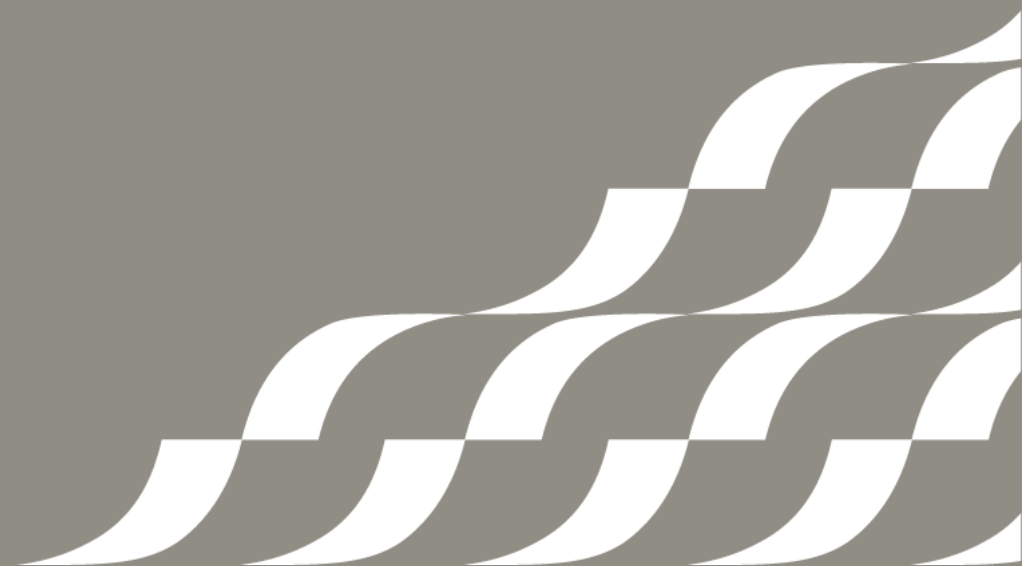


High fuel prices in Thames

January 2025



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Background

Under the Fuel Industry Act, the Commerce Commission (Commission) has a responsibility to monitor competition in the retail fuel sector¹.

In 2024 the Commission received complaints about high fuel prices in Thames, as its prices had become increasingly higher compared to other nearby locations, particularly from around April 2024.

Accordingly, the Commission made enquiries into fuel prices in Thames, by seeking information from the fuel retailers and their suppliers to enable us to understand the cause of the unusually high prices.

Based on the information we received, we calculated that the higher prices were costing Thames motorists up to \$200,000 more a month than if prices there had been the same as prices in nearby Ngatea.²

Key findings

We found that the underlying costs to supply fuel to Thames are not materially different to other nearby locations.

Instead, the high localised pricing was the result of several factors:

- > A single fuel company accounts for a substantial proportion of the fuel supplied to retail stations both within, and near, Thames;
- > Some of the companies that supply the fuel sold in Thames link their wholesale prices directly to local retail prices, rather than basing them on their actual costs; and
- > Other independent stations in Thames chose to follow the higher prices of other stations rather than competitively undercutting them.

These factors combined to create an upwards pricing spiral to the detriment of motorists.

¹ Refer section 3 of the Act.

² This is based on sales data from Thames for Regular 91 over the second quarter of 2024 compared with prices in Ngatea.

Conclusion

The level of competition amongst fuel companies in Thames has not been as strong as we would expect to see in a competitive market. Following our engagement, the prices in Thames reduced substantially, and are now much closer to those in nearby locations.³

³ The average price differential between the three stations in Thames and those in Ngatea for Regular 91 was greatest in June 2024, when it exceeded \$0.30 per litre. After we wrote to retailers and their suppliers in July, this average difference dropped to \$0.08 by August, and was only \$0.01 by December. Of note is that these monthly average figures encompass significant day-to-day fluctuations in prices between the two locations. This means that price differences on any given day may differ from these monthly average figures.