



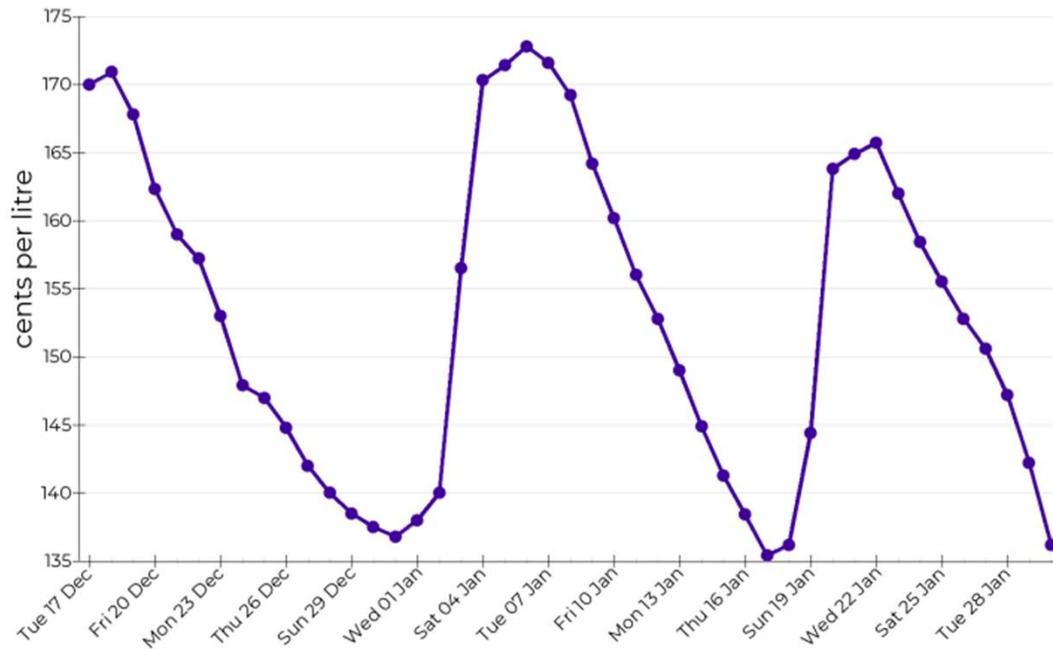
Fuel Price Cycles within South Australia

Presentation by Andreas Michaelides
(further details in the full Research Report)



What are Fuel Price Cycles

The chart below shows daily average regular unleaded petrol prices in Adelaide over the past 45 days.

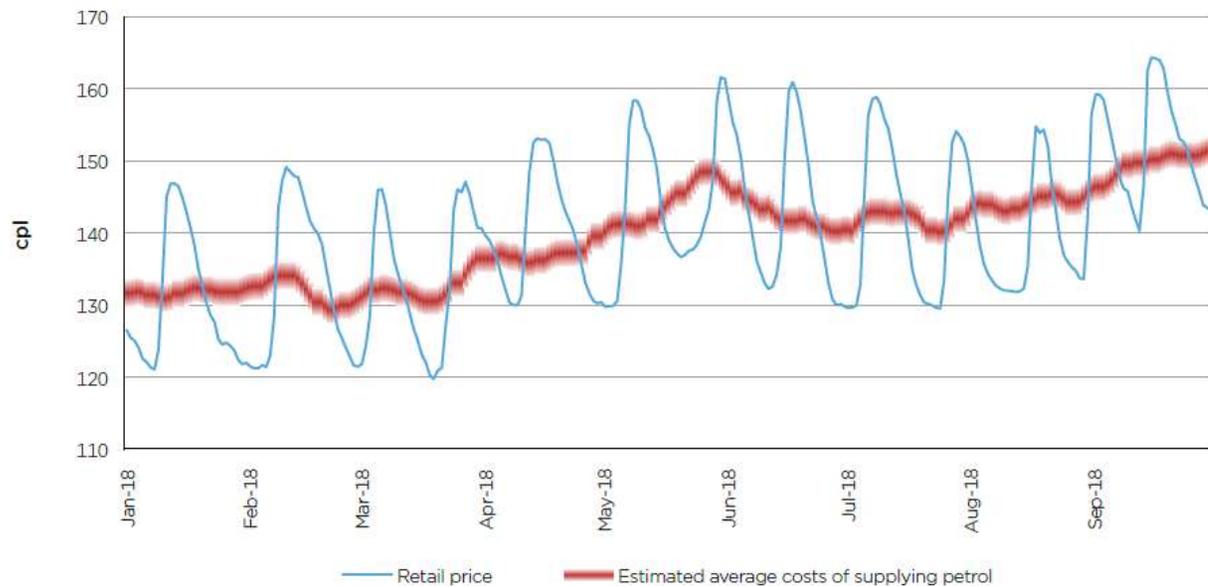


Source: FUELtrac

- Sudden, often sharp, increases in the price of petrol followed by a gradual decline over a period of time
- Not driven by movements in costs or wholesale prices
- Due to the pricing decisions made by retailers, in order to maximise profits

Price Cycles; The Positives

Chart 1.16: Daily average retail petrol prices and estimated average costs of supplying petrol in Adelaide:
1 January to 30 September 2018



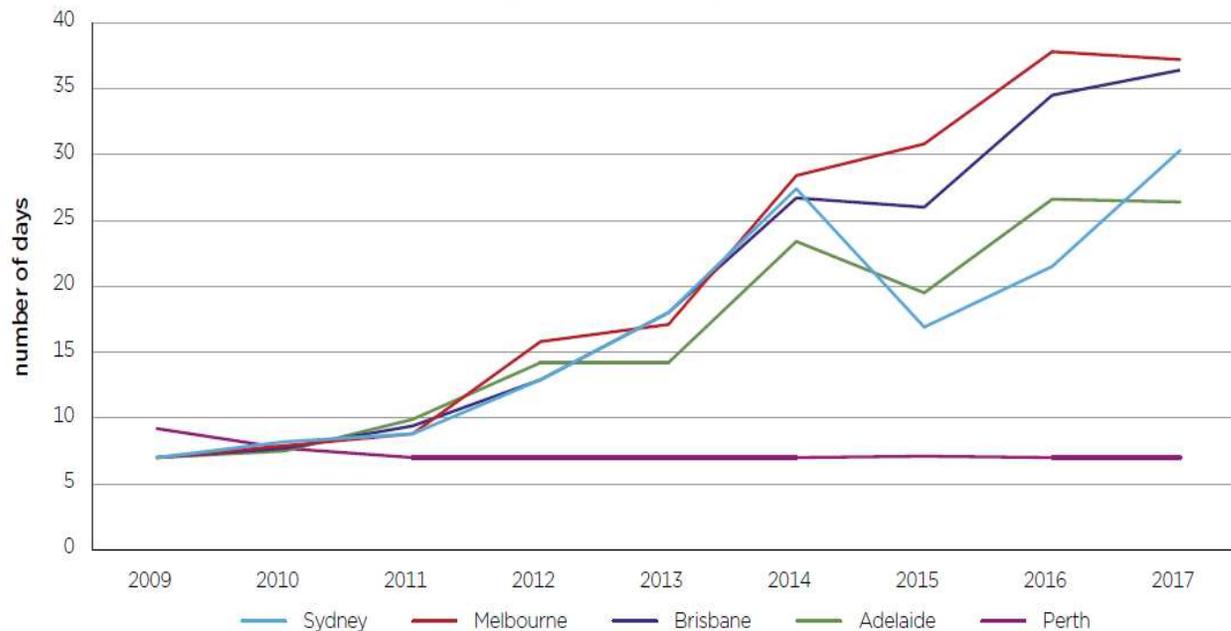
Source: ACCC calculations based on data from FUELtrac and a range of petrol retailers.

- Opportunities to buy at low prices towards the bottom (or trough) of the cycle
- These low prices are often below the cost of supply
- ACCC estimated potential savings if taking advantage of lower prices (2018):

ADELAIDE & Sydney: \$300
Melbourne and Brisbane: \$250

Price Cycles; The Negatives

Chart 3.2: Annual average duration of price cycles in the five largest cities: 2009 to 2017

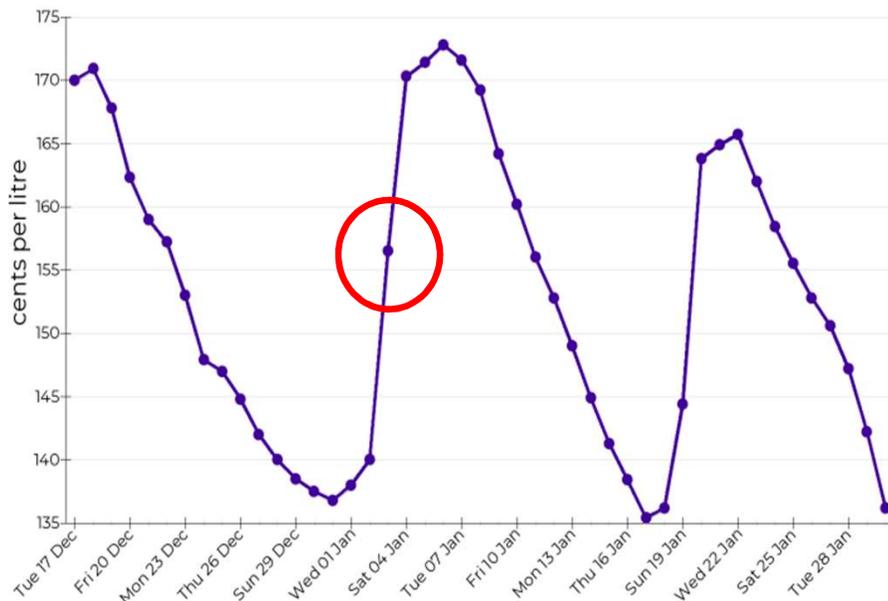


Source: ACCC calculations based on Informed Sources and FUELtrac data.

- Each cycle has been getting longer over the last 10 years.
- Price cycles used to be weekly, but now last for around four to five weeks.
- Average Price Cycle 2009: 7 days
- Average Price Cycle 2017: 30 days
- Perth the exception (weekly since 2009)

Price Cycles; The Negatives

The chart below shows daily average regular unleaded petrol prices in Adelaide over the past 45 days.

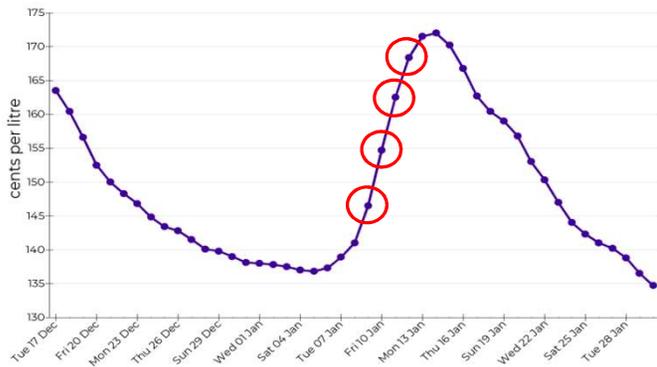


Source: FUELtrac

- Price increases getting higher
- 2009 average increase 8-14 cpl
- 2017 average increase 18-24 cpl
- 2020 examples of 40 cpl increase
- Price Check Resources exist to assist consumers, with varying coverage
- ADELAIDE: one major price increase

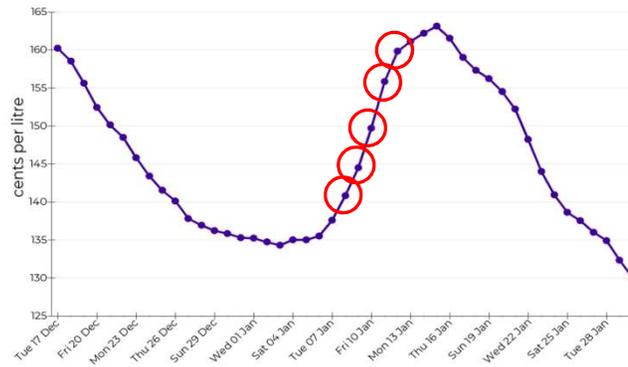
Price Increase comparison to other Cities

The chart below shows daily average regular unleaded petrol prices in Brisbane over the past 45 days.



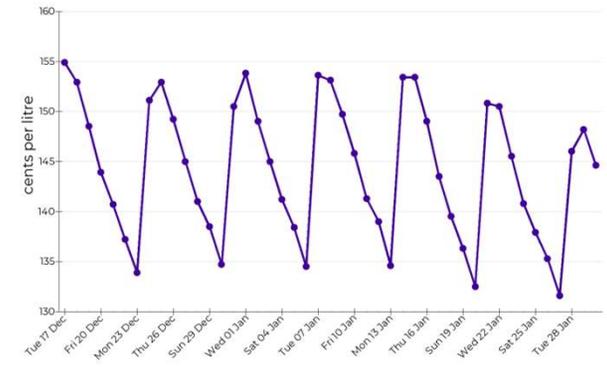
Brisbane

The chart below shows daily average E10 petrol prices in Sydney over the past 45 days.



Sydney

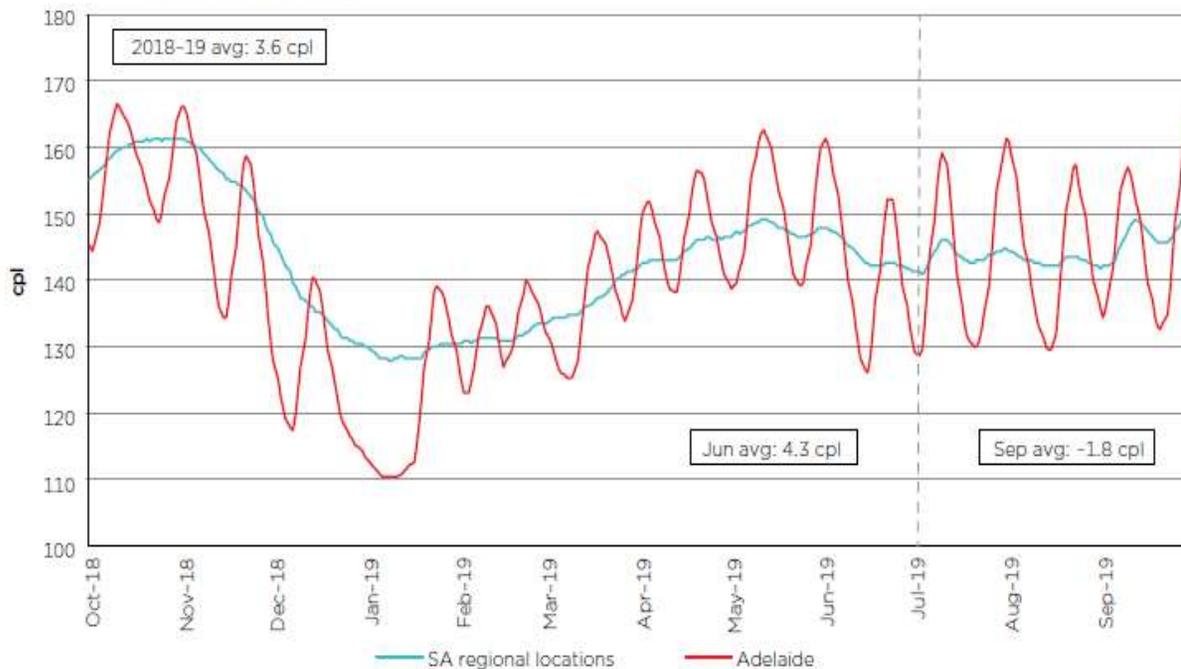
The chart below shows average daily regular unleaded petrol prices in Perth over the past 45 days.



Perth

Metro (price cycles) vs Regional (no price cycles)

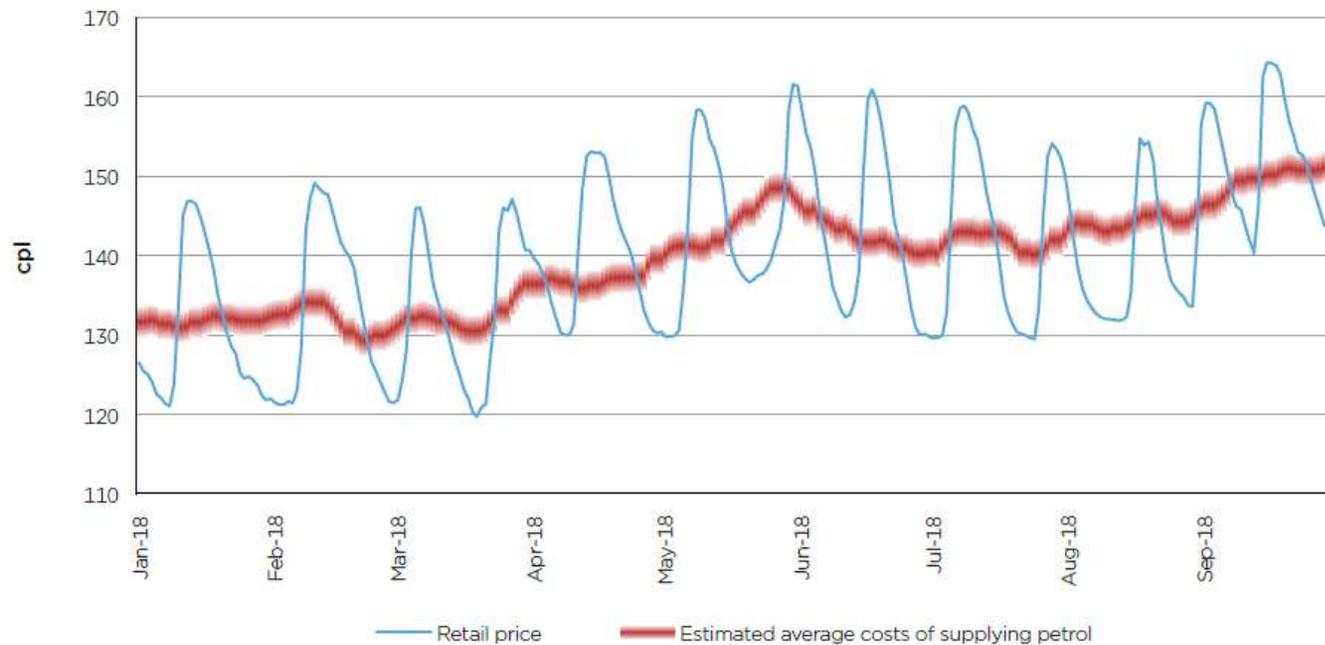
Chart 4.5: Seven-day rolling average petrol prices in SA regional locations and Adelaide: 1 October 2018 to 30 September 2019



- Regional areas without Price Cycles, with prices following wholesale cost changes
- Due to reduced competition
- Regional consumers unable to purchase at the trough but also are not subject to the price peaks

Adelaide vs Other Capital Cities

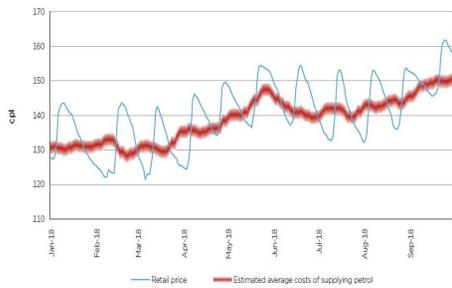
Chart 1.16: Daily average retail petrol prices and estimated average costs of supplying petrol in Adelaide: 1 January to 30 September 2018



Source: ACCC calculations based on data from FUELtrac and a range of petrol retailers.

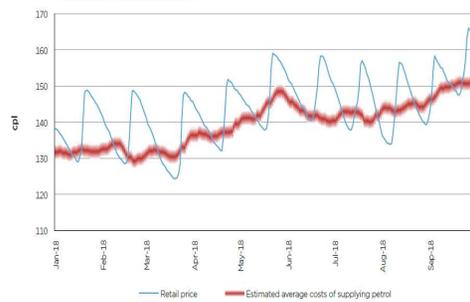
Other Capital Cities

Chart 1.13: Daily average retail petrol prices and estimated average costs of supplying petrol in Sydney: 1 January to 30 September 2018



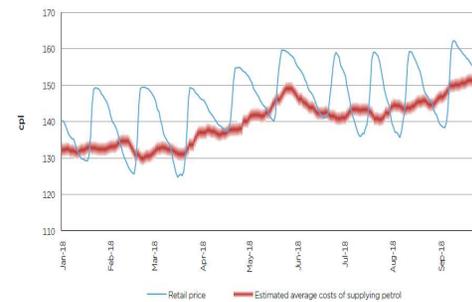
Source: ACCC calculations based on data from FUELtrac and a range of petrol retailers.
Note: E10 prices are used in Sydney.

Chart 1.14: Daily average retail petrol prices and estimated average costs of supplying petrol in Melbourne: 1 January to 30 September 2018



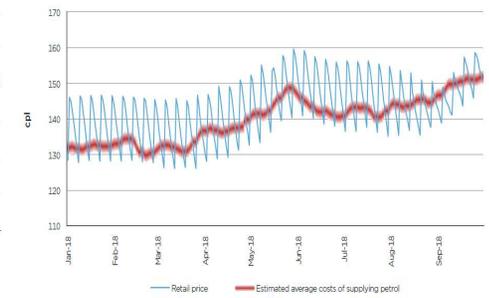
Source: ACCC calculations based on data from FUELtrac and a range of petrol retailers.

Chart 1.15: Daily average retail petrol prices and estimated average costs of supplying petrol in Brisbane: 1 January to 30 September 2018



Source: ACCC calculations based on data from FUELtrac and a range of petrol retailers.

Chart 1.17: Daily average retail petrol prices and estimated average costs of supplying petrol in Perth: 1 January to 30 September 2018

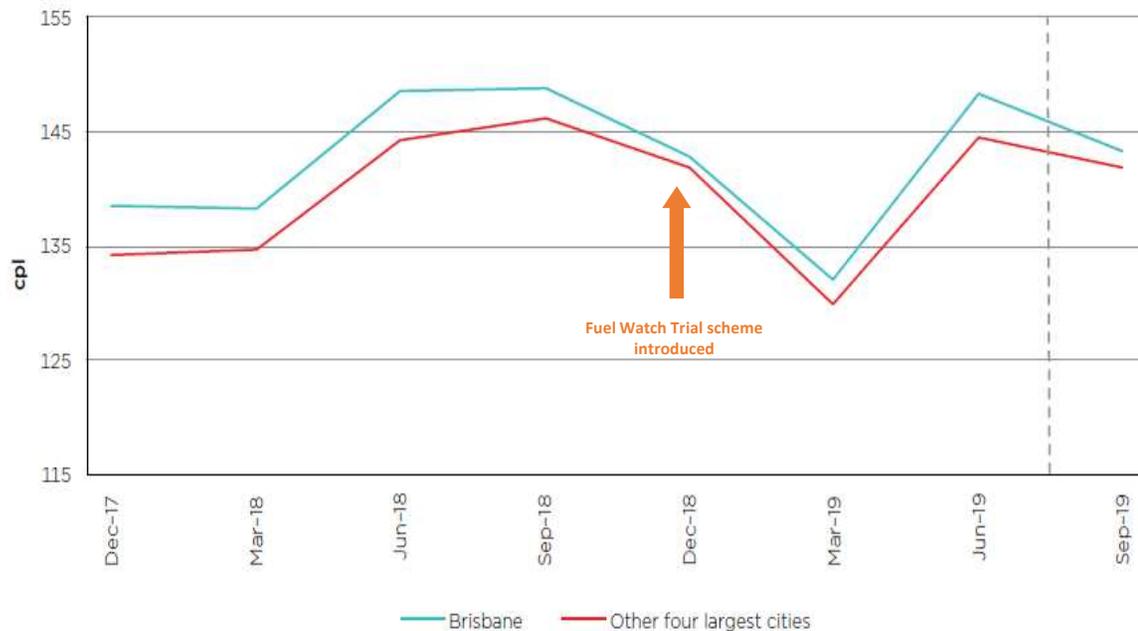


Source: ACCC calculations based on data from FUELtrac and a range of petrol retailers.

	↑ SYDNEY	↑ MELBOURNE	↑ BRISBANE	↑ ADELAIDE	↑ PERTH
Average weeks per Cycle (2018)	4 weeks	4.3 weeks	4.7 weeks	3 weeks	1 week
Govt Fuel Scheme	FuelCheck scheme (2016)	None	Fuel Watch Trial scheme (2018)	None	Fuel Watch scheme (2001)
Price Notification	Requires retailers to provide pricing data to the Government in real time	N/A	Requires retailers to notify independent (external) aggregator of price within 30 minutes of change	N/A	Requires retailers to notify WA Govt of next day's fuel price by 2 pm each day
Price Guarantee	No guarantee of price for any period of time		No guarantee of price for any period of time		Price guaranteed for 24 hour period (6am-6am)

QLD Fuel Watch Scheme: Price Impact

Chart 3.5: Quarterly average retail prices in Brisbane and the other four largest cities: December quarter 2017 to September quarter 2019



Source: ACCC calculations based on FUELtrac data.

Brisbane compared to other four largest cities:

- 4th Quarter 2018: 0.9 cpl higher
- 1st Quarter 2019: 2.1 cpl higher
- 2nd Quarter 2019: 3.6 cpl higher
- 3rd Quarter 2019: 1.5 cpl higher

Context:

- Brisbane average 2.9 cpl higher over 2 years
- Brisbane always higher due to less competition
- Decrease to 1.5 cpl likely due to regulation and increase in retail sites (ACCC)

QLD Fuel Watch Scheme: Cycle Impact

Information on the past five price cycles in Brisbane is shown below:

First day of cycle (low price)	No. of days to highest price in the cycle	Date of highest price in the cycle	Days to next cycle (next low price)	Total days in cycle
Tue 27 Nov 18	7	Tue 04 Dec 18	33	40
Sun 06 Jan 19	14	Sun 20 Jan 19	24	38
Wed 13 Feb 19	5	Mon 18 Feb 19	20	25
Sun 10 Mar 19	7	Sun 17 Mar 19	23	30
Tue 09 Apr 19	7	Tue 16 Apr 19	22	29

Fuel Watch Trial scheme Introduced

Information on the past five price cycles in Brisbane is shown below:

First day of cycle (low price)	No. of days to highest price in the cycle	Date of highest price in the cycle	Days to next cycle (next low price)	Total days in cycle
Sun 01 Sep 19	9	Tue 10 Sep 19	14	23
Tue 24 Sep 19	8	Wed 02 Oct 19	15	23
Thu 17 Oct 19	7	Thu 24 Oct 19	18	25
Mon 11 Nov 19	9	Wed 20 Nov 19	13	22
Tue 03 Dec 19	8	Wed 11 Dec 19	24	32

Table 1: Nov 2018 – April 2019

- Average price cycle length: 32.4 days
- Peak to Trough average period: 24.4 days

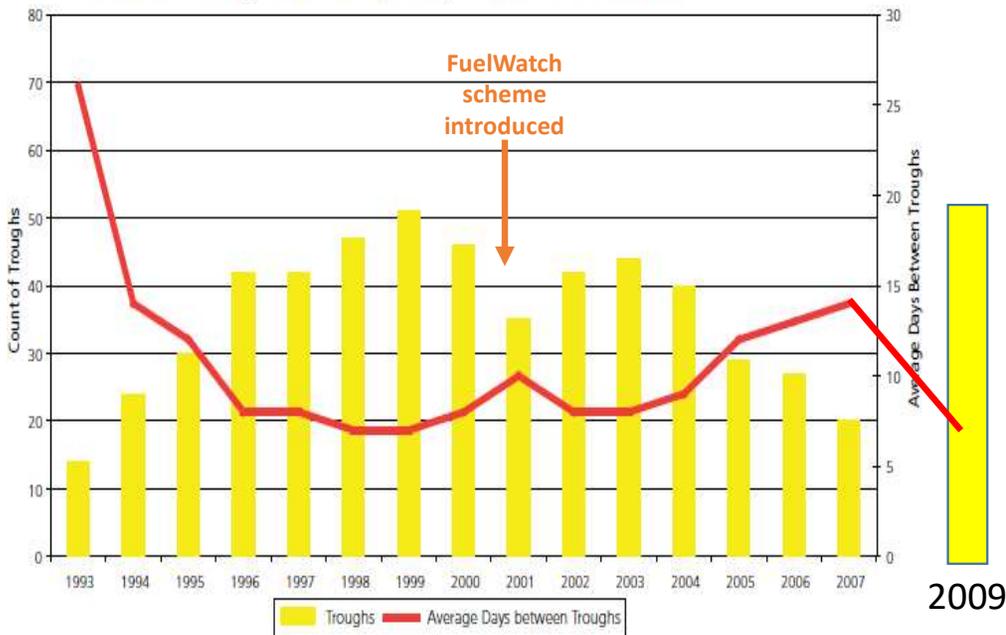
Table 2: Sept 2019 – Dec 2019

- Average price cycle length: 25 days
- Peak to Trough average period: 16.8 days

WA FuelWatch Scheme: Impact 2001-2009

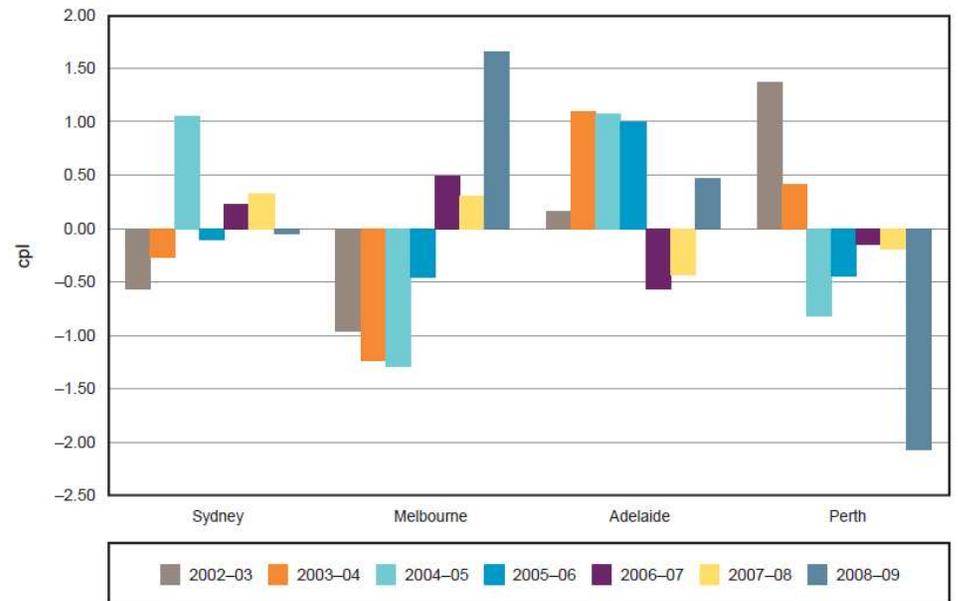
Cycles

Chart M.9 Average durations of price cycles in Perth: 1993 to 2007



Price

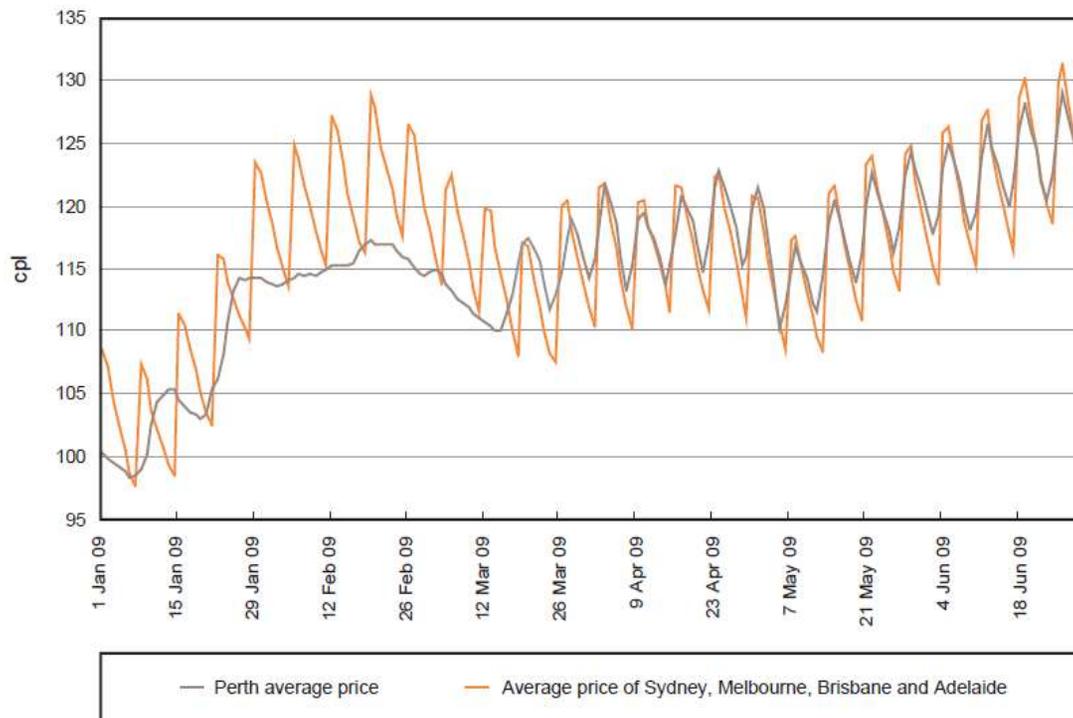
Chart 9.10 Average retail prices in Sydney, Melbourne, Adelaide and Perth relative to the average price of petrol across all four cities: 2002-03 to 2008-09



Source: ACCC calculations based on Informed Sources data.

WA FuelWatch Scheme: 2009 Change

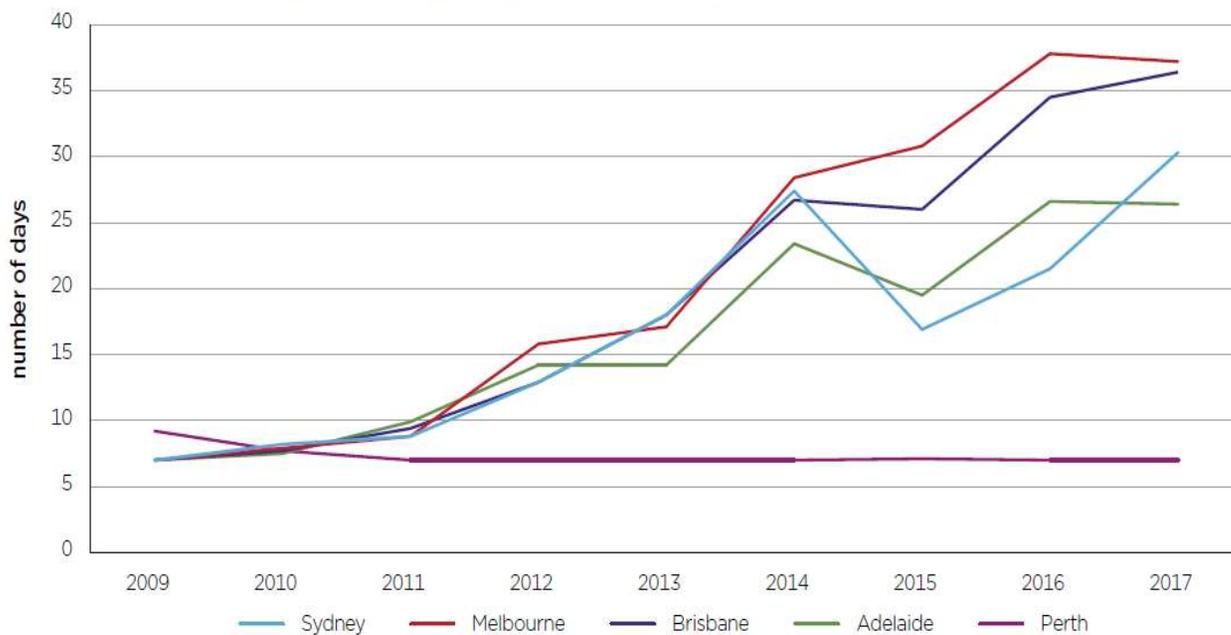
Chart 11.4 Daily average retail RULP prices in Perth and across Sydney, Melbourne, Brisbane and Adelaide: 1 January to 30 June 2009



- Whilst cycles briefly disappeared in Perth, average prices were comparable to the low point of the cycle in other cities
- March 2009, Perth retailers adjusted price cycles to match other capital cities
- How long did it stay like this?

WA FuelWatch Scheme: Cycle 2009-2017

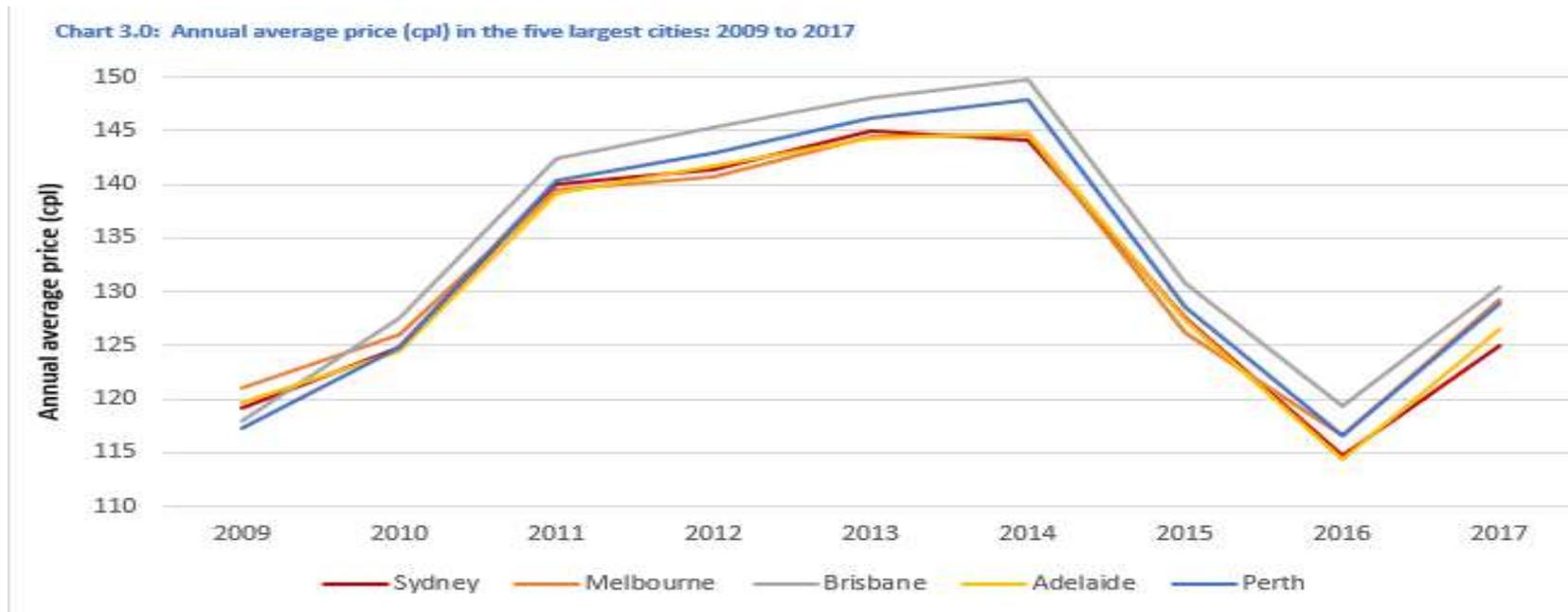
Chart 3.2: Annual average duration of price cycles in the five largest cities: 2009 to 2017



Source: ACCC calculations based on Informed Sources and FUELtrac data.

- Perth weekly cycles have not changed since 2009
- All other large cities have seen price cycles gradually increase over 10 years
- Longer price cycles make it more difficult for consumers to take advantage of low points in the cycle

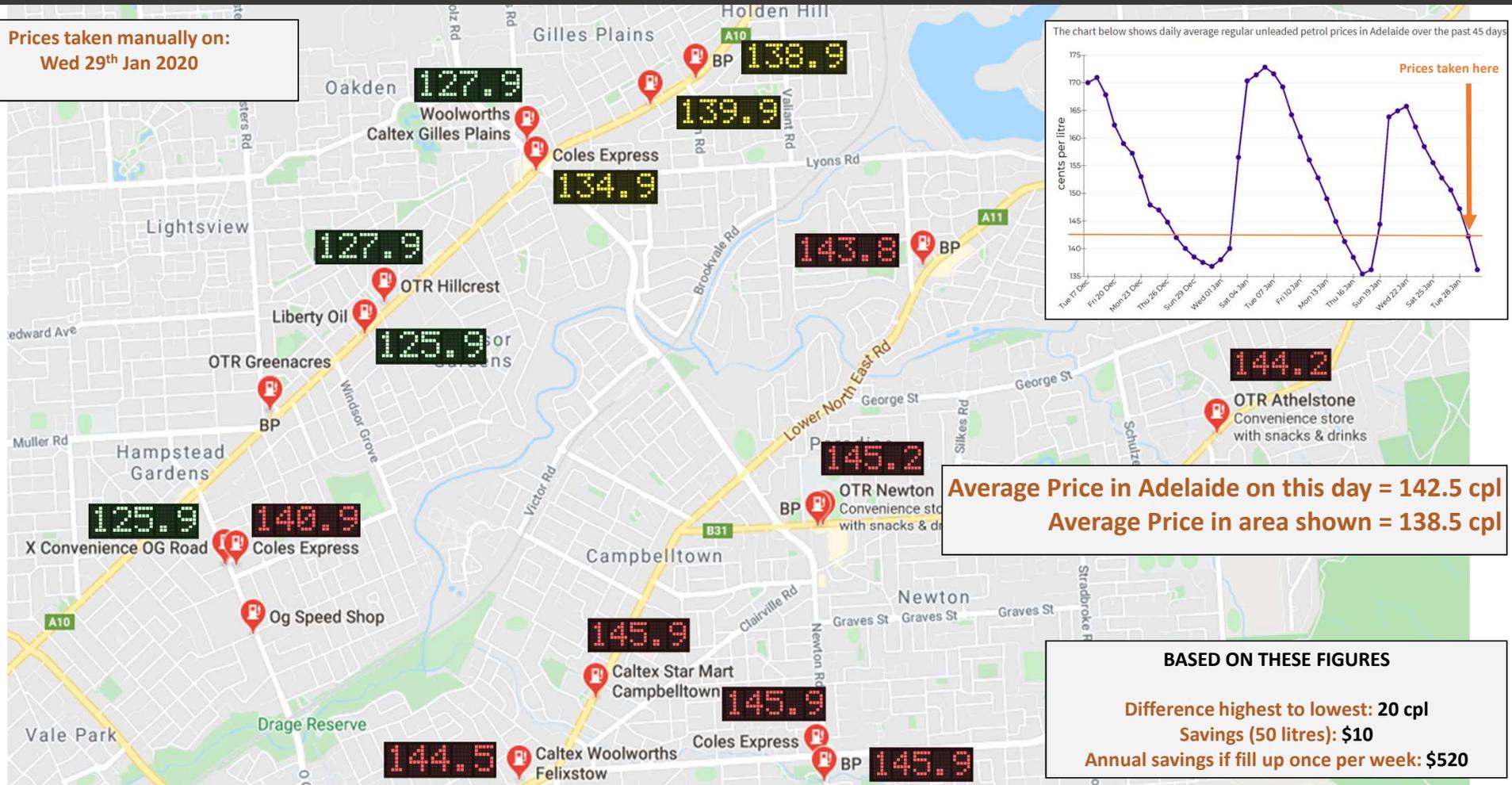
WA FuelWatch Scheme: Price 2009-2017



- Minor changes in city prices relative to each other over 8 years
- Perth: Difficult to attribute to FuelWatch scheme 16 years after introduced
- Multiple factors influencing price (retailer behaviour, level of competition)
- Average Price does not necessarily mean this is the 'Paid For' price spent by majority of motorists

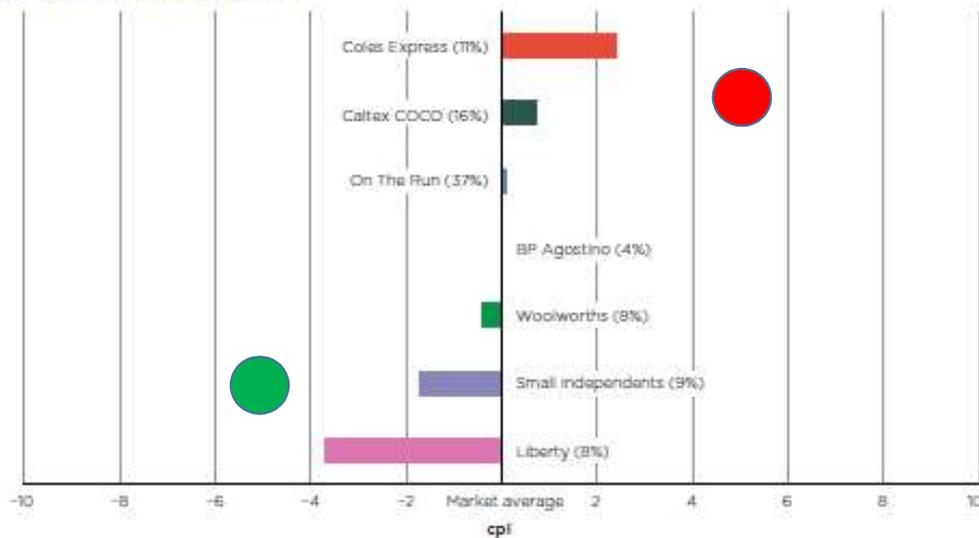
Average Price vs 'Paid For' Price

Prices taken manually on:
Wed 29th Jan 2020



Retailer Pricing Behaviour; Adelaide

Difference between each major retailer's annual average petrol price and the market annual average petrol price in Adelaide in 2018



Source: ACCC calculations based on Informed Sources data and information provided by some major retailers.

Notes: The numbers in brackets are the proportion of retail sites in Adelaide for each major retailer.

Prices were not available for United and X Convenience retail sites in Adelaide. Therefore, the proportions of retail sites shown in the chart do not total 100 per cent.

BP Agostino is a BP-branded independent chain.

The small independents category includes the single BP COCO retail site in Adelaide.

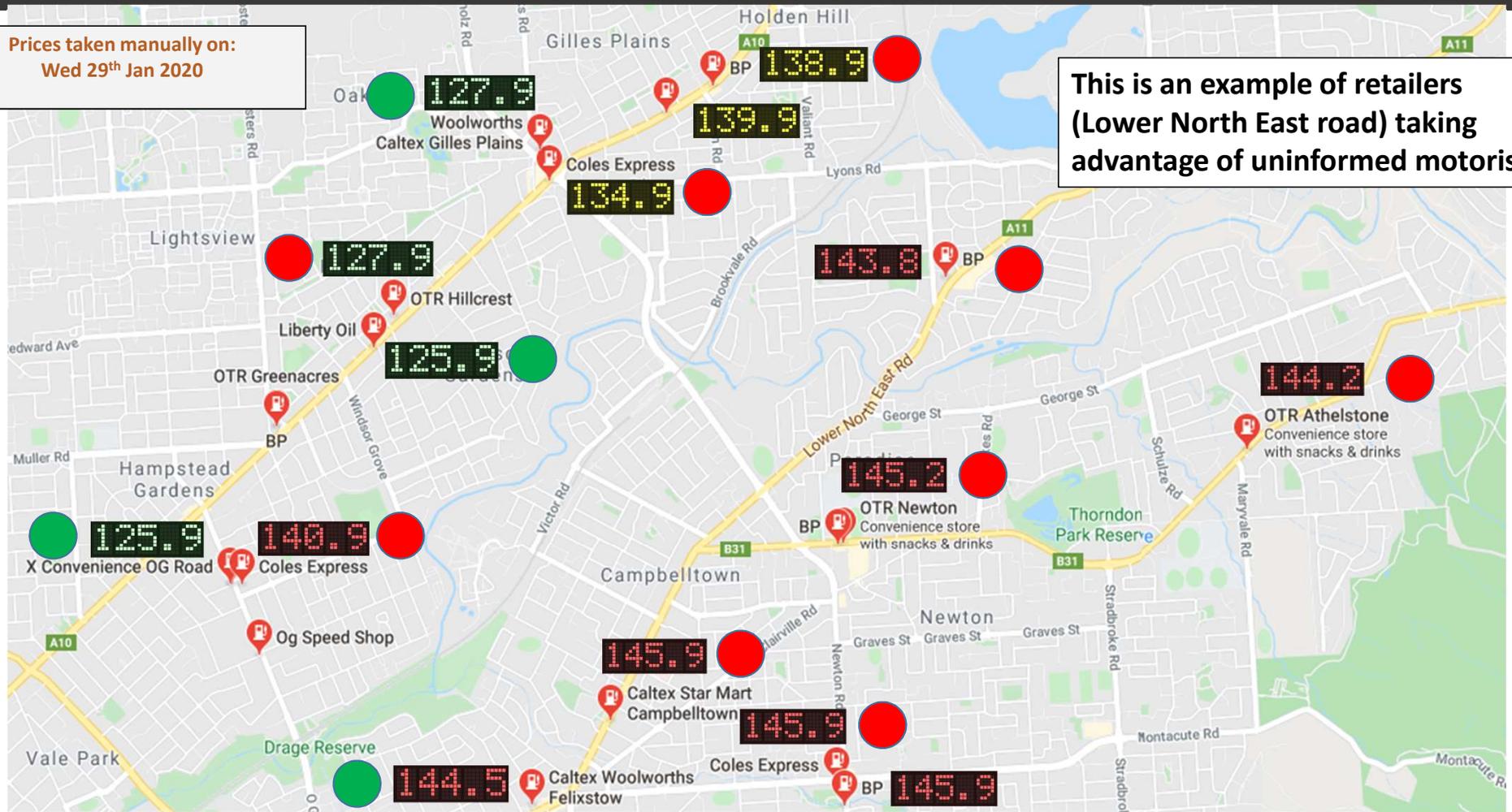
The average BP Agostino price was equal to the market average price.

- Some retailer leading prices upwards whilst others lead downwards
- Certain retailers keep prices higher where possible in order to maximise profits
- This may help to explain the 20 cpl disparities in the previous map
- **Red** = retailers with higher than average pricing
- **Green** = retailers with lower than average pricing

Average Price vs 'Paid For' Price

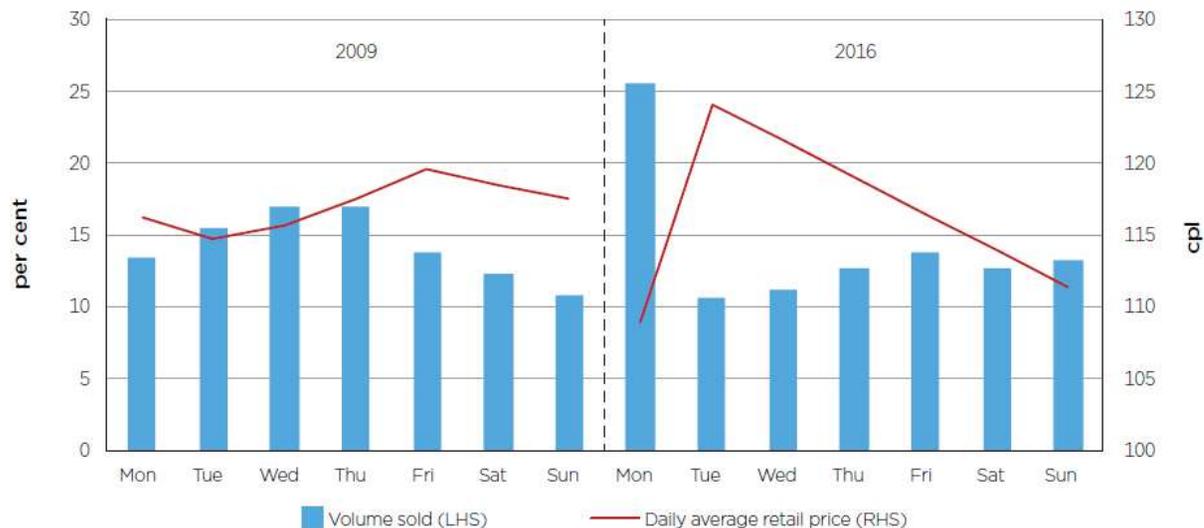
Prices taken manually on:
Wed 29th Jan 2020

This is an example of retailers
(Lower North East road) taking
advantage of uninformed motorists.



Sales Volumes during the Price Cycle

Chart 4.6: Average retail petrol sales volumes and average petrol prices by the day of the week in Perth: 2009 and 2016



Source: ACCC calculations based on data from Informed Sources, FUELtrac and monitored companies.

- Average Price, in isolation, does not paint an accurate picture
- How much petrol is being sold at low and high prices?
- Higher volumes sold when fuel is cheaper within a price cycle
- Price cycle durations therefore play a large role

Case Study: Filling up During the Cycle

Assumes filling up once per week, every **Monday**

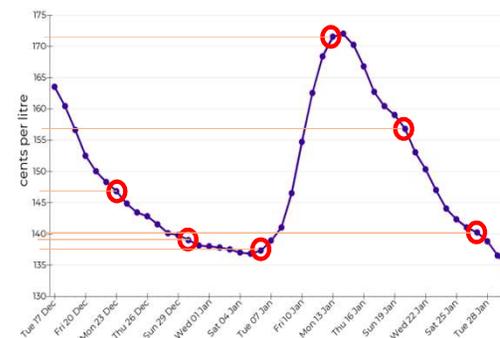
Adelaide



Average Price paid: **154.5 cpl**

Brisbane

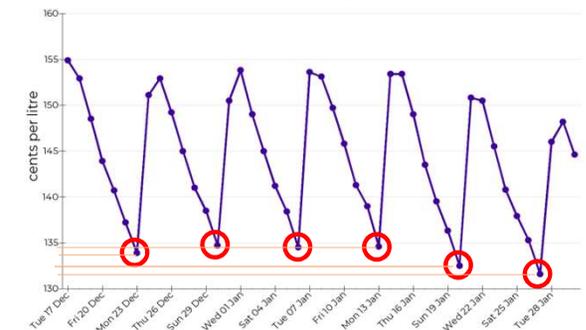
The chart below shows daily average regular unleaded petrol prices in Brisbane over the past 45 days.



Average Price paid: **148.5 cpl**

Perth

The chart below shows average daily regular unleaded petrol prices in Perth over the past 45 days.



Average Price paid: **133.5 cpl**

- Low income earners hit hardest if they are unable to fill up at the low point (Adelaide / Brisbane)
- Consumers can pay under the average price but often only if they know where cheaper retailers are
- Consumers must be confident in the prices stated in any Fuel Check scheme in order to continue its use and to know where the cheapest retailers are. E.g. Lower North East Road vs North East Road (map)
 - Having a guaranteed price for a 24 hour period will provide this stability and confidence

Considerations

- No guarantee of market impact of any regulation
- Market precedent arguably exists for both QLD and WA model
- Data suggests can take at least 1 year of data gathering to analyse impacts
- ACCC are supportive of Fuel Price transparency schemes for consumers
- Compliance structure is key to a smooth and successful system
- Impact on price cycle just as important as impact on average price, as cycle decrease allows consumers more opportunities to fill up at the low point