

## **MEDIA STATEMENT - FOR RELEASE ON 31 AUGUST 2007**

**RELEASED ON BEHALF OF THE DEPARTMENT OF MINERALS AND ENERGY**

**ENQUIRIES: MS B MAFUNA, DEPARTMENT OF MINERALS AND ENERGY**

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### **1. ADJUSTMENT TO THE FUEL PRICE: WEDNESDAY, 05 SEPTEMBER 2007**

Product:

Petrol (ALL GRADES)	10.000	cents per litre decrease in retail price
Diesel 0.05% Sulphur	5.000	cents per litre increase in wholesale price
Diesel 0.005% Sulphur	5.000	cents per litre increase in wholesale price
Illuminating Paraffin (Wholesale)	0.000	No Change
Illuminating Paraffin (SMNRP)	0.000	No Change

### **2. ECONOMIC FACTORS AFFECTING THE UNIT OVER/UNDER-RECOVERIES FOR THE PERIOD 27 JULY 2007 TO 30 AUGUST 2007**

During the period under review, the average international product prices of Petrol, Diesel and Illuminating Paraffin decreased.

The average Rand/US Dollar exchange rate weakened when compared to the previous period. The average Rand/US Dollar exchange rate for the period 27 July 2007 to 30 August 2007 was 7.2356 compared to 6.9782 during the previous period.

### **3. INCREASE IN RETAIL MARGIN ON PETROL**

The Minister of Minerals and Energy has approved that the retail margin on petrol be increased by 11.7 c/l with effect from Wednesday, 5 September 2007.

The increase of 11.7 c/l in the petrol retail margin makes provision for:

- the implementation of a Minimum Living Level (MLL) wage for pump attendants. To finance the new minimum wages for pump attendants an increase of 8.4 c/l in the retail margin on petrol is required; and
- an increase of 3.3. c/l to accommodate the under recovery in the retail margin as concluded by the Small Business Advisory Bureau of the North-West University in respect of an investigation into the driveway profitability of the service station industry for the period March 2006 to February 2007.

### **4. SINGLE MAXIMUM NATIONAL RETAIL PRICE FOR ILLUMINATING PARAFFIN (SMNRP)**

The Minister of Minerals and Energy has approved the implementation of a Single Maximum National Retail Price for Illuminating Paraffin with effect from 2 April 2003. The Single Maximum National Retail Price for Illuminating Paraffin will change on a monthly basis from the first Wednesday of each month and will also be promulgated in the Government Gazette. The Single Maximum National Retail Price with effect from 5 September 2007 to 2 October 2007 will be 661,0 c/l compared to 661,0 c/l from 1 August 2007 to 4 September 2007, that is no change.

### **5. LIQUID PETROLEUM GAS ( LPGAS)**

In terms of the Government Notice No R1 029 dated 31 July 2002 the **maximum refinery gate price of LPGAS** for the period 1 August 2007 to 31 August 2007 will be R 5 140.23 per metric ton (285.28 c/l).

## 6. PRICE ADJUSTMENT

In terms of the agreed mechanism:

- (a) Price changes are adjusted in such a manner that the over-or under-recovery during the prior month will be corrected in the following month; and
- (b) The unit over- or under-recoveries are rounded up or down to the nearest full cent so that the effect of rounding contributes to the clearing of the cumulative balance of the individual products on the slate.

With effect from 3 March 1999 an additional mechanism has been approved by the Minister of Minerals and Energy, intended to assist in management of cumulative slate balances and which operates as follows:

Should the cumulative individual slate balances (positive or negative) exceed R10 million for petrol, R5 million for diesel, or R1 million for illuminating paraffin, an additional 1.0 cent per litre will be added or subtracted to the price as determined in (a) and (b) above, depending on the status of the individual slate balances.

## 7. BREAKDOWN OF PRICE ADJUSTMENT

Petrol 95 ULP	Diesel 0.05(%)	Diesel 0.005(%)	Illuminating Paraffin
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The price adjustments in (1) above are based on the following actual data:

Average product over/(under)-recovery, measured for the 25 days from 27/07/2007 to 30/08/2007 (cents / litre) as detailed below.

23.529	( 3.409)	( 3.907)	1.519
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Cumulative positive/(negative) slate balances end of July 2007 (R-million)

( 341.547)	( 292.324)	( 292.324)	( 41.158)
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The price adjustments consist of the following elements:

<u>c/l</u>	<u>c/l</u>	<u>c/l</u>	<u>c/l</u>
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Average product over/(under)-recovery rounded to the nearest full cent for price (increase) / decrease

23.000	( 4.000)	( 4.000)	1.000
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One cent / litre added or subtracted depending on cumulative slate balance in terms of additional mechanism

( 1.000)	( 1.000)	( 1.000)	( 1.000)
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Increase in retail margin on petrol

( 11.700)
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Pump rounding

( 0.300)
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Total price (increase) / decrease

<u>10.000</u>	<u>( 5.000)</u>	<u>( 5.000)</u>	<u>0.000</u>
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## 8. REPORT OF THE INDEPENDENT AUDITORS

The report of the independent auditors is available on request.

## 9. ANALYSIS OF THE ELEMENTS THAT RESULTED IN THE OVER/(UNDER)-RECOVERIES

The over/(under)-recoveries for the period under review were affected by the factors set out below, which can be quantified as follows:

	<b>Petrol c/l</b>	<b>** Diesel 0.05% c/l</b>	<b>** Diesel 0.005% c/l</b>	<b>Illuminating Paraffin c/l</b>
<b>Movements in external factors</b>				
Movement in International Product Prices	37.380	12.145	11.785	16.487
Movement in Exchange Rate	( 13.851)	( 15.554)	( 15.692)	( 14.968)
<b>Over/(under)-recovery for the period 27/07/2007 to 30/08/2007</b>	<b>23.529</b>	<b>( 3.409)</b>	<b>( 3.907)</b>	<b>1.519</b>

## 10. ANNEXURE

The annexure attached contains details of the composition of product prices as well as history of the price changes.

### ANNEXURE 1

#### COMPOSITION OF THE RETAIL PRICE OF PETROL AND THE WHOLESALE PRICES FOR DIESEL AND IP IN GAUTENG FOR THE PERIOD 05/09/2007 TO 02/10/2007 WILL BE AS FOLLOWS:

	<b>Petrol 95 ULP c/l</b>	<b>Petrol 93 ULP &amp; LRP c/l</b>	<b>Petrol 91 ULP c/l</b>	<b>Diesel * 0.05% S c/l</b>	<b>Diesel * 0.005% S c/l</b>	<b>Illuminating Paraffin c/l</b>
Wholesale margin	39.487	39.268	39.049	39.260	39.260	39.472
Service cost recoveries	7.000	7.000	7.000	7.000	7.000	14.400
Storage, handling & delivery costs	7.000	7.000	7.000	7.000	7.000	7.000
Distribution cost	0	0	0	0	0	7.400
Dealers margin	59.700	59.700	59.700	0	0	0
Zone differential in Gauteng	13.900	13.900	13.900	13.900	13.900	24.100
IP Tracer levy	0	0	0	0.010	0.010	0
Fuel levy	121.000	121.000	121.000	105.000	105.000	0
Customs & excise duty	4.000	4.000	4.000	4.000	4.000	0
RAF levy	41.500	41.500	41.500	41.500	41.500	0
Petroleum Pipelines levy	0.190	0.190	0.190	0.190	0.190	0
Slate levy	4.810	4.810	4.810	4.810	4.810	5.000
DSML	10.000	0.000	0.000	0.000	0.000	0.000
Equalisation Fund Levy	0.000	0.000	0.000	0.000	0.000	0.000
Sub-total	301.587	291.368	291.149	215.670	215.670	82.972
<u>Contribution to the Basic Fuel Price</u>	<u>389.413</u>	<u>386.632</u>	<u>383.851</u>	<u>440.630</u>	<u>444.030</u>	<u>423.128</u>
<u>Retail Price</u>	<u>691.00</u>	<u>678.00</u>	<u>675.00</u>			
<u>Wholesale price</u>				<u>656.30</u>	<u>659.70</u>	<u>506.10</u>

(\*) The wholesale price of diesel is regulated, but not the retail price

**STATISTICS OF PRICE CHANGES**

Petrol 95 ULP		Diesel		Illuminating Paraffin	
Gauteng SA c/l	Coast SA c/l	Gauteng SA c/l	Coast SA c/l	Gauteng SA c/l	Coast SA c/l

**Effective from:**

From 4 January 2006 0,05% Sulphur

07-Dec-05	545.00	532.00	<b>529.80</b>	<b>516.50</b>	400.60	378.20
04-Jan-06	549.00	526.00	<b>517.80</b>	<b>504.50</b>	398.60	376.20
01-Feb-06	563.00	540.00	<b>517.80</b>	<b>504.50</b>	402.60	380.20
01-Mar-06	552.00	529.00	<b>517.80</b>	<b>504.50</b>	406.60	384.20
05-Apr-06	573.00	549.00	<b>544.10</b>	<b>530.50</b>	412.20	389.20
03-May-06	612.00	588.00	<b>571.10</b>	<b>557.50</b>	432.20	409.20
07-Jun-06	648.00	624.00	<b>600.10</b>	<b>586.50</b>	452.20	429.20
05-Jul-06	673.00	649.00	<b>632.10</b>	<b>618.50</b>	488.20	465.20
02-Aug-06	704.00	680.00	<b>654.10</b>	<b>640.50</b>	509.20	486.20
06-Sep-06	668.00	644.00	<b>629.10</b>	<b>615.50</b>	504.20	481.20
04-Oct-06	618.00	594.00	<b>595.10</b>	<b>581.50</b>	482.20	459.20
01-Nov-06	597.00	573.00	<b>593.10</b>	<b>579.50</b>	469.20	446.20
06-Dec-06	590.00	566.00	<b>568.10</b>	<b>554.50</b>	444.20	421.20
03-Jan-07	598.00	574.00	<b>551.10</b>	<b>537.50</b>	447.20	424.20
07-Feb-07	575.00	551.00	<b>542.10</b>	<b>528.50</b>	421.20	398.20
07-Mar-07	599.00	575.00	<b>552.10</b>	<b>538.50</b>	431.20	408.20
04-Apr-07	667.00	643.00	<b>590.10</b>	<b>576.50</b>	462.10	438.20
02-May-07	701.00	677.00	<b>620.30</b>	<b>606.50</b>	480.10	456.20
06-Jun-07	724.00	700.00	<b>625.30</b>	<b>611.50</b>	482.10	458.20
04-Jul-07	716.00	692.00	<b>636.30</b>	<b>622.50</b>	499.10	475.20
01-Aug-07	701.00	677.00	<b>651.30</b>	<b>637.50</b>	506.10	482.20
05-Sep-07	691.00	667.00	<b>656.30</b>	<b>642.50</b>	506.10	482.20