

PETROL PRICING MYTHBUSTERS

MYTH

Petrol prices are quick to rise when world prices increase but slow to fall

FACT

Pump prices closely follow the price of petrol from Singapore refineries (not the crude oil price) with a lag of about one week. However, marketing margins typically fall for a period when Singapore prices increase sharply and rise for a period when Singapore prices fall sharply – this is normal competitive behaviour. About 20% of petrol used in Australia is imported so prices from our refineries must be competitive with import prices.

MYTH

Oil companies increase prices for public holidays

FACT

Petrol prices don't jump because of public holidays, although this claim is made at almost every holiday period. Normal weekly price cycles before holidays are often incorrectly claimed to be holiday price increases.

MYTH

Petrol prices all increase at the same time

FACT

Petrol prices don't all increase at the same time and there is no collusion – but competitors watch each other closely and prices can change quickly after a week or more of discounting.

MYTH

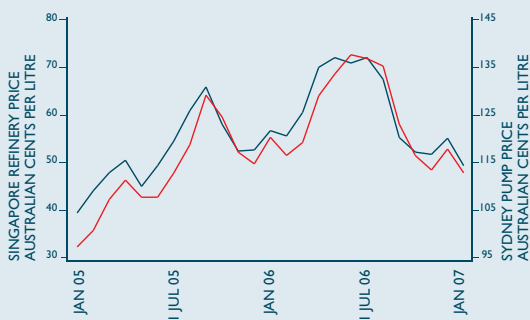
Oil companies manipulate weekly price cycles to increase profits

FACT

Price cycles are the result of competition and provide opportunities to buy petrol at a discount, sometimes below cost. 55% of motorists buy petrol in the cheaper half of the week. About 60% of motorists take price into account when buying petrol. The Australian Competition and Consumer Commission web site has information on when to buy.

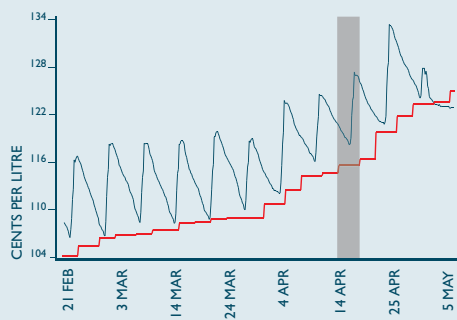
AVERAGE SYDNEY PUMP PRICE VS SINGAPORE REFINERY PRICE FOR PETROL

— Average Sydney pump price
— Singapore petrol price



2006 EASTER LONG WEEKEND PETROL PRICES

— Brisbane average pump price
■ Easter long weekend
— Caltex TGP minus QLD state rebate



Caltex Talkingpoint

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Supermarkets dominate the petrol industry

FACT

The petrol industry is not concentrated. The two supermarkets have a 43% share of the market. Three other oil company brands including Caltex have 46% and there are several more large chains. (Woolworths controls the board price at sites co-branded Caltex Woolworths.)

MYTH

Independent service stations are needed to ensure lower prices

FACT

Independents have a role in the market but supermarkets operate the largest number of service stations that are aggressive discounters.

MYTH

Country prices are higher than the city because of freight

FACT

The most important factor creating differences between country towns (and between city and country) is typically local competition, not freight. Sales volumes may also be lower, meaning higher costs per litre. Oil companies have little influence over country prices as most sites with major brands are run by independents.

MYTH

Price manipulation by greedy oil companies is the reason for high petrol prices

FACT

On average over the last 10 years, the average of oil company profits on all fuels was only 1.0 cents per litre. Taxes and costs (mainly crude oil) make up most of the price of petrol. Caltex does not produce any crude oil but must buy it at world prices. Caltex's financial results show an average profit across all fuels in 2006 of only 2.2 cents per litre.

MYTH

Nobody knows how prices are set and the ACCC needs to investigate

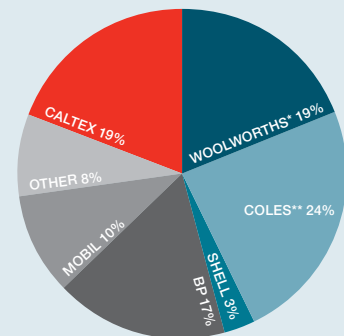
FACT

Petrol prices are the most transparent of all market prices. There have been many inquiries and investigations by the ACCC and governments providing detailed information on pricing and showing the market is competitive. See Caltex's August 2006 submission to the Senate petrol pricing inquiry (www.caltex.com.au/pricing.asp)

Further information

www.caltex.com.au/pricing_pla.asp
www.aip.com.au
www.accc.gov.au

PETROL MARKET SHARE BY BRAND (AT JULY 2006)



NOTE: MAJOR OIL COMPANY SHARES INCLUDE BRANDED INDEPENDENTS
REF: CALTEX ESTIMATES BASED ON PUBLISHED INFORMATION
*CO-BRANDED CALTEX WOOLWORTHS
**CO-BRANDED SHELL COLES

WHERE DOES YOUR MONEY GO?

