted the degree of control exerted by one major company in particular. While it is a valid argument that LPG prices follow world petroleum pricing trends, as confirmed by examining the LPG export pricing data, concerns exist in relation to the market situation.

Firstly, the Committee examined the obvious discrepancies in price between metropolitan and rural areas and remains unconvinced that many regional areas are able to receive LPG auto gas at fair competitive prices. The industry position that higher LPG prices in the country reflect higher cost structures for rural LPG retail sites did not survive scrutiny in all cases.

***Finding***

***There are grounds for a system of monitoring LPG Autogas prices with a view to imposing price control should retail prices exceed acceptable levels, based on appropriate commercial considerations.***

The prices monitoring and control intention of the Petroleum Products Pricing Act 1983 is limited to the extent that the statute cannot apply to Liquefied Petroleum Gas (LPG) or to other alternative fuel sources presently or likely to be used in motor vehicles. That legislative shortcoming precludes the establishment of authoritative prices monitoring and control procedures in that sector of the fuel industry.

Price control would safeguard country consumers especially from excessive discrepancies away from the metropolitan trend price. To achieve this, the Petroleum Products Pricing Act needs to be amended to include LPG autogas.

**Recommendation Eight**

**That the Minister for Fair Trading arrange:**

- **an extensive price monitoring process for LPG to be established;**
- **for the *Petroleum Products Pricing Act 1983* to be amended to provide legislative authority to control LPG pricing;**
- **for an extensive audit of LPG pricing to be carried out, including assessing the need to institute price control.**

***Guaranteeing competitive access to fuel products***

Following legal action by BP in 1991 the Western Australian Supreme Court identified draft deficiencies in the *Petroleum Retailers Rights and Liabilities Act 1982*. It was determined that those shortcomings failed to secure for petroleum retailers the intended right to purchase up to 50 per cent of fuel supplies from sources other than contracted petroleum company franchisor/landlords.

This provision was intended to give retailers otherwise committed to exclusive supply contracts the flexibility to purchase up to 50 percent of their stock from the supplier of their choice. This would give retailers greater bargaining capacity and, consequently, promote competition.

The anti-competitive influence of that court finding has never been rectified and, accordingly, the wholesale level of the Western Australian petroleum market remains secure in the knowledge that contracted retail outlets have no alternative sources of supply and must purchase at any price oil company wholesalers chose to declare.

To foster competition, amendments are needed to the *Petroleum Retailers Rights and Liabilities Act 1982* to ensure that retailers with contractual supply obligations are able to purchase up to 50 per cent of their fuel supplies from any supplier. This will ensure that each retailer, as much as possible, has access to the keenest prices for fuel products and, importantly, can wield a degree of bargaining influence.

Also, the State's major supplier of LPG auto gas is itself subject to anti-competitive arrangements through oil companies' restrictive arrangements for siting LPG infrastructure at many branded retail sites. During the course of this enquiry the Committee became aware that franchisee dealers were also limited to oil company preferred or endorsed distributors in respect to LPG supply sources notwithstanding that more cost competitive sources may be available elsewhere.

***Finding***

***Retailers should be legally entitled to purchase a substantial proportion of their stock from the supplier of their choice.***

**Recommendation Nine**

**That the *Petroleum Retailers Rights and Liabilities Act 1982* be amended to ensure that the discretionary 50 percent purchasing objectives are met.**

**That the *Petroleum Retailers Rights and Liabilities Act 1982* be amended to also apply to LPG autogas.**

***Benefits of greater wholesale pricing competition***

A more open and competitive wholesale pricing system would:

- reduce the gap between country and city prices;
- provide country and city operatives with fuel at the same wholesale price;
- ensure highly visible prices at the terminal gate;
- encourage oil companies to compete on price at their terminals;
- increase competition throughout the industry;
- create new distribution opportunities;
- enable dealers to negotiate on Terminal Gate Prices;
- enable dealers to set their own margins;
- force oil companies to compete on and account for freight rates;
- force oil companies to compete on and account for wholesale credit arrangements; and
- force oil companies to compete on and account for other services provided to retailers and distributors.

***Ending site sale restrictions***

The Committee also heard that, in relation to disused sites, oil companies sometimes engage in a practice of restricting the future use of those sites through covenants precluding fuel retailing. This is not conducive to competition and legislation is necessary as a means of overriding any restrictive covenants on the sale of disused petrol sites preventing any purchaser from using them for fuel retailing, and improving the potential for further retail competition.



**Recommendation Ten:**

**That legislation be enacted to prevent the use of conditions of sale covenants which prevent service station sites being reused for that purpose.**

***Oil Company Fuel Cards***

Comments were made earlier in this report regarding retail prices available on oil company fuel cards.

Many retailers are obliged under their agreements with the major oil companies to accept fuel cards. Typically under the arrangements the company sets the retail price when the card is used and the margin available to the retailer under the transaction is also set at levels commonly well below the proprietor's normal retail margin.

The Motor Trade Association has expressed the concern that, in relation to oil company fuel credit cards, the amount reimbursed by the company to the retailer should reflect all of the costs incurred by the retailer in supplying that fuel to the customer. The Association argues that oil companies should not be allowed to use their credit cards to implement a form of price control or market manipulation, effectively to erode service station operator margins.

Fuel cards are available to some clients to substantially reduce the cost of fuel. This is discriminatory and clearly demonstrates that there is room in the system for price reductions throughout the whole supply chain.

***Finding***

***Oil company credit cards could be used to circumvent normal commercial arrangements.***

**Recommendation Eleven**

**That the Minister for Fair Trading arrange to monitor the use of all oil company credit cards to determine their impact on retailers' margins and to ensure they are not used to circumvent normal commercial arrangements.**

***Achieving immediate and ongoing price relief for regional Western Australia***

No adequate explanation has been given during this Committee's hearings for the significantly higher prices paid by motorists in many regional centres. Nor were apparently high margins in some regional areas satisfactorily explained

It is clear that the current pricing and marketing mechanisms have failed the country areas of the State. The only reasonable conclusion that can be drawn is that some industry participants in country WA are exploiting the limited degrees of competition. This differs markedly from the situation in the metropolitan area.

The Committee acknowledges that in this day and age there are reservations about, or opposition to, Governments controlling prices. However, the lack of competition in the country provides a compelling argument in favour of price control. It is inexcusable that country areas should suffer in the absence of true competition.

When fully implemented the recommendations contained in this report would lower country fuel prices, stabilise metropolitan prices and deliver the most competitive pricing possible through the State. However, there would be an inevitable delay between the presentation of this report and the full implementation of its recommendations.

Also, it is impossible to have any confidence that the major oil companies of their own accord will introduce price discounting in country areas. Consequently, it may be some time before price relief is available in country areas. In the meantime, country motorists would be forced to pay fuel prices which are consistently and excessively above metropolitan prices. The Committee estimates the extra cost to country motorists is more than \$2 million each week.

The Committee's research indicates that there is sufficient evidence to support significant price reductions in some areas. The Select Committee strongly supports the urgent introduction of price control in country areas to provide ready and quick relief for country motorists.

The process for introducing fuel price control is as follows:

Provisions of the *Petroleum Products Pricing Act 1983* enable the Minister to:

1. appoint Prices Advisory Committees to advise the Minister:
  - (a) whether or not petroleum products should be declared; or
  - (b) whether or not maximum prices in relation to declared products should be fixed or continue in force (Section 8).
2. Declare any petroleum product or service (Section 10).

Once a declaration is issued the Commissioner can fix a maximum price in respect to a declared petroleum product (Section 12).

The Minister also has the powers in the public interest to direct the Commissioner to refrain from publishing the order.

**Recommendation Twelve:**

**That the Minister for Fair Trading immediately establish a Prices Advisory Committee and institute procedures for price control of petrol and diesel in country Western Australia.**

**7.7 RECOMMENDATIONS FOR ANY OTHER MEASURES TO REDUCE THE PRICE DIFFERENCE FOR PETROLEUM PRODUCTS WITHIN AND BETWEEN METROPOLITAN AND NON-METROPOLITAN AREAS OF WESTERN AUSTRALIA*****Price Monitoring and Price Promotion***

Acknowledging the significant competitive benefits of an open retail pricing system, this Committee strongly recommends the establishment of a petroleum products price monitoring regime.

Furthermore, using Internet services and other promotional avenues, retail pricing information would be required to be made available daily by retailers, so that prices would be made available to the community in the most transparent way possible, to assist with consumer choice.

The Committee found that the lack of price sign boards was a matter of considerable concern in the community, especially in Albany where few, if any, retailers advertise their prices. In view of the sensitivity of motorists to even slight changes in fuel prices, new legislation enforcing the display of adequately sized price boards at every retail outlet is seen as a priority to ensure greater consumer choice and to foster healthy retail competition.

**Recommendation Thirteen**

**That the Minister for Fair Trading arrange for:**

- **the establishment of an ongoing and transparent fuel price monitoring system;**
- **implementation of a system whereby consumers can access daily retail prices; and**
- **all retailers to be required by law to display adequately sized price boards for all of their fuel products.**

### ***Alternative Fuels - Gas as an Immediate Option***

As discussed earlier, the State's petroleum and LPG autogas pricing arrangements are substantially at the control of international factors well beyond the authority of the Western Australian Parliament. This world pricing system, combined with a low Australian dollar value on international markets, is unlikely to result in a significant and sustained reduction in oil prices for the foreseeable future, according to recent reports of industry analysts.

Importantly, the State's heavy reliance on petroleum products means that private motorists and Western Australian industries will continue to dance to the tune of an international oil cartel, at increasing expense to individuals and the State's economy. A permanent solution is for the State to move towards the use of alternative vehicle fuels, providing the same pricing and supply constraints do not apply.

Also, the Select Committee concluded that Government commitment to stimulation of the LPG market and pursuit of alternative fuel options, especially CNG and LNG, would provide much needed competition to the traditional petroleum market in both metropolitan and country areas, thereby containing fuel prices.

Various alternative fuels are under serious consideration nationally and internationally. However, the Committee received a considerable number of submissions and comments about natural gas in particular, prompting some initial research into the use of Liquid Natural Gas (LNG) and Compressed Natural Gas (CNG) which are both derived from Natural Gas.

Natural Gas is a natural product available in vast quantities from the North West Shelf. The Committee received evidence demonstrating that Natural Gas can have substantial operating cost advantages, particularly with heavy vehicles on short distance trips, such as rubbish trucks. The example of the Liverpool Council in New South Wales, which also runs its passenger vehicles on CNG, was given to the Committee. A cost analysis, completed by the Liverpool City Council, on the alternatives of operating diesel or CNG refuse fleets is provided at AppendixThree.

In this case, the Liverpool Council opted for dual fuel vehicles which cost \$11,000 more to acquire than conventionally aspirated trucks (after receipt of a Federal subsidy) but this could be recouped in 1.03 years. Indeed, over a ten year operating life, it was calculated that a fleet of eleven of these trucks would result in total net cost savings of \$959,750.

The initiatives taken by that local government authority in 1997 have developed into a national program and the establishment of an entirely new market sector.

There are various strategic, environmental and economic benefits associated with the use of Natural Gas as a vehicular fuel source, as follows:

- There are vast indigenous reserves, which offer security of supply. A report prepared on behalf of the Select Committee found that Australia has over 100 years supply of Natural Gas, ensuring against the sort of supply shortages experienced with oil.

- ❑ That report also pointed to the benefit of import reductions, as dependence on imported oil fuels declined, and subsequent reductions in the balance of payments deficit. In July alone, Australia imported \$975 million worth of petroleum products. If just 15 percent of Australia's vehicles were running on Natural gas, the nation's Balance of Payments deficit would drop by over \$1 billion annually. The resultant positive implications for inflation, and monetary policy, especially in relation to interest rates, would represent a further dividend for the Australian community as a whole through the adoption of alternative fuels.
- ❑ Very importantly, Natural Gas prices are stable and are not tied to world parity policy outcomes, unlike the price of oil products. Long term fixed-price supply contracts, adjusted only for Consumer Price Index movement, are possible with Natural Gas. This would prevent price volatility and maintain the fuel's affordability to private and industry users alike.
- ❑ Natural gas produces the lowest levels of pollutants and greenhouse gas of all presently available fuel sources. Emissions are 80 percent lower than for petrol.
- ❑ It is cheaper to use than other fuels. In addition to the situation at Liverpool council, the Select Committee heard evidence that a prime mover travelling 200,000 kilometres each year, and achieving fuel consumption of 49 l/100km, could save \$35,800 annually in fuel costs, based on a dual fuel system with a gas substitution rate of 80 percent. This equates to a five-year saving of \$159,144 after taking into account the incremental cost of the gas installation.
- ❑ Natural Gas can be safer to use and transport than other fuels. It dissipates in the event of a leak, being lighter than air; and it only burns in a very narrow fuel-air mix ration, unlike conventional vehicle fuels.
- ❑ It offers social benefits through lower air pollution and reduced health costs.

There are technical considerations associated with the use of Natural Gas. For example, while CNG is suited to private motoring, Ford Australia advised that vehicles equipped with CNG motors would have reduced travel range due to the need for relatively large storage tanks. However, Ford is one manufacturer which currently produces dedicated CNG cars (in America) and indicated to the Select Committee its willingness to produce CNG vehicles in Australia, should the demand warrant it.

By comparison, the Committee heard that LNG offered greater scope for freight use.

The Committee was of the opinion that not enough attention was being given to the area of alternative fuel sources such as CNG and LNG. For example, there is virtually no distribution network at all in Western Australia and very limited use of Natural Gas in road vehicles. This "chicken and the egg" situation means that suppliers will not provide expensive fuelling facilities without a substantial installed base of vehicles, manufacturers will not produce Natural Gas vehicles until demand warrants it, and users will not demand or buy Natural gas vehicles without guaranteed access to an extensive refuelling network.

To provide a catalyst for the promotion and development of alternative fuel use, the Committee believes that a coordinated whole-of-Government approach is required and that a peak body should be established to progress the use of such alternative vehicular fuels in Western Australia.

The availability of Commonwealth implementation subsidies in this area was also noted. The Federal Alternative Fuel conversion Program, for example, commenced in January 2000. Commercial on-road vehicles and buses weighing 3.5 tonnes gross vehicle mass (GVM) or more are potentially eligible for grants under this program. The program focuses on the conversion, purchase or fuel system upgrade of vehicles operating on CNG, LNG or LPG. Subject to environmental conditions, the program provides either:

- a grant of up to 50 per cent to purchasers for the difference in the purchase price between new original equipment manufacture (OEM) vehicles and their conventionally fuelled equivalents;
- a grant of up to 50 per cent of the cost of converting vehicles to CNG or LPG; or
- a grant of up to 50 per cent of the cost of upgrading the fuel systems of vehicles already operating on CNG or LPG where reduction of greenhouse gas emissions can be demonstrated.

The Federal Government allocated \$15 million to the program up to June 2001 and \$20 million in the subsequent three financial years.

Alternative fuels have been examined for many years but the Committee believes there are three key reasons why this approach should be adopted and put into action now:

- the economic viability of Natural Gas fuels have changed for the better;
- the pricing volatility of oil products and the market control exerted by oil companies more than ever warrants promotion of alternative fuels; and
- the Commonwealth is now amenable to providing substantial funding assistance for the development of alternative fuel strategies.

### ***Finding***

***A positive State Government involvement to stimulate the LPG market and pursue alternative fuel options, especially CNG and LNG would provide much needed competition to the traditional petroleum market.***

**Recommendation Fourteen**

**That the State Government develop a strategy, in conjunction with private sector participants, to promote the use of alternative fuels such as LNG and CNG, especially for freight use.**

**That the use of alternative fuels such as LNG and CNG, be promoted, especially for freight use.**

***Establishing a Peak Ministerial Body to Coordinate Vehicular Energy Policy in Western Australia***

In view of the major importance of fuel costs and road transport generally to Western Australian society at every level, this Committee of Enquiry strongly recommends that the State Government establish a peak body, possibly a Cabinet Sub-Committee, to coordinate the reform agenda outlined in this report.

Such a Committee could comprise the Minister for Fair Trading, the Minister for Energy, the Minister for the Environment, the Minister for Finance and the Minister for Transport.

This Sub-Committee would oversee all matters concerning vehicular energy in Western Australia. Serviced by a small secretariat with additional expertise hired as required, the Cabinet Sub-Committee would perform the following functions:

- ❑ engaging in extensive consultation with key groups involved in the vehicular energy sector, including RACWA, the MTA, gas producers, individual oil companies, and industry bodies;
- ❑ coordinating and implementing major reform in the State's fuel market, detailed in this report;
- ❑ coordinating the extensive fuel price monitoring requirements and price promotional arrangements recommended by this Committee of Enquiry; and coordinating the promotion of, and research into, new vehicular fuel sources.

**Recommendation Fifteen**

**That a peak body, possibly a Cabinet Sub-Committee, be established to coordinate vehicular energy policy matters in Western Australia.**

### ***Securing Stable Long Term Supply of Natural Gas***

The Minister for Resource Development has confirmed that the North West Shelf and Timor Sea areas could contain up to 100 years supply of natural gas at current usage rates. Estimated reserves are being added to on a regular basis as witnessed by the recent Brecknock South 1 exploration well results.

The main argument put forward in support of parity pricing for Australian oil and gas is that exploration for new oil fields will not take place in the Australian context unless the return for such fields is commensurate with the return on new exploration in other parts of the world.

In Australia on the North West Shelf and in the Timor Sea there are huge reserves of gas for which the discoverers are currently seeking markets. These reserves are far in excess of current Australian domestic natural gas markets and current overseas markets. Despite sales of CNG into Asia in recent years, huge potential resources still remain.

As discussed above, downward pressure can be exerted on the price of automotive fuel products through the greater and more widespread use of Natural Gas, providing certain conditions are met. Those conditions are:

- ❑ that Natural Gas remains free of Federal excise duty;
- ❑ sufficient stocks of Natural Gas are made available for domestic consumption; and
- ❑ the price of Natural Gas continues to be competitive in relation to petroleum prices.

Key differences between Australian produced petrol and petroleum products on the one hand and natural gas on the other are as follow:

- ❑ Australia has huge surpluses of natural gas, but has no equivalent surpluses of oil.
- ❑ The cost of exploring for the current reserves of natural gas have already been largely written off, whereas there needs to be an ongoing exploration programme for new reserves of oil if Australia is to maintain its current level of self sufficiency.
- ❑ There is a strong argument that, as Natural Gas is a natural resource, the Australian public has a right to expect a share in any windfall gains made on the marketing of current reserves. The public could share in those windfall gains by ensuring a guaranteed low price and stable supply of Natural Gas.

One way to achieve this is to hypothecate through legislation a certain percentage of Natural Gas produced in Western Australia to the Australian market.



**Recommendation Sixteen**

**That the State Government pursue legislation with the Commonwealth to ensure that sufficient LNG and CNG production in Australia is hypothecated to domestic consumption.**

**That the domestic price of LNG and CNG be regulated to reflect actual costs and reasonable profit returns.**

**That the prevailing pricing formulas and arrangements, as well as true costs of production, be identified and taken into account when enacting the two preceding recommendations.**

***Tackling anti-competitive practices in the future***

This Committee believes the operation of the petroleum market, not to mention other industries such as retailing, has focussed attention on the need for strong anti-monopolies provisions such as those operating throughout the USA.

Assessing this area of public policy will be an extremely complex task and is well beyond the capacity of this Committee in its limited timeframe. Consequently, it is strongly recommended that, in the year 2001, a standing committee of Parliament be required to formulate recommendations for a suitable legislative structure implementing anti-trust and monopolies provisions here in Western Australia, and to recommend on complementary Commonwealth legislative measures.

This process should include a thorough assessment of the Divorcement legislation introduced in several States of America, which remove the oil majors from part or all of the retail industry. This analysis should focus on, among other matters, assessing the impact of divorcement legislation on retail prices, the degree of genuine competition and overall consumer service levels.

**Recommendation Seventeen**

**That there be further evaluation of the USA divorcement and anti-trust legislation relevant to the petroleum industry, possibly by a Committee of Parliament.**

***Promoting and Assisting Rural and Industry Cooperatives***

The Committee was impressed by the objectives of the rural cooperative Farmers Fuel and considers that, based on experience in the United States, the development and operation of viable rural cooperatives warrant support.

The True Terminal Gate Price system would be of immense benefit to such Cooperatives through lower wholesale prices. It is recommended that the Cabinet Sub-Committee should work closely with rural groups to promote and facilitate fuel sales through cooperatives.

Similar priority should be placed on the need to promote access to the True Terminal Gate Price by other industry groups, such as civil contracting companies, trucking and bus fleets and so forth.

This process would entail identifying available group storage sites, efficient transport options, and the necessary administrative arrangements. In effect, shared access to large volumes of fuel would enable access to wholesale supplies at the new True Terminal Gate Price, thereby containing industry costs.

Rural cooperatives could also be a useful mechanism to help with the survival of retail fuel suppliers in small country towns.

**Recommendation Eighteen**

**That the peak body established to coordinate vehicle energy policy actively work to promote rural and industry cooperatives and alliances to reduce fuel costs.**

## **8. ADDITIONAL ISSUES RAISED WITH THE COMMITTEE**

### **8.1 FUEL QUALITY**

On a number of occasions witnesses and other participants raised issues relating to recent product quality deficiencies in diesel and lead replacement fuels distributed from the BP refinery at Kwinana. Users of both energy sources reported systems clogging and excessive fuel usage difficulties with both products.

The problems with diesel relate principally to farming equipment while many reports were received of lead replacement petrol (LRP) clogging older four stroke motors, including both cars and motorcycles.

These issues were not strictly related to the pricing focus of the Select Committee's Terms of Reference, although the resultant maintenance requirements did add to motoring costs. However, Committee members were keen to ensure appropriate action to resolve these problems, hence the following recommendation.

#### **Recommendation Nineteen**

**That the technical and operating problems experienced with diesel and LRP be examined in detail.**

**That the Ministers for Fair Trading, Environment and Primary Industry report to Parliament detailing progress.**

### **8.2 RENT BASED ON TURNOVER**

An issue raised with the Committee was that rents for the retail shop sections of service stations were determined on a percentage of turnover and in some instances the actual rent of the service station is determined on turnover.

Franchise agreements for oil company owned sites are exempt from the State legislation that regulates retail rental agreements, the Commercial Tenancy (Retail Shops) Agreements Act, which also includes a limiting paragraph to exempt premises larger than 1000 sqm.

#### **Recommendation Twenty**

**That the Minister for Fair Trading review the exemption of franchise agreements in relation to turnover rents.**

## APPENDIX ONE

STATEMENT OF ACTUAL (OR ESTIMATED) COSTS OF THE OPERATION OF THE  
COMMITTEE IN ACCORDANCE WITH STANDING ORDER 276General Expenses

Research Officer		19 600
Assistant Research Officer		11 000
Consultants -		
Dr Frank Harman	2 000	
Mr Ted Johns	500	2 500
Witness Expenses		1 340
Advertising		20 000
Postage, telephone, faxes and couriers		170
Refreshments		620
Taxis		560
Travel (see below)		
Interstate	13 110	
Intrastate	33 810	46 920
Website – <i>Alphawest</i>		8 500
Provision for printing/postage of Report		11 000
<b>Grand Total</b>		<b><u><u>\$122 210</u></u></b>

Travel ExpensesInterstate

Sydney, Canberra and Melbourne - 31 July to 2 August 2000

Airfares	Members	4 890
	Staff	4 060
Accommodation and Meals	Members	2 260
	Staff	1 900
<b>Total Interstate</b>		<b><u><u>\$13 110</u></u></b>

**Intrastate**Port Hedland – 18 May 2000

Airfares	Members	1 850	
	Staff	2 780	
Car Hire		80	
Venue Hire and Refreshments		130	\$4 840
		<hr/>	

Busselton – 6 June 2000

Accommodation and Meals	Members	220	
	Staff	330	
Car Hire		200	\$750
		<hr/>	

Merredin, Kalgoorlie and Esperance – 8 June 2000

Airfares	Members	3 130	
	Staff	3 130	
Accommodation and Meals	Members	420	
	Staff	420	
Venue Hire and Refreshments			500
\$7 600			
		<hr/>	

Geraldton – 19 June 2000

Airfares	Members	340	
	Staff	1 000	
Venue Hire and Refreshments		330	\$1 670
		<hr/>	

Collie and Bunbury – 26 June 2000

Accommodation and Meals	Members	220	
	Staff	330	
Car Hire		200	
Venue Hire and Refreshments		560	\$1 310
		<hr/>	

Narrogin and Northam – 3 July 2000

Airfares	Members	900	
	Staff	900	
Car Hire		140	
Venue Hire and Refreshments		200	\$2 140
		<hr/>	

Mt Barker and Albany – 10 July 2000

Airfares	Members	650	
	Staff	980	
Accommodation and Meals	Members	750	
	Staff	750	
Car Hire		200	
Venue Hire, Equipment Hire and Refreshments		950	\$4 280
		<hr/>	

Mandurah – 24 July 2000

Car Hire	120	
Meals	360	
Venue and Equipment Hire	540	\$1 020

Joondalup – 4 September 2000

Meals	340	
Venue and Equipment Hire	500	\$840

Moora – 11 September 2000

Car Hire	150	
Venue Hire and Refreshments	250	\$400

Broome – 26 September 2000

Airfares	Members	3 970	
	Staff	3 550	
Accommodation and Meals	Members	400	
	Staff	600	
Venue and Equipment Hire		440	\$8 960

**Total Intrastate****\$33 810**







PRODUCT DESCRIPTION	BP AUST.		CALTEX		SHELL CO		MOBIL		FLEET SYSTEMS	
	MODEL MAKE	PRICE	MODEL MAKE	PRICE	MODEL MAKE	PRICE	MODEL MAKE	PRICE	MODEL MAKE	PRICE
Metropolitan area (4007)	Prem. Unlead	\$0.9675			Ultra-09067	SCD less 6c			Ultra-09067	SCD less 6c
Remainder of State (4008)	Prem. Unlead	\$0.9730			Ultra-09067	SCD less 6c			Ultra-09067	SCD less 6c
LIQUID PETROLEUM GAS										
Metropolitan area (4009)	Autogas 017000	N / A	LPG	Pump Price	Go-gas 1013	SCD less 6c	98A04 5	Pump Price	Go-gas 1013	SCD less 8c
Remainder of State (4010)	Autogas 017000	N / A	LPG	Pump Price	Go-gas 1013	SCD less 6c	98A04 5	Pump Price	Go-gas 1013	SCD less 8c

**Note: Shell's daily SCD price can be obtained by calling 1800 036173**

## APPENDIX THREE

### NGV ESTIMATED LIFE-CYCLE COST CALCULATOR

(Cost Comparison Diesel vs Dedicated Gas vs Dual Fuel)

Fleet: **Liverpool City Council Garbage Fleet**  
 Vehicle Type: **Isuzu FVR600 (Sample only)**

#### Diesel Costs –

Number of Vehicles	Diesel Cost \$ per litre	Diesel Litres Per 100 km	Annual Km	Annual Diesel Usage	Annual Diesel Cost
10	0.88	91	34,000	309,400	\$ 271,963

#### Natural Gas Costs –

Gas Cost per M <sub>3</sub>	Gas M <sub>3</sub> Per 100 km (Diesel 10%)	+	Annual Km	Annual Gas Usage M <sub>3</sub>	Annual CNG Cost
0.38	100.1		34,000	340,340	\$129,329

#### Fuel Cost Calculation

(Dual Fuel – usually between 75% and 80% Gas Substitution)  
 (For Dedicated Engines – show 100% Gas Substitution)

Gas Substitution	Diesel Usage	Gas Usage	Dual Fuel Cost
75%	77,350	255,255	\$164,988

#### Additional Capital Cost

Actual Cost Per Vehicle	Less Govt Grant Per Vehicle	Net Cost Per Vehicle	Fleet Cost (Net)
\$22,000	\$11,000	\$11,000	\$11,000

#### Life Cycle savings based on fuel price differential

Years Service	Total Savings \$	Annual Savings
0	-110,000	\$106,975
1	-3,250	\$106,975
2	103,950	\$106,975
3	210,925	\$106,975
4	317,900	\$106,975
5	424,875	\$106,975
6	531,850	\$106,975
7	638,825	\$106,975
8	745,800	\$106,975
9	852,775	\$106,975
10	959,750	\$106,975

<b>Pay Back</b>	Simple Payback 1.03 Years
<b>1.03</b>	

#### Annual Fuel Savings

#### Annual Running costs in % Savings

Dedicated Vehicle	\$ 142,633	Dedicated Vehicle	52%
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<b>Dual Fuel Vehicle</b>	<b>\$106,975</b>	<b>Dual Fuel Vehicle</b>	<b>39%</b>
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## APPENDIX FOUR

## DISCUSSIONS HELD WITH THE COMMITTEE

Name	Title	Date of Meeting
Mr Chris GREENHILL	General Manager Australian Liquefied Petroleum Gas Association	10 May 2000
Mr David PARKER	Industry Development Manager The Australian Gas Association	10 May 2000
Dr Les FARRANT	Coordinator of Energy Office of Energy	28 June 2000
Mr Ted JOHNS	Former Manager – BP	13 July 2000
Mr Hans SIDLER	General Manager Woolworths – Petrol	31 July 2000
Mr Terry LUDLOW	National Property Manager Woolworths – Petrol	31 July 2000
Mr Kevin BLACK	Former CNG Project Coordinator Liverpool Council	31 July 2000
Senator Aiden RIDGEWAY, MP	Member of the Senate Economic Reference Committee (Multi Site Franchising)	1 August 2000
Mr Peter HALLAHAN	Senior Research Officer Senate Economic References Committee (Multi Site Franchising)	1 August 2000
Mr Geoff KELLY	Program Manager CNG Infrastructure Australian Greenhouse Office	1 August 2000
Mr Russell SCOLAR	Ford Government Liaison Officer	2 August 2000
Mr Bruce McDONALD	Ford Vice President Marketing and Sales	2 August 2000
Mr Peter SPENCE	Ford Associate Business Strategy Office (LPG and CNG)	2 August 2000
Ms Margaret ARBLASTER	Head of Transport and Price Oversight Branch Australian Competition and Consumer Commission	2 August 2000
Ms Anne PLYMPTON	Regulatory Affairs Division Australian Competition and Consumer Commission	2 August 2000
Mr Renato VIGLIANTI	Assistant Director Regulatory Affairs Division Australian Competition and Consumer Commission	2 August 2000
Mr Nigel PHILIPS	General Manager Trading AlintaGas	16 August 2000
Dr Frank HARMAN	Economics Lecturer Curtin University	16 August 2000
Mr Michael BARNES	Acting Director Economic Revenue and Policy, Treasury	13 September 2000

Name	Title	Date of Meeting
Mr David FALCONER	Senior Research Officer Economic Revenue and Policy, Treasury	13 September 2000
Mr Geoff ASHER	Former Australian Competition and Consumer Commission employee Consultant to the Victorian and Queensland State Governments	13 September 2000
Mr Rob MEADOWS	Solicitor General	20 September 2000
Mr Mark KEVIN	Chief Executive Liberty Oil Pty Ltd	20 September 2000
Mr Gary BATTEN	State Manager, Western Australia Liberty Oil Pty Ltd	20 September 2000
<b>Geraldton residents</b>		19 June 2000
<b>Northam residents</b>		3 July 2000
<b>Mt Barker residents</b>		10 July 2000
<b>Moora residents</b>		11 September 2000
<b>Broome residents</b>		26 September 2000

## APPENDIX FIVE

### THE COMMITTEE ACTIVITIES

#### 1.1 Establishment and Terms of Reference

On 6 April 2000, on the motion of the Hon. D.J. Shave, MLA, Minister for Fair Trading, a Select Committee was appointed with the following terms of reference –

- (1) To investigate and report on the wholesale and retail price of petrol fuel and LPG Autogas petroleum products in metropolitan and non-metropolitan Western Australia, and in particular –
  - (a) the reasons for differences in the price of petroleum products in metropolitan and non-metropolitan Western Australia;
  - (b) the reasons for significant price fluctuations in petroleum products;
  - (c) the impact of State and Federal Government policies, taxes and charges on the price of petroleum products in both metropolitan and non-metropolitan areas of the State;
  - (d) the effect on the price of petroleum products of current changes in the system of petroleum product franchising throughout Western Australia;
  - (e) the reasons for the high cost of LPG Autogas in Western Australia relative to other Australian States;
  - (f) whether legislative intervention is necessary or desirable to reduce the difference in the price for petroleum products within and between metropolitan and non-metropolitan areas of Western Australia; and
  - (g) recommendations for any other measures to reduce the price difference for petroleum products within and between metropolitan and non-metropolitan areas of Western Australia.
- (2) That the committee finally report by 30 September 2000.

#### 1.2 Membership

The following Members were appointed to serve on the Select Committee –

the Member for Mitchell (Mr D. F. Barron-Sullivan, MLA);  
the Member for Geraldton (Mr R. C. Bloffwitch, MLA);  
the Member for Pilbara (Mr L. Graham, MLA);  
the Member for Avon (Mr M. W. Trenorden, MLA); and  
the Member for Eyre (Hon. J. F. Grill, MLA).

#### 1.3 Reappointment of Committee and Extension to Reporting Date

Following the prorogation of the Third Session of the 35<sup>th</sup> Parliament, the committee was reappointed on 9 August 2000 with the same terms of reference, and on 14 September 2000 the reporting date was extended to 12 October 2000.

#### 1.4 Chairman

Mr D F Barron-Sullivan, MLA was appointed Chairman of the Committee at the first meeting held on 19 April 2000.

## 1.5 Meetings

The Committee met on 35 occasions, including 12 days on which formal evidence was taken.

## 1.6 Public Meetings

The Committee held 11 public meetings to allow members of the public to have their say on the pricing of petroleum products. The meetings were held at –

Port Hedland	Thursday, 18 May 2000;
Busselton	Tuesday, 6 June 2000;
Merredin	Thursday, 8 June 2000;
Kalgoorlie	Thursday, 8 June 2000;
Esperance	Thursday, 8 June 2000;
Collie	Monday, 26 June 2000;
Bunbury	Monday, 26 June 2000;
Narrogin	Monday, 3 July 2000;
Albany	Monday, 10 July 2000;
Mandurah	Monday, 24 July 2000; and
Joondalup	Monday, 4 September 2000.

These meetings allowed members of the public as well as interested organisational representatives to have their say by giving formal evidence to the Committee.

Note: The Committee also held discussions in the following locations –

Geraldton	Monday, 19 June 2000;
Northam	Monday, 3 July 2000
Mt Barker	Monday, 10 July 2000;
Moora	Monday, 11 September 2000; and
Broome	Tuesday, 26 September 2000.

Details of people giving evidence are detailed at Appendix Six.

The concerns raised at public meetings and discussions were consistent with the matters raised in the submissions (See Appendix Eight – Issues Raised in Submissions).

## 1.7 Submissions

The Committee received numerous written submissions from persons and organisations.

A complete list of those people making submissions to the Committee appears at Appendix Seven and an analysis of those submissions is contained in Appendix Eight.

## 1.8 Witnesses

The Committee conducted oral evidence hearings during the course of its inquiry. It heard evidence from key participants in the pricing of petroleum products in Western Australia. A list of witnesses appears in Appendix Six.

*The Committee wishes to thank the many individuals and organisations who contributed their time, knowledge and assistance to its inquiry.*



**APPENDIX SIX****ORAL EVIDENCE**

<b>Hearing No.</b>	<b>Title</b>	<b>Hearing Date</b>
<b>PORT HEDLAND</b>		
1	Mr Paul PIERCEY Chairman Project Infrastructure and Planning Pilbara Development Commission	18 May 2000
1	Mr Dennis MARTIN Coordinator Project Infrastructure and Planning Pilbara Development Commission	18 May 2000
1	Mr Christopher N JONES President Port Hedland Chamber of Commerce	18 May 2000
1	Mr Jack HAUNOLD Proprietor Shell Service Station	18 May 2000
1	Mr Roy A HORSMAN Proprietor Ampol Service Station	18 May 2000
1	Mr Robert D NEVILLE Community Representative	18 May 2000
1	Mr Louis M HAYLER Citizen	18 May 2000
<b>BUSSELTON</b>		
2	Mr Bill IVORY Self-employed	6 June 2000
2	Mr Reginal FLECKNELL Retired	6 June 2000
2	Mr John VALENTINE Retravisision Store Owner	6 June 2000
2	Mr James G DICKS Retired	6 June 2000
2	Mr Robert W WALKER Retired	6 June 2000
2	Ms Jocelyn ELPHICK School Teacher	6 June 2000

Hearing No.	Title	Hearing Date
2	Mr Brian M GILLILAND Transport Driver	6 June 2000
2	Mr Carl GRIEVES Salesman	6 June 2000
2	Mr Trevor James FITZGERALD Business Proprietor	6 June 2000
2	Mr Michael CASSANET Advertising Consultant	6 June 2000
2	Mr Bernard Kent MASTERS, MLA Member of the Legislative Assembly of Western Australia	6 June 2000
2	Mr Vernon DAWSON Farmer	6 June 2000
2	Mr Richard N SEMARK Retired Farmer	6 June 2000
<b>MERREDIN</b>		
3	Mr Sam MUSCA Manager Westfuel Depot	8 June 2000
3	Mr Damien MARTIN Assistant Director Wheatbelt Development Commission	8 June 2000
3	Mr Grant S ROBINSON Manager BP Roadhouse, Bruce Rock	8 June 2000
<b>KALGOORLIE</b>		
4	Mr Hugh H GALLAGHER Chief Executive Officer Kalgoorlie-Boulder Chamber of Commerce and Industry Inc	8 June 2000
4	Mr Paul M GATES Journalist <i>Kalgoorlie Miner Newspaper</i>	8 June 2000
4	Mr Leroy G HARROP Manager Kevden Pty Ltd	8 June 2000
4	Ms Kathleen M STANICK-BENTLEY Owner Stanick Industrial and Personal Counselling Services	8 June 2000

Hearing No.	Title	Hearing Date
<b>ESPERANCE</b>		
5	Mr John D McDOUGALL Zone President Esperance Zone WA Farmers Federation	8 June 2000
5	Mr Grant HARRIS Manager South East Petroleum BP Distributor	8 June 2000
5	Mr Ian S MICKEL Shire President Shire of Esperance	8 June 2000
5	Mr Colin A STEWART Chief Executive Officer Esperance Port Authority	8 June 2000
<b>COLLIE</b>		
6	Mr Michael N DJUKIC Unemployed	26 June 2000
6	Mrs Joyce HARNBY Retired	26 June 2000
6	Mr Philip A WORROLL Mechanic	26 June 2000
6	Dr Hilda TURNBULL, MLA Member of the Legislative Assembly of Western Australia	26 June 2000
6	Mr Warren M CHAPMAN Service Station Proprietor Caltex Collie Brake and Clutch	26 June 2000
<b>BUNBURY</b>		
7	Ms Alison BUNTING Bunbury Petrol Action Coalition	26 June 2000
7	Mr Preston LEARMONTH Retired	26 June 2000
7	Mr John CAMERON Retired	26 June 2000
7	Mr Gregory M WHITE Research Officer	26 June 2000
7	Mr John BAIN Consultant	26 June 2000
7	Mr Bruce MINCHIN Retired Mine Supervisor	26 June 2000

Hearing No.	Title	Hearing Date
7	Mr Donald ROBERTSON Retired	26 June 2000
7	Mr Neill W ROWLANDSON Plant Accountant Peters and Brownes Group	26 June 2000
7	Mr Alan H HOGG Secretary Bunbury Pensioners' League	26 June 2000
7	Mr Harold RISEBOROUGH Retired	26 June 2000
7	Mr Alan REARDON Book Distributor	26 June 2000
7	Mr Errol DYSON Storeman	26 June 2000
<b>NARROGIN</b>		
8	Mr Ian B TURTON President Upper Great Southern Zone WA Farmers Federation	3 July 2000
8	Mr Alan McWHIRTER Private Fuel Distributor	3 July 2000
8	Mr Robert L WIESE, MLA Member of the Legislative Assembly of Western Australia	3 July 2000
8	Mr Ewen R DYSART Director Cooper & Dysart Pty Ltd	3 July 2000
8	Mr Alan GREEN Retired	3 July 2000
8	Cr Phillip J BLIGHT Councillor Shire of Wagin	3 July 2000
<b>ALBANY</b>		
9	Ms Nina H BRISCOE Coordinator Albany Petrol Action Coalition	10 July 2000
9	Mr Bruce S DIXON Retired	10 July 2000
9	Mr Byron H FELSTEAD Retired	10 July 2000

Hearing No.	Title	Hearing Date
9	Mr Robert H EMERY Chief Executive Officer Albany Port Authority	10 July 2000
9	Mr Ian W PEACOCK Farmer and Chairman Albany Port User Group	10 July 2000
9	Mr Roderick H SAWYER Handyman	10 July 2000
9	Mr Graham DAVIES President Albany Farmers Federation	10 July 2000
9	Mr John ROWE Retired	10 July 2000
<b>MOTOR TRADE ASSOCIATION</b>		
10	Mr Peter J FITZPATRICK Executive Director Motor Trade Association of Western Australia	13 July 2000
10	Ms Noelle SIMONS Manager Motor Trade Association of Western Australia	13 July 2000
10	Mr William F HARRY Former Chairman Motor Trade Association of Western Australia	13 July 2000
<b>INDEPENDENT</b>		
10	Mr Reginald OGILVY Independent Service Station Proprietor Westco	13 July 2000
10	Mr Arthur F ROSENWALD Independent Service Station Proprietor Fuelec Enterprises	13 July 2000
<b>RAC</b>		
11	Mr Michael L UPTON Senior Engineer Policy RAC	19 July 2000
<b>PASTORALISTS AND GRAZIERS</b>		
11	Ms Lynne JOHNSON Primary Producer Chairman Economics Pastoralists and Graziers Association	19 July 2000
11	Mr Geoffrey M GARE Communications Director Pastoralists and Graziers Association	19 July 2000

Hearing No.	Title	Hearing Date
<b>WESFARMERS</b>		
12	Mr David A ROBB Managing Director Wesfarmers Energy	24 July 2000
12	Mr Gary P IRESON General Manager Wesfarmers-Kleenheat Gas	24 July 2000
12	Mr Keith KESSELL General Manager – Public Affairs Wesfarmers	24 July 2000
<b>BP</b>		
12	Mr Bill FRILAY Manager Government Relations BP Australia	24 July 2000
12	Mr Michael J McGUINNESS Retail Fuel Manager BP Australia	24 July 2000
12	Mr Chris RANDALL Manager BP Oil	24 July 2000
<b>MANDURAH</b>		
13	Mr Reginald J RICE Retired	24 July 2000
13	Mr Ian G DICK Retired	24 July 2000
13	Mr Steven P POST Consultant	24 July 2000
13	Mr Alan BLYTH Senior Contracts Officer Kaiser Engineers Pty Ltd	24 July 2000
13	Mr Roger K NICHOLLS, MLA Member of the Legislative Assembly of Western Australia	24 July 2000
13	Mr Terrance J SHAW Service Station Proprietor	24 July 2000
13	Mr Warren S O'KEEFE Owner Operator	24 July 2000
13	Ms Ashlea J FORD Parent	24 July 2000

Hearing No.	Title	Hearing Date
<b>WA FARMERS FEDERATION</b>		
14	Mr Colin J NICHOLL General President WA Farmers Federation	26 July 2000
14	Mr Paul T CARTER Transport Executive Officer WA Farmers Federation	26 July 2000
<b>SHELL</b>		
14	Mr Ken ALLENDER Operations Manager Shell Australia	26 July 2000
14	Mr Ian McKENZIE Retail Strategy and Development Manager Shell Australia	26 July 2000
14	Mr Peter HARRIS Chief Economist Shell Australia	26 July 2000
<b>GULL</b>		
14	Mr Neil D RAE Executive Director Gull Petroleum (WA) Pty Ltd	26 July 2000
<b>AUSTRALIAN PETROLEUM AGENTS DISTRIBUTORS ASSOCIATION</b>		
14	Mr Brian JASPER State Member and Fuel Distributor Australian Petroleum Agents and Distributors Assoc.	26 July 2000
14	Mr Barry D SCOTT General Manager Westfuel	26 July 2000
<b>FARMERS' FUEL</b>		
15	Mr Michael SMITH Manager of Fuel Distribution Farmers' Fuel	30 August 2000
<b>FUELS WEST PETROLEUM</b>		
15	Mr Guy MILLMAN Fuel Distributor Fuels West Petroleum	30 August 2000
<b>WESFARMERS</b>		
15	Mr David A ROBB Managing Director Wesfarmers Energy	30 August 2000

<b>Hearing No.</b>	<b>Title</b>	<b>Hearing Date</b>
15	Mr Gary IRESON General Manager Wesfarmers Kleenheat Gas	30 August 2000
15	Mr Keith KESSELL General Manager – Public Affairs Wesfarmers	30 August 2000
<b>CALTEX</b>		
16	Mr Frank TOPHAM Manager of Government Affairs Caltex Corporation	4 September 2000
<b>JOONDALUP</b>		
17	Mr Otto MUELLER Retired	4 September 2000
17	Mr David J FLETCHER Retired	4 September 2000
17	Mr Rhett SHANNON Service Station Proprietor Wesco Fuel	4 September 2000



**APPENDIX SEVEN****SUBMISSIONS**

	<b>Identity</b>	<b>Subject</b>
1.	Geoff McPhee – Nedlands	Lead Replacement Fuel
2.	DJ & FE Fullwood – Mandurah	Variation in Petrol Prices
3.	Lester Dunn- Gosnells	Increased Petrol Prices Occurs Instantly
4.	BW Reddin – Trigg	Price Support for Oil Company Sites and not Independents
5.	Peter Bennett AMB HOLDINGS PTY LTD	Government Excise
6.	Gerry Brown – Kalamunda	Price of Gas Cylinders
7.	Thomas Baines – Albany	Price of LPG Gas Cylinders
8.	D E Hordacre – Mt. Barker	Price of Oxy Acet. Outside terms of reference.
9.	Geoff Bordessa – Albany	Price of LPG Cylinders
10.	Beryl Frost – Albany	Price of LPG Cylinders
11.	AN Arntzen – Rockingham	Price of LPG
12.	Veronica McGurk	Variation in Petrol Prices
13.	Len Puzey Miami – Padbury	High price of LPG
14.	Shane Pedlar – Glen Forrest	Variation in Petrol Prices
15.	M. Hansen –Greenmount	Price of LPG Cylinders
16.	Mr L. Gannon – Marble Bar	Price of LPG Cylinders
17.	CR Marr – South Perth	Price of LPG Cylinders
18.	William Bloch – Bluff Point	The book “The Seven Wicked Sisters”
19.	W. Hansby – Byford	Price of LPG Cylinders
20.	M. Hall – South Hedland	Variation in Petrol Prices
21.	Julie Rick – Eaton	High Price of Fuel
22.	Dale Lovett – Bunbury	Country Fuel Prices and Tourism
23.	Anonymous	High Price of Tax on Fuel
24.	Rob Bessen - Albany	Price of LPG Cylinders
25.	Laurence J. Ahearn - Yokine	Price of LPG Cylinders
26.	Tim Shaw – Stoneville	Price of LPG and Petrol Prices
27.	Fred Frank – Mandurah	Variation in Petrol Prices
28.	Robert Oldfield - Alfred Cove	Price of LPG Cylinders
29.	Kevin Francis – Albany	Price of LPG Cylinders
30.	NA Clemens – Watheroo	Price of Petrol in Rural WA
31.	A Edney – Cannington	Price of Diesel and Unleaded Petrol
32.	K. Bampffield – Albany	Price of Petrol in Rural WA
33.	DK McClean – Ocean Reef	Unleaded Petrol Price
34.	Keith Earnshaw – Mandurah	Price of LPG
35.	Geoff Groenenberg – Welshpool	Price of LPG Autogas
36.	Graham C. Kitchen – Karnup	Price of LPG Cylinders

	<b>Identity</b>	<b>Subject</b>
37.	Bruce Pengelley – Woodlands	Unleaded Petrol vs Crude Oil
38.	Graeme Spedding UNIVERSITY OF WESTERN AUSTRALIA	LPG Prices
39.	Ric Marcon	LPG Prices
40.	Richard Jackson – Busselton	Petrol Prices Variance in Rural WA
41.	David Haswell – Dwellingup	Price difference between Unleaded and Replacement Petrol
42.	Danny Moller – Wilson	Variance of Auto Gas Price
43.	SJ Ball – Parkwood	Diesel Price vs UnLeaded and Leaded Petrol
44.	Mr Ernest Davis – Denmark	High Petrol Prices in Denmark
45.	Mr Harry Sambrooks – Ferndale	LPG Prices
46.	Mr T Richard Anderson – Shoalwater	High petrol prices
47.	Mr K W (Tom) Cleverly – Wyalkatchem	High petrol prices to country, Wyalkatchem
48.	Mr Ross Fimister AUGUSTA COMMUNITY DEVELOPMENT ASSOCIATION INC	High petrol prices in country, Augusta
49.	Mr Terry Bettinson – Dianella	Varying petrol prices throughout Australia
50.	Mr J L Dols – Canning Vale	Variation of petrol prices throughout week
51.	Mr Sam Brown – North Lake	High petrol prices in country
52.	Mr J T Ward – Wannanup	High prices of petrol
53.	Mr P Anning SHIRE OF SHARK BAY	Higher Government charges – Fuel prices should be uniform Statewide
54.	Mr George H Baylis – Cuballing	Country petrol prices subsidising city
55.	Mr R L Moss	High price of LPG
56.	PORT HEDLAND CHAMBER OF COMMERCE	High petrol prices and their effect on small business
57.	Mr A Wilson – Albany	High petrol prices in Albany
58.	Mr K H Miller – Pinjarra	Government should control all oil prices
59.	Mr Nic Vasiliu – Albany	High petrol prices in Albany
60.	Mr Thomas Bickers – Bunbury	Excise on leaded petrol
61.	Mr John Herring – [Email]	Parity pricing
62.	Ms Pauline Abernethie – Serpentine	Fluctuating petrol prices
63.	Mr Joe Vernon – Mandurah	Excise on lead replacement petrol
64.	Mr Arthur & Mrs Dot Domney – Albany	High petrol prices in Albany
65.	Mr John Howard – Roleystone	High LPG cylinder prices
66.	Mr Peter & Mrs Susan Warner – Napier	High petrol prices in Albany
67.	Messrs JA & PD Wellstead – Albany	High petrol prices in Albany
68.	Mr Bernie Masters, MLA MEMBER FOR VASSE	High petrol prices in Busselton
69.	Mr J S Dunbar – Albany	High petrol price in Albany
70.	Mr Graeme O Ford – Meadow Springs	Parity pricing
71.	Mr Eric McKay – Morley	Fluctuating petrol prices – high cost of gas conversion
72.	Mrs G Boyle – Parkerville	High price of LPG cylinders

	<b>Identity</b>	<b>Subject</b>
73.	Ass of Independent Retirees – Albany	High petrol price in Albany
74.	Mr M C Turner – Albany	High petrol price in Albany
75.	Messrs Tom & Peter Holben – Cowaramup	Low margins – Indenting controlled by Oil Companies
76.	Mr Jack & Edna Mather – Singleton	Investigate and regulate industry
77.	Mr Reg Rice – Halls Head	High price and fluctuation of petrol prices
78.	Mr Eric Currie – Yallingup	High petrol prices – difference between city and country
79.	Mr K K Amess – Albany	High petrol and gas cylinder prices in Albany
80.	Mr D A Booth – Albany	High petrol price in Albany
81.	Mr B Coulson – Albany	High petrol price in Albany
82.	Mrs June Van der Klashorst, MLA MEMBER FOR SWAN HILLS	High price of LPG gas cylinders
83.	Mr J H James – Albany	High petrol prices in Albany
84.	Mr Michael Piesse – Geraldton	Difference in prices between city and country
85.	Mr Terry Shaw – Singleton	Terminal gate pricing – minimum prices
86.	Mr Martin Hornbuckle – Lockridge	Price rise on weekends
87.	Mr Jeff Smith – Muja	High price hurting PAYE workers
88.	Messrs H & S Horne – Singleton	Regulate petrol prices
89.	Mr Lindsay Harbord	Price of LPG
90.	Mr Ross Craigie	Industry deregulation led to higher prices
91.	Mr Kenneth & Priscilla Broadbent – Bremer Bay	High country petrol prices
92.	Mr Ian Ladyman – South Perth	High price of diesel
93.	Mr Keith Davies – Roleystone	High LPG prices
94.	Mr Peter Henderson – Port Kennedy	High petrol prices
95.	Milena Dei Giudici – Dianella	High petrol prices
96.	Jacqui – Mandurah	LPG autogas prices
97.	Mr Martin Hornbuckle – Lockridge	Fluctuating prices before weekends
98.	Ms Candy Jennings – Wanneroo	Fluctuating petrol prices
99.	Mr Ian Jennings – Wanneroo	Fluctuating petrol prices
100.	Mr Des Scott – Bunbury	Difference prices between metro and country
101.	Mr Neil Newman – Kalgoorlie	Price fluctuations
102.	Mr Peter Worthington – Bunbury	High petrol prices in Bunbury
103.	Mr Matthew Launer – Darling Downs	Oil Company monopoly in Bunbury
104.	Mr Paul Lydon – Harvey	High fuel prices in Harvey
105.	Messrs WIC & EJA Fear – Stoneville	High petrol prices
106.	Mr W J Neeson – Augusta	High petrol and LPG prices in Augusta
107.	Mr RWD Johnson – Mandurah	Alternative fuels needed to compete with Oil Companies
108.	Mrs J G Schumacher – Gledhow	High petrol prices in Albany
109.	Mr Warnes – Bunbury	High petrol prices in Bunbury – price fixing
110.	Mr Richard Ladyman	Excise on fuel should be spent on roads
111.	Mr Dickinson – Mandurah	Fluctuating petrol prices

	<b>Identity</b>	<b>Subject</b>
112.	Mr Neville J Sayers – Singleton	High petrol prices
113.	Mr Peter Wickham	High LPG prices
114.	Email – unsigned	High petrol prices in Albany
115.	Messrs G & S Matchett – Wooree	High fuel and LPG prices in country
116.	M J Tomkins – Cue	High priced fuel in remote areas
117.	S Edwards – Geraldton	High petrol prices in country
118.	Eric Currie – Yallingup	Disparity between country and metro areas
119.	Tara Pendragon – Denmark	High prices of petrol in Denmark
120.	Michael Talbot – Lower King River	High prices of petrol in Albany
121.	Gabrielle Stevens – Singleton	Fluctuating petrol prices – promote use of LPG
122.	Eunice and Len Faulkner – Busselton	Disparity of fuel prices country and metro
123.	H J Fraser SHIRE OF COOLGARDIE	Disparity of prices country and metro
124.	B Rowe – Halls Head, Mandurah	Excise tax on fuel
125.	Deidre Wickham – Allanson	Price fixing on LPG
126.	W Stobart – email	Rebate systems and effect on price
127.	Albert H Lenane – Geraldton	High country fuel prices
128.	Mr & Mrs M Oliver – Gelorup	High price of fuel in Bunbury compared to Mandurah
129.	Mrs C Green – Forrestfield	High price of LPG cylinders
130.	P L Lenane – Geraldton	High price in country areas – should be one price Statewide
131.	J & M Wilson – Albany	High price of petrol in Albany compared to other areas
132.	W W Baxter – Falcon	Fluctuating fuel prices
133.	Roger Griffiths – Albany	High prices in Albany compared to Perth
134.	Brian Morcombe	High price of petrol in Albany
135.	Messrs CR & RK Westcott – Albany	High price of petrol in Albany compared to other areas
136.	Andreas & Monika Boettke - Albany	High price of petrol in Albany - no Price Boards
137.	J E Shackleton – Albany	High price of petrol in Albany compared to other areas
138.	Alan Oats – Albany	High price of petrol in Albany compared to other areas
139.	Messrs W & P Ware – Denmark	High price of petrol in Albany compared to other areas
140.	Mrs Lyn Madigan – Albany	High price of petrol in Albany compared to other areas
141.	J A Jennings – Mt Barker	High price of petrol in country areas
142.	Mrs E Meade – Albany	High price of petrol in Albany
143.	A & N Brassey	Fluctuating petrol prices
144.	Ms Brenda Brieichen – Albany	High price of petrol in Albany compared to other areas
145.	L H Hobbs – Darlington	High price of LPG cylinders
146.	D J Baxter – Narrikup	High price of petrol in Albany
147.	A Bell & C P Cole	High price of petrol in Albany
148.	J D Woodward – Little Grove, Albany	High price of petrol in Albany

	<b>Identity</b>	<b>Subject</b>
149.	Walter James Schleicher – Beechboro	High price of LPG cylinders
150.	Arch E J McNess – Bayswater	Excise on lead replacement fuel
151.	Kerry Halden	High price of petrol in country compared to other areas
152.	P M Winfield – Albany	High price of petrol in Albany
153.	Cliff Ferguson – Margaret River	High price of petrol in country areas
154.	D S Gilmore, H M Scott, G Peters, L Peters	High price of petrol in Albany compared to other areas
155.	Mrs Patricia Allan – Albany	High price of petrol in Albany and Denmark
156.	Noel Welsh THE SHIRE OF DONNYBROOK	High price of petrol in country areas compared to city
157.	M T Howieson SHIRE OF MEEKATHARRA	High price of petrol in country areas
158.	John Wanschers – Albany	High price of petrol in Albany compared to other areas
159.	Marjorie Freegard – Albany	High price of petrol and LPG in Albany compared to other areas
160.	M K Davey – Albany	High price of petrol and heating oil
161.	Jack Townley – Denmark	Increase in price of LPG over last 12 months
162.	T Partington – Denmark	High price of petrol in Albany/Denmark compared to other areas
163.	Mr K R Wiggins – Singleton	Inaction of ACC over deregulation
164.	J M Hart – Denmark	High price of petrol in Denmark
165.	Mr E B Henson – Falcon	High price of LPG
166.	Ross McCleery – Albany	High price of petrol in Albany compared to other areas
167.	R & J Constantine – Denmar	High price of petrol in Denmark compared to other areas
168.	Patrick Knowles	High price of diesel fuel
169.	Roselin Humphries TWO ROCKS WIDER HORIZONS ACTION GROUP	High price of LPG cylinders
170.	Tracey Johnson – Two Rocks	High price of LPG cylinders
171.	Shane Collie – Morawa Shire Council	High price of petrol in country areas compared to city
172.	J E F Newcombe – Rockingham	High price of LPG compared to eastern states
173.	Rodney F Pages – Albany	High price of petrol in Albany compared to other areas
174.	Colin Fahey	Unstable petrol prices
175.	Email unsigned	Government excise on fuel
176.	Ken Harris	Wild fluctuations in petrol prices
177.	Laurie Leavy – Watersun	High cost of LPG
178.	RJ & HM Fitzgerald – Mandurah	High cost of LPG
179.	L W Horner – South Yunderup	High LPG compared to other states
180.	Fiona McKenzie-Brown	Fluctuating petrol prices
181.	C M Sutton – Mandurah	High petrol prices in Mandurah
182.	R V Ceicys – Mandurah	High petrol price variations
183.	George N Marston – Mandurah	High petrol and LPG prices
184.	Chris Baker – Mandurah	High petrol prices and fluctuations

	<b>Identity</b>	<b>Subject</b>
185.	David Williams – Busselton	High price of petrol in Busselton
186.	Gerry Hartnett – Busselton	High price of petrol in Bunbury/Busselton
187.	WB & GL Peacock – Mt Barker	High price of petrol in country compared to other areas
188.	Colin Fairclough – Balingup	Fluctuation in fuel prices
189.	Kalynda Selepak – Youngs Siding	High price of petrol in Albany compared to other areas
190.	SM Norvill & BR Thorpe – Wongan Hills	High cost of LPG cylinders
191.	Graeme K Whitehorn - Duncraig	Fluctuation in fuel prices
192.	Keith Jones – Wangara	Fluctuation in fuel prices
193.	L Lockhart – Denmark	High price of petrol in country compared to metro
194.	Mrs Sheila M Jenkinson – Greenbushes	Disparity between country and metro prices
195.	John O'Rourke – Albany	Disparity between country and metro prices
196.	<b>Dr Geoff Gallop, MLA Leader of the Opposition</b>	<b>Composite Submission</b>
197.	<b>Hon. Dexter Davies MLC President of the National Party of Australia</b>	<b>Composite submission</b>
198.	<b>Motor Trade Association of WA (Inc)</b>	<b>Composite submission</b>
199.	<b>Dick Stott – Divisional Manager, Traffic and Safety – RAC of WA (Inc)</b>	<b>Composite submission</b>
200.	<b>W F Harry – Lot 5 Mandurah Road Secret Harbour</b>	<b>Composite submission</b>
201.	<b>Anthony Martino – Martino's Ampol Service Station, Doubleview</b>	Deregulation Debate – system and margin
202.	<b>Garth Symington – APADA, Victoria</b>	<b>Composite submission</b>
203.	<b>Ken Allender – Shell Australia</b>	<b>Shell Composite submission</b>
204.	<b>Australian Institute of Petroleum</b>	<b>Composite submission</b>
205.	John Bain – 16 Waratah Crescent, Bunbury	High fuel prices in Bunbury.
206.	Doug Sheppard – Primary Industry Bank of Australia Limited	Disparity in prices between Perth and Geraldton
207.	J H Ryde – Box 77, Mt Barker	Disparity in prices between Perth Mt Barker
208.	M J Carroll – PO Box 316, Geraldton	High price of petrol in Geraldton – lead replacement fuel
209.	E Montgomery, Busselton	LPG auto gas prices Jan – April, Kojonup, SA, Brisbane, Melbourne
210.	M L Kahler SHIRE OF ESPERANCE	High price of petrol in country
211.	Leroy G Harrop – PO Box 913, Kalgoorlie	Oil companies manipulation of prices – Terminal gate pricing
212.	Guy Millman, FUELS WEST – Manjimup	<b>Independent distributor – Terminal gate pricing</b>
213.	Joseph Blanc email	Disparity between Toodyay and Northam
214.	Robyn Hams, email	Disparity in prices between Perth and country
215.	Feedback email	Oil companies hold monopoly
216.	Phillip Arena email	Fluctuating fuel prices
217.	Ian Hitchins email	Oil companies manipulation of prices
218.	Tory Timms email	High prices in Bunbury compared to Mandurah

	<b>Identity</b>	<b>Subject</b>
219.	Justin Smith email	High price of petrol in country compared to other areas
220.	Ruth Antonio email	High price of petrol in country areas compared to city
221.	Robert Moore email	Fluctuating petrol prices
222.	Emma email	Unfairness to country people
223.	John Locke email	High price of diesel in Margaret River
224.	Edwin Tamlin email	Manipulation of diesel price
225.	Joe email	Disparity in prices between city and Katanning
226.	Barry Willcox email	High price of autogas in Margaret River
227.	Ronnice Dunk email	High price of autogas in country
228.	Ron Glasson email	Manipulation of prices
229.	Sue Rodgers email	High price of LPG autogas
230.	Glenn McInnes email	High price of LPG autogas
231.	Peter Crawford – Curtin University	Fluctuation in petrol prices – body to control industry
232.	Monica Holmes, MLA Member for Southern River	<b>Fluctuation in petrol prices</b>
233.	WR & AT Crerar – Kelmscott	Fluctuation in petrol prices
234.	Esperance Yacht Club	High price of petrol and LPG in country areas compared to city
235.	Kathleen M Stanick	High price of petrol in country areas compared to city
236.	Wheatbelt Region Development Commission	<b>High fuel prices affect overall cost of living</b>
237.	Matt Stephens – PO Box 5359, Albany	No competition between Oil companies in country
238.	Mark Hook – Shire of Pingelly	Fluctuation in petrol prices
239.	P J Newsome – Coogee Resort Permanent Residents' Association Inc	High price of LPG cylinders
240.	Ernst Darers – Denmark	High price of petrol in Albany compared to other areas
241.	Eric O Martin – Malaga	High price of LPG cylinders in country
242.	Trevor and Deb Dennis – Cloverdale	High price of petrol in country areas compared to city
243.	John Gentle – RAM President	Difference in fuel price no more than 4 cpl
244.	P & S Warner – Napier	High price of petrol in Albany compared to other areas
245.	Michael Woodhams – Albany	High price of petrol in Albany compared to other areas
246.	Mrs Jan Buxton – Gelorup	Disparity in prices between Bunbury and Perth
247.	Laurie Harrod - Fax	Disparity in prices between Bunbury and Perth
248.	Doug Parry – Fax	High price of petrol in country areas compared to city
249.	<b>Dan Sullivan, MLA Member for Mitchell</b>	<b>High price of LPG cylinders</b>
250.	U Harms – Collie	Increase city prices to subsidise country
251.	D S Jones JP – 17 Haig Rd, Attadale	Fluctuations in petrol price
252.	Leon Watt – Bibra Lake	High price of petrol in Albany compared to other areas
253.	Jane Michael – Summit Fertilisers	High price of petrol in Albany compared to other areas

	<b>Identity</b>	<b>Subject</b>
254.	Greg Johnson – Tredways Industrial Footwear	Discrepancies in country prices
255.	Jeffrey D Kemp – Albany	High price of petrol in Albany compared to other areas
256.	Stuart Taylor – Shire of Kellerberrin	Variation in fuel prices
257.	Tony Bush – Albany	High price of petrol in Albany compared to other areas
258.	Laurie Christensen – Mandurah	Variation in fuel prices
259.	Laurie McCarthy – Pinjarra	Independent disadvantage by suppliers discounting
260.	Philip N Giles – Denmark	High price of petrol in country areas compared to city
261.	Jeff Gooding – Kimberley Development Commission	High price of petrol in Kimberleys
262.	BR & EC Nichols, Busselton	Inequitable costs to country areas
263.	W Aivery – Busselton	High price of petrol in Busselton
264.	R A Scotford – Albany	High price of petrol in Albany compared to other areas
265.	Laurie Tonkin email	High price of fuel in Pilbara
266.	Fred Riebeling, MLA Member for Burrup	High price of fuel in remote areas
267.	Ron Stenning – Win Television – Karratha Office	High cost of fuel in remote areas - sale cost structure
268.	L Barker – Paraburdoo	High price of fuel in remote areas lack of transport
269.	MK & WM Prichard – Bunbury	High price of fuel in Bunbury
270.	Clive Brown, MLA Member for Bassendean	Deregulation by Federal Government
271.	S I Waller – Albany	High price of petrol in Albany compared to other areas
272.	Mr Clarrie Watts – Esperance	High price of petrol in country areas compared to city and government excise
273.	John Lewin – Busselton	Price fixing and profiteering
274.	Will Reddin – Caltex Trigg	Fluctuations in petrol price
275.	Erika Davidson – Karratha	High price of petrol in country areas compared to city
276.	Rod Dilkes email	Price of LPG
277.	Ruth Campbell Hicks – email	High price of petrol in country areas compared to city
278.	Email	High price of diesel
279.	Josef Furulyas – email	High prices at Newman
280.	Ross Blaxell – Wubin	High price of petrol in country areas compared to city
281.	Phillip Taylor – email	High price of petrol in country areas compared to city
282.	<b>George Etrelezis – Small Business Development Corporation</b>	<b>composite submission</b>
283.	V W Holt – Serpentine	Monopoly by Kleenheat
284.	Keith C Betty – Wongan Hills	High price of petrol in Albany compared to other areas
285.	Elaine Michael – Bridgetown	High price of petrol in Albany compared to other areas
286.	Mr Don Willis – Stoneville	High price of LPG cylinders



	<b>Identity</b>	<b>Subject</b>
287.	Lina Rogerson – Carine	High price of LPG cylinders
288.	Bunbury Petrol Action Coalition – Bunbury	High price of petrol in Bunbury compared to other areas
289.	Stephen and Barbara Thomas – Australind	High price of petrol in Bunbury compared to other areas, should be standard price statewide
290.	Ms R L Asmussen – Geraldton	High price of petrol in country areas compared to city and government excise
291.	Shayne Couch – Cookernup	High price of petrol in Bunbury compared to other areas
292.	<b>Fuelec Enterprises – Mt Helena</b>	<b>Composite submission</b>
293.	Mrs Kathy Swaying – Eaton	High price of petrol in Bunbury compared to Perth
294.	Mr L Crosby – Bunbury	High price of petrol in Bunbury compared to Perth
295.	Mr Ian Atkinson – Bunbury	High price of petrol in Bunbury compared to Perth
296.	Mr Mick Oliver – Gelorup	High price of petrol in Bunbury compared to Perth
297.	Mr Peter Fox – Australind	High price of petrol in Bunbury compared to Perth
298.	Mr Kevin Constantine – Australind	High price of petrol in Bunbury compared to Perth
299.	Mr Jeff Watts – Australind	High price of petrol in Bunbury compared to Perth
300.	Mis Alicia Miriklis – Bunbury	High price of petrol in Bunbury compared to Perth
301.	Mr H P Rive –Australind	High price of petrol in Bunbury compared to Perth
302.	Mr Peter Reynolds – Busselton	High price of petrol in Busselton compared to Perth
303.	Mr S Vernon – Busselton	High price of petrol in Busselton compared to Perth
304.	Mr Darryl Bawden – Busselton	High price of petrol in Busselton compared to Perth
305.	Mr Doug Fee – Bunbury	High price of petrol in Bunbury compared to Perth
306.	Mr Ronald de Ridder – Leschenault	High price of Octane fuel compared to ULP, also octane rating variation of ULP
307.	Mr Anthony Cross Geraldton	
308.	Mr Brendin Flannigan Geraldton	
309.	Mr Mark Edwards Geraldton	
310.	Mr L W Mills Geraldton	
311.	Messrs MW & ME Birch, Albany	High price of petrol in Albany – No Price Boards
312.	Mr R J Hicks – email	High prices in country
313.	Wesfarmers Kleenheat Gas Pty Ltd	LPG Autogas
314.	<b>BP Australia</b>	<b>Composite submission</b>
315.	<b>Mobil Oil Australia Pty Ltd.</b>	<b>Composite submission</b>
316.	<b>The WA Farmers Federation Inc</b>	<b>Composite submission</b>
317.	Mr & Mrs RL & KM Cumming BUNBURY	Higher prices for fuel in Bunbury
318.	Ms Judith Adams KOJONUP	Request for report.
319.	Mr John Galsworthy & Ms Christine Downs KENDENUP	
320.	Ms Margy Gregg BUNBURY	Variation in petrol prices around country and Perth

	<b>Identity</b>	<b>Subject</b>
321.	Mr Hugh Gallagher Kalgoorlie-Boulder Chamber of Commerce	Disparity between Kalgoorlie and Perth prices
322.	V Greenhalgh ERSKINE	High LPG prices
323.	Mr John Rose MANDURAH	High and fluctuating petrol prices
324.	The Hon. Peter Foss, MLC Attorney General; Minister for Justice	
325.	David Kerr, Bunbury Chamber of Commerce	
326.	Mr John Bain BUNBURY	
327.	Woolworths Limited	Pricing
328.	Jim Starkey, Australian Institute of Petroleum, MELBOURNE	Letter from Bernie Masters, MLA
329.	Messrs F & BM Hough EATON	Kerosene price
330.	Lionel H Moore BOYUP BROOK	Re oil supply in East Timor
331.	Mr K Ferguson LESHENAULT AUSTRALIND	Reimbursement for motorists
332.	Jenny Blyth AUSTRALIND	Complaining about price of household gas
333.	R John Webb ALBANY	Dearer price of diesel over unleaded petrol.
334.	Mr David O'Halloran ALBANY	Fuel supply protection for country areas.
335.	Macri/Hastie Family AUSTRALIND	Look at what amounts are spent on roads etc.
336.	Mr H Kalkner EATON	Price fixing
337.	Mr Kevin A Keeley EATON	
338.	Mr Cliff Ferguson MARGARET RIVER	Vehicle conversion to Kleenheat gas feasibility.
339.	Mrs Bev Custers CLIFTON PARK	Unacceptable price of LPR
340.	Mr Hamish Morgan MARGARET RIVER	Diesel up 30% in 12 months.
341.	Bunbury Petrol Action Coalition 2 <sup>nd</sup> Submission – Also 288	Petition document.
342.	Rod Sweetman, MLA Member for Ningaloo	Price of LPG in Carnarvon
343.	Mr H G Sandilands ALBANY	High price of petrol in Albany compared to other areas
344.	Mr Mervyn Shaw BOYANUP	High price of petrol in Albany compared to other areas
345.	Ms Maureen Kyper BOYANUP	Price rises of gas and fuel
346.	Mr J H House ALBANY	High price of petrol in Albany compared to other areas
347.	Mr Mike Morris Civil Contractors Federation	GST Fuel Increase
348.	Eric Ripper, MLA Deputy State Labor Leader	LPG Pricing – cylinders

	<b>Identity</b>	<b>Subject</b>
349.	Mr Mike Folkard MARGARET RIVER	LPG Pricing – Margaret River
350.	SL & CM Duncan LEEMAN	LPG Pricing – country
351.	Terry Carter MORLEY	Govt should encourage use of LPG
352.	Keith Murray MT MELVILLE	High price of petrol in Albany compared to other areas
353.	Ms Gail Blaszyk BUNBURY	Transport becoming a luxury
354.	Mr H B Melrose DIANELLA	High price of petrol in Jurien Bay compared to other areas
355.	Mr J S Green Executive Officer – Governance City of Rockingham	Support price control
356.	Mr L Dower AUSTRALIND WA 6233	Legislative intervention necessary
357.	Rod Lohoar – Email	High price of fuel in country
358.	Mr Brian J Fleay NORTH PERTH WA 6006	<b>Composite submission</b>
359.	MR ALAN HOGG Secretary Bunbury Pensioners League BUNBURY WA 6231	Variations in petrol prices
360.	<b>Mr Ian Turton WA Farmers Federation Inc. UPPER GREAT SOUTHERN ZONE</b>	<b>Composite submission</b>
361.	Ms Angela Wild BUNBURY	Parity pricing alternative fuels – high price in Bunbury
362.	Mr R Charlton HORROCKS	Increase in PLG price
363.	Messrs T W & PL Roe YANCHEP	Increase in LPG prices
364.	Mr B C Bolt ALBANY	High price of petrol in Albany compared to other areas
365.	Mr Peter K Stevenson ALBANY	High price of petrol in Albany compared to other areas
366.	Mrs Amy Nilsson LESCHENAULT	High price of petrol in Albany compared to other areas – discounts for CSA Union Members
367.	Mr Ian Findlay NARRIKUP	High price of petrol in Albany compared to other areas
368.	Mr Ted Morgan ALBANY	High price of petrol in Albany compared to other areas
369.	<b>HON. MURRAY MONTGOMERY, MLC MEMBER FOR ALBANY</b>	<b>Composite submission</b>
370.	Mr J McPhee ALBANY	High price of petrol in Albany compared to other areas
371.	Mr D McPhee ALBANY	High price of petrol in Albany compared to other areas
372.	Mr Les Wyatt ALBANY	High price of petrol in Albany compared to other areas
373.	Mr Alan Green POPANYINNING	High price of petrol in country areas compared to city
374.	Messrs Kevin & Barbara Gaffney AUSTRALIND	Concerns about who sets prices.
375.	Mr W E Craig BEDFORD	High price of petrol in country areas compared to city

	<b>Identity</b>	<b>Subject</b>
376.	Tanya and Andrew Bruce WAIKIKI	High price of petrol in country areas compared to city and fluctuating prices
377.	Mr L G Morey DAWESVILLE	High price of LPG cylinders
378.	Joe Tod <i>Email</i>	Instant increase in prices even with existing stock in hand
379.	Phil Martin <i>Email</i>	High price of petrol in Bunbury compared to other areas
380.	Simon Duncan <i>email</i>	Price should be regulated
381.	Karl Rosewarne <i>email</i>	Price fixing illegal
382.	L T Kettlewell <i>No address</i>	High price of petrol in Albany compared to other areas
383.	Paul Rodstead <i>email</i>	Fluctuation in petrol prices
384.	Lawrence <i>email</i>	Reduce excess
385.	Peter Bowers <i>email</i>	Parity Pricing is a form of price fixing
386.	Paul Pickford <i>email</i>	High LPG price
387.	Sandy, Mandurah <i>email</i>	Govt taxes as fuel too high
388.	Helen, Ferndale <i>email</i>	Public transport pathetic fix fuel prices
389.	Kevin Spearwood <i>email</i>	Parity pricing
390.	Barry Tognolini <i>email</i>	High price of LPG – GST now applies
391.	Messrs DC & AP Ford ALBANY	Fluctuating petrol price
392.	Robert Spinks <i>email</i>	High LPG price
393.	Cameron Watts <i>email</i>	High price of petrol in country areas compared to city
394.	John Roe <i>email</i>	LRP
395.	Pauline Dunphy <i>email</i>	High LPG autogas prices
396.	Noel Pulleine <i>email</i>	High cost of LPG cylinder gas
397.	Kinross WA <i>email</i>	High price of LPG cylinders
398.	WA <i>email</i>	High taxes on fuel
399.	Jayson Liddelow <i>email</i>	High price of LPG cylinders
400.	Wayne Negus <i>email</i>	Independent Service Stations disadvantaged
401.	Shaun Makings <i>email</i>	High petrol prices
402.	Robert Shafran <i>email</i>	Incentives to convert vehicles to LPG
403.	Kylie Mervin <i>email</i>	High price of petrol, government taxes
404.	Brian Bond <i>email</i>	High price of petrol in Dongara
405.	Marnie Schenk <i>email</i>	Fluctuating petrol prices
406.	Norman Shearer	No Price Boards – Albany
407.	Patrick Wilson <i>email</i>	High price in Exmouth
408.	Jenkins family <i>email</i>	Difference between Perth and Fremantle
409.	John Bain <i>email</i>	Price difference between country and city
410.	Bob O'Neill <i>email</i>	Reinstate price controls
411.	Neville Elkington <i>email</i>	High price of LPG cylinders
412.	mad consumer <i>email</i>	Price of petrol
413.	Kevin Sweeney	High price of petrol

	<b>Identity</b>	<b>Subject</b>
414.	Greg Ettridge email	High price in Bunbury/Busselton
415.	Neil Tonkin email	High price of LPG cylinders
416.	Ron Turnbull email	High price of LPG cylinders
417.	Simon Millar email	High price of LPG cylinders
418.	Glen Holland email	High price in Bunbury
419.	Donald Cook email	High price of LPG cylinders compared to other States
420.	Shaun Mynard email	High price of petrol
421.	Dianella WA email	Fluctuating fuel prices
422.	Carl Mobilia email	Too much tax on fuel
423.	Dean Stewart email	Remove all tax excise except GST on fuel
424.	John Dyball email	High price of LPG cylinders
425.	Jeff email	Fuel increase in weekends
426.	Brian Bond email	Differential between Perth/country
427.	Bruce Norton email	Price LPG in Albany
428.	Douglas McAllester email	Price control on LPG
429.	Peter Simpson email	High price of fuel
430.	Mr Steve Reeves KALGOORLIE	High price of petrol in Kalgoorlie
431.	John Bain BUNBURY <i>email</i>	Transshipping Kleenheat by road train
432.	Patricia Emin Email	Petrol price rise during the week
433.	Jason Roe MORLEY email	High price of petrol
434.	Mark Reynolds email	LPG price tied to petrol price
435.	Colin Bradbury email	High price of fuel in Kalgoorlie
436.	Garry West email	No justification for price rise.
437.	Steven Ball email	Increase in fuel prices
438.	Brian Whait email	Deregulation to detriment of country areas
439.	Tracey Hall email	Price changes on daily basis
440.	John Bain	LPG price rises
441.	Lin Wood email	Price changing on Thursdays
442.	Charles Searson email	LPG supply
443.	Richard Munroe email	Price of petrol in Germany
444.	Mr Hugh McTavish	High diesel prices
445.	Michael Mayers – email	High petrol prices
446.	Peter Gall – email	Reduce excise
447.	Craig Elphick – email	Commonwealth excise
448.	Jennifer Jackson – email	High cost of LPG
449.	Wendy Vitlich – email	Diesel prices should be lower
450.	Anthony Berinson – email	Excise on fuel
451.	Joe Bloe – email	Subsidise fuel like Queensland
452.	Phil Robinson – email	Fluctuating fuel prices
453.	Fiona Simpson – email	Fluctuating petrol prices

	<b>Identity</b>	<b>Subject</b>
454.	Dave Belson – email	High fuel prices
455.	Jim Hill – email	Effect of high fuel prices on small business
456.	Kylie - email	High price of petrol – inadequate public transport
457.	Emma McRobert – email	High price of petrol
458.	Geoff Cave – email	Price fixing of petrol
459.	Bruce James – email	LPG prices
460.	P J Whiteside – Busselton – email	High Price of Fuel, Busselton
461.	Caltex	
462.	Douglas Nathanielz	Pricing fixing
463.	Messrs AL & LR Smallwood	High price of Petrol and high taxes
464.	Mr Tony D’Agni	High fuel costs
465.	Mr Al Fasolo - email	High price of petrol in Albany compared to other areas
466.	Mr Ric Zuiderduyn – email	Deficiencies in public transport
467.	Mr Rodney Henley – email	Additional tax on LRP
468.	Mr Kieron James – email	Prices go up immediately
469.	Peter Wojcik – email	Why parity pricing
470.	Lauren- email	Petrol prices too high
471.	Winston Holmes – email	High price of petrol in Bunbury compared to other areas
472.	Peter Howe- email	Prices go up faster than they come down.
473.	Paul Robinson- email	Fluctuating petrol prices
474.	Rod Tancred – email	Fluctuating petrol prices
475.	Margaret Johnson – email	High costs in transport industry
476.	Mr D Howes – email	High price of LPG
477.	Mr Max Hilliard – email	High price of fuel
478.	Mr Don Veitch – email	Why do we have parity pricing
479.	Mr Tim Cunningham – email	High cost of LPG in WA
480.	Mr John Norris – email	Disparity between country and city
481.	Mr Casey Diamond – email	High prices in Dampier/Karratha
482.	Mr Anthony Leathley – email	High LPG prices compared with eastern states
483.	Debbie of Kinross – email	High Government taxes
484.	Paul Bartley – email	Raise prices for sustainable lifestyle
485.	Ms Helen Hall – email	More Federal funds from resources project
486.	Mr Sean Bryce – email	High Government taxes
487.	Poetic – email	Prepared to pay more to keep air clean
488.	Mr Sean Bryce – email	High taxes on fuel
489.	John and Norma Smith – email	High prices of LPG
490.	Mr Rhett Winter – email	High prices of LPG – Government should promote LPG on environmental grounds
491.	Ms Glenys Archibald – email	High price of petrol in Bunbury compared to Mandurah
492.	Ms Patricia Penny – email	Fluctuation in petrol prices

	<b>Identity</b>	<b>Subject</b>
493.	Mr PL Malavisi – email	High price of LPG
494.	Ms Gail Blaszczyk BUNBURY	Send Report
495.	Graham Walker email	Govt should reduce oil taxes
496.	Woody email	Discount prices should apply for oil reserves
497.	John Trec email	High fuel prices and LPG
498.	Arthur Taylor email	Oil is finite resources and should be conserved
499.	G Westlake email	High prices LPG high excise
500.	Michael Gulberti email	High price of diesel
501.	Ted Cockram NORANDA	Price control needed
502.	Maurice Oteri email	Non jurisdictional
503.	Mr James E Duguemin RAVENSWOOD	Prices should be fixed
504.	Peter Donaldson email	High fuel costs impact on business
505.	Allan MacMaster email	Freeze petrol prices to protect small business
506.	Tricia Richards email	High taxes on fuel
507.	June Howlett email	Cannot afford petrol
508.	Rboland email	Reduce excise and encourage use of gas
509.	Malcolm Harrison email	Oil companies profiteering
510.	David Crispin email	High prices affect employment
511.	Peter Deague – email	Need for alternative fuel and better public transport
512.	Ben K email	Use extra revenue for new industrial and sales
513.	Sandra Curtis email	Oil Companies fix prices
514.	Carole Gilligan email	High prices will affect tourism
515.	John Wood email	Disparity between city and country
516.	Steve Park email	Excess too high – high fuel price
517.	Rita Campbell email	Damage to tourism and farming industry
518.	Tia Smallacombe email	High petrol prices
519.	Lorraine MacMaster email	Reduce or freeze excise
520.	Les Hodgson email	Taxes on fuel too high
521.	WW Baxter FALCON	High LPG prices
522.	Veronica Agass email	Fluctuating petrol prices
523.	Len Morley email	Should be no excise on LPG
524.	<a href="mailto:Len@armdaat">Len@armdaat</a> email	Motorists not paying enough for road maintenance
525.	Clive Campbell email	High Government excise
526.	Jim Ritchie email	Increase prices of exports to OPEC countries
527.	WA email	Ruining tourist industry
528.	Brett Reid email	High diesel prices
529.	Healthier Auld email	High country prices
530.	Sheree Lenegan email	High petrol prices
531.	John Brandenburg email	Use gas from North West Shelf
532.	Luke Valentine	GST tax on tax

	<b>Identity</b>	<b>Subject</b>
533.	John Michaels email	Fluctuating petrol prices
534.	Julie Hesketh email	More rail transport needed
535.	John Sime email	High taxes
536.	Robyn Roberts email	High fuel prices lead to inflation
537.	Diesel Dick email	High fuel prices
538.	Ian Levy email	High excise and high LPG prices
539.	Graeme Duff email	Price of fuel is extortion
540.	Nathalie Collins email	Higher prices in country lead to higher freight
541.	Bevan Dockery email	Need for alternative fuels
542.	Mrs K Vore	Oil Companies should not retail fuel
543.	A & JJ Van Velzen	Price control
544.	Mr & Mrs L & T Andel	Lack of public transport
545.	Mr B L Traynor	High LPG prices
546.	Michael O'Dea	Deceptive advertising
547.	Bradley Tottam	High LPG prices
548.	I G Mansfield	High price of bottled gas – profit margins for service stations
549.	Norm Miller	High country prices
550.	Mr Stuart Haines	High prices in Bunbury
551.	John Dedman	High fuel prices in Albany
552.	Stan Cooper	Difference between country and city prices
553.	Lionel Moore	Oil from East Timor
554.	Ms Patricia Shaw	Country/city fuel prices
555.	Eddie Forrest	Report
556.	Vern Patterson	Gas bottle prices
557.	K A Keeley	Country/city price differences
558.	BunburyPort Authority	Freight costs to Bunbury



## APPENDIX EIGHT

### ISSUES RAISED IN SUBMISSIONS

A total of 558 submissions were received by the Committee to 30 September 2000. The issues raised were:

Country fuel prices	19.8%
(a) fluctuating prices	14.1%
(b) LPG autogas prices	14.1%
High petrol prices	13.1%
Prices of LPG cylinders	10.1%
Taxes/Excise on fuel	7.7%
Prices regulation required	3.8%
Prices and performance problems with LRP	1.9%
Oil Company monopoly disadvantages independents	1.9%
Promotion of LPG and alternative fuels	1.9%
Parity pricing policies	1.6%
Prices manipulation	1.6%
Effect of high fuel prices on small business	0.9%
Effect on Tourism	0.9%
High cost of gas conversions	0.7%
Terminal Gate Prices	0.7%
Public transport inadequate	0.7%
Oil Company price regates	0.4%
Absence of Price Boards	0.4%
Subsidised fuel prices	0.4%
Oil Companies profiteering	0.4%
Higher fuel prices beneficial to the environment	0.4%
Low margins	0.2%
ACCC inaction	0.2%
Effect of high prices on employment	0.2%
Effect of high prices on farming	0.2%
Kleenheat monopoly	0.2%
Variation in Octane ratings	0.2%
Kerosene prices	0.2%
Oil to East Timor	0.2%