

Don't Meddle in Petrol

[Energy](#) | [Alan Moran](#)

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As every car owner knows, the price of petrol fluctuates. In metropolitan areas the price moves between about 85 and 99 cents per litre. Those in rural areas pay more.

Last year, the ALP set up a Fuel Inquiry chaired by Senator Peter Cook. The inquiry was to look at the impact of the GST, which was said to have ratcheted up petrol prices. The inquiry also sought to counter the power of the suppliers by freeing up petrol stations to buy from any source.

The concerns that prompted the Inquiry have disappeared. When it was established, agitators were ranting about multinational oil firms ripping-off the car owner. That's a tricky wicket to defend at the present time. Petrol prices in Australia are closely linked to those overseas and lower demand has brought a collapse of all prices.

As a result, Australian refineries have been hemorrhaging. Last year the eight refineries collectively lost \$184 million. Excluding taxes, according to the International Energy Agency, Australia has the lowest priced petrol in the developed world. Once taxes are included our prices are the third lowest after the US and Canada. They are a half to a third of European levels.

But petrol prices are so visible that it is easy to manufacture an issue from them. The collapse of fuel prices has shifted the political agenda to preventing price volatility. In Western Australia the Government has sought to impede rapid price movements by demanding that all wholesalers notify their prices to the government every 24 hours. It also requires them to publish a terminal gate price available to all retailers.

Simon Crean's ALP's election release on petrol pricing wants to put this on a national scale. Astonishingly he also wants to take it further by stopping retailers from charging too little! He wants to protect independent petrol stations from 'predatory pricing' and to 'help the smaller independents compete on a level playing field'. This is code for taking steps to ensure increased prices.

Such a policy's justification is that the lower prices might force out some competitors and allow the last men standing to lift their prices in the future. But 'predatory pricing' only makes sense if it both takes out existing rivals and prevents new players filling the gap. This has never been seen in the petroleum industry. Indeed, it is barely conceivable with half a dozen fiercely competitive major suppliers and many independents hungry for business.

It has been 25 years since an oil refinery was built in Australia. We have seen years of government meddling, cost impositions like a \$1.3 billion bill for a new requirement for cleaner fuel, and aggressive oversight of prices by governments and bodies like the ACCC. These have made it impossible for anyone to justify the massive expense of building a new refinery.

In recent years, relatively open competition has at least allowed the motorist the benefit of low prices. But if an ALP Government switches the focus on predatory pricing this too will be lost.

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