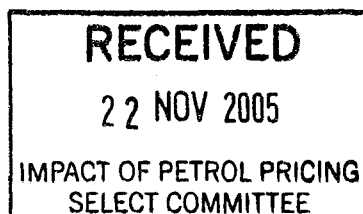


18th. November, 2005.

The Chairperson and Members,
Q'ld Government Committee on Oil Industry,
BRISBANE



Dear Members,

I have just been made aware of your existence and the fact that you held a sitting in Cairns earlier this week. If I had been aware I would have attended and asked to be heard.

This matter has concerned me for some time as approx. 30 years ago, when I was senior vice president of Q'ld Local Government Assoc., I attended a sitting of a Commission inquiring into the oil industry which was held in Melbourne. The conditions were similar to those presently being felt in that oil prices on a day to day basis were soaring and pricing was soaring. Local government was concerned as bitumen is one of the first products produced in the refining process and we were worried about the effect on our finances.

I enclose a copy of a letter that I forwarded to Mr Samuel of ACCC and the reply I eventually got from that organization. The first contact was by phone but I advised the official making the call that I was not prepared to have an answer over the phone and wanted the reply in writing. The letter eventually followed but it contained nothing that referred to the point that I made and I will include with this correspondence a copy of my reply.

It is possible that you are already aware of what I learned at the Melbourne sittings. As the evidence was given at a public forum the government officers should be aware and make sure that elected members are fully informed.

However in case you are not I submit the enclosed for your information.

I became aware of your committee's interest through Mr Selwyn Johnston who, I understand, gave evidence to you at Cairns and from which I hope you will be able to obtain at least part of your final recommendations.

Yours Faithfully,

Roy Dickson

Cardwell Q. 4849

- 1 Copy of letter forwarded to Graeme Samuel
- 2 Copy of ACCC reply and brochure Aug 2005
- 3 Copy of my reply to ACCC.

Note We never followed U.S.A. in many things perhaps Howard needs to look at their fuel pricing system with local priority to U.S.A. consumers and allow industry to get "cream" from other users in the world.

 *** TX REPORT ***

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Mr. Graeme Samuel,
 ACCC
 DICKSON A.C.T.

Dear Sir,
 Re Petrol Pricing Policies

After listening to you being interviewed on TV I thought that you may be interested in some thoughts that I could give on the matter, although I find it hard to believe that you would not be aware of the information already.

During the 1970's a Royal Commission was held on the matter of the price of oil or rather into the oil industry. The position was similar to the present and the daily spot price of oil was rising rapidly and the price of petrol was following it.

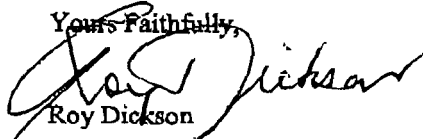
I was then in local government and we were worried as bitumen is also a by product of oil and any substantial increase meant further costs in road building and maintenance. I attended the hearings in Melbourne for a week as a local government representative and during this time heard what I believe was the most important evidence submitted to the Commission.

It was given by a man who headed an independent oil company but who had been an executive at the top in a major oil company. He related how the price of crude was determined for the Australian subsidiaries. He stated that the price of crude charged to the Australian subsidiary was based on the daily price of crude as quoted on the market or at least influenced by it. However the parent company purchased the crude on a long term contract which was not effected by the daily fluctuations, and of course at a lower price. He proved his evidence by submitting the published financial reports of the parent companies and they showed a huge increase in profit during such times of high daily prices.

Of course I ask has anything changed? Could we expect the same set of circumstances to be operating now? As a public accountant who specialised in taxation I can understand the practice which would direct any excess profit to a country with a low incidence of taxation. I would have recommended such action. I also suspect that the practice would also be helpful to meet any problems that might arise from regulatory price control that has been devised in these later times in a nation where the subsidiary operated and anti-competition policies were seen to be practised.

It is not my function to recommend any action or make any judgements, only to make sure that you were aware of the evidence given at that time. If you are aware forgive me for troubling you.

Yours Faithfully,


 Roy Dickson



Our Ref: D05/55342
Your Ref: your letter of 9 September 2005

Australian
Competition &
Consumer
Commission

9 November 2005

Mr Roy Dickson

CARDWELL QLD 4849

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Melbourne VIC 3001
Level 35 The Tower
360 Elizabeth Street
Melbourne VIC 3000
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www.accc.gov.au

Dear Mr Dickson

Thank you for your letter of 9 September 2005 to Graeme Samuel, Chairman of the Australian Competition and Consumer Commission (ACCC), concerning petrol prices. I apologise for the delay in responding to you.

The ACCC is responsible for administering the *Trade Practices Act 1974* (TPA). The main purpose of the TPA is to promote competition and efficiency in markets within Australia and to protect consumers from unlawful anti-competitive conduct and unlawful market practices.

Prior to 1 August 1998 the ACCC endorsed the maximum wholesale prices for petrol and diesel of the oil majors and established freight differentials. On that day petrol and diesel prices were deregulated and wholesalers are now free to set their own prices based on market conditions. However, the ACCC retains an informal monitoring role and closely monitors petrol and diesel prices in metropolitan areas and around 110 country towns.

Furthermore, while the ACCC does not have a prices oversight role in the industry, it follows developments and will not hesitate to enforce the provisions of the TPA if there is evidence that it has been breached.

Thank you for the information in your letter. You may be aware that the ACCC recently released a booklet *Understanding petrol pricing in Australia - Answers to some frequently asked questions*, which aims to help consumers to understand petrol pricing. A copy is enclosed for your information.

The booklet notes that petrol prices in Australia are determined by a combination of factors. These include international refined petrol prices, the Australian/US dollar exchange rate, excise and the GST, state and Australian government policies, domestic price cycles and the level of competition in local markets.

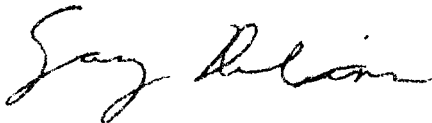
It also notes that movements in fuel prices in Australia tend to follow international benchmarks. The benchmark for petrol is the spot price of Singapore Mogas 95 Unleaded. This is the price of refined petrol and not the



crude oil price. Changes in the benchmark price feed into the wholesale price of the oil companies and subsequently into retail prices.

On 30 September 2005 the ACCC launched a petrol pricing snapshot on its website. The snapshot gives consumers information on petrol prices in the major capital cities, international petrol prices and refiner margins. It is intended to remove some of the misconceptions about what causes changes to petrol prices in Australia. The site can be accessed at:
<http://www.accc.gov.au/content/index.phtml/itemId/709356/fromItemId/142>

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gary Dobinson', written in a cursive style.

Gary Dobinson
Director
Petrol Monitoring Section

21st. November, 2005.

Gary Dobinson
Director,
Petrol Monitoring Section,
Australian Competition & Consumer Commission,
G.P.O. Box 520,
MELBOURNE VIC. 3000

Dear Sir,

Thankyou for your letter over your signature dated 9 November 2005 which acknowledged my letter of 9 September, 2005.

Sadly while you acknowledged the letter you made no reference to its contents and your letter, while explaining your present policies together with the brochure dated August 05 did nothing to advise whether the situation I referred to which was put before the Commission hearing I attended is still present practise.

I note that as from 1 August 1998 petrol and diesel pricing was deregulated and so all this is of little use. However I will make some references to your brochure and its contents as, in my opinion, it does little to make the public aware of the extent of the extortion being possibly practised against the people at the present time.

Question 1 What factors determine petrol prices in Australia?

At no time are the following factors referred to and they constitute the major components of WHAT SHOULD MAKE UP THE FACTORS.

- a. The amount of royalty paid to government for the crude taken from under the ground through the license or permit or such lease arranged through government.
- b. The cost of getting the oil out of ground.
- c. The cost of transport.
- d. The cost of refining and distribution.
- e. The margin for refiners, wholesalers and resellers after allowing for the costs of these operations and of course based on a fair return on capital employed.

Surely these factors make up what should be the price for Australian crude refined and sold here. Any margin above this should be a matter of concern for an organization such as yours and if there was no present legislation to ensure that it was so then surely that is a matter for recommendation to government.

Question 2 Why are Australian petrol prices based on international benchmarks?

The explanation to this question sets the whole tone for the brochure. It proves that any further discussion is a waste of time. That any government would allow the exploitation of its people with its own resources is unthinkable, yet that is the position. It explains the reluctance to enter into discussion on the point I raised in my letter. The truth is that mammon and greed are rampant in this nation and government policy at both federal and state level intends to do nothing to control it.

Question 10 What is the ACCC's role in petrol pricing?

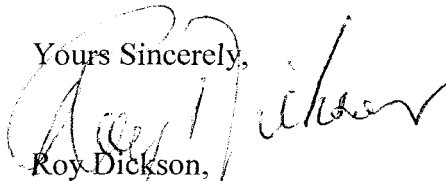
The brochure gives instances of fines being imposed for price fixing, predatory pricing and other anti competitive activities. However these are small compared with the excessive margins being extracted if the claim that major parent companies obtain crude at long term low prices and charge it out to their own subsidiaries at current high daily prices.

Without this being tackled then the real problem is not touched.

The officer who endeavoured to discuss the matter over the phone referred to complaints you receive. Please be assured I am not making a complaint only relating information that came into my possession as I listened to evidence being presented at the Commission Hearing and I wanted to be sure that Mr Samuel had the information although I would have thought that your Commission would have been aware of it

Thankyou for the courtesy of your reply although as you will be aware from the above I am disappointed with the present position.

Yours Sincerely,



Roy Dickson,

Cardwell Q. 4849