**Lesson 3 – Essay Outline 3 – GCE A level 2016**

In Australia, small and remote communities face high and stable prices for petrol. The petrol is supplied by one or two small petrol stations owned by small independent retailers. Prices are lower and more volatile in the large cities, where there are a large number of big petrol stations owned by a small number of big oil companies.

Source: Australian Institute of Petroleum

(a) Explain why less market competition might lead to higher and more stable prices. [10]

(b) Assess whether differences in the level of competition are likely to be the main reason for differences in the retail prices of petrol in rural and urban areas of Australia. [15]