

House of Representatives Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Australian Competition and Consumer Commission annual report 2017-18

Department/Agency: Australian Competition and Consumer Commission

Topic: Petrol price cycles

Date: 18 September 2019

MP: Craig Kelly

Hansard page number: 18

Question:

Mr CRAIG KELLY: Just anecdotally, to my eyes the depth of the variations in the cycle seem to be getting greater. I know that is just anecdotal. I don't know whether your analysis—

Mr Sims: We'll send you something on that.

Mr CRAIG KELLY: That would be interesting.

Mr Sims: We do track it. My sense is that it hasn't got worse in the last couple of years, but I'll come back to you on that; I could be wrong.

Mr Cosgrave: We've done recent work on price levels. We're happy to provide that.

Answer:

The ACCC monitors prices, costs and profits in the petroleum industry in Australia, under a direction issued under section 95ZE of the *Competition and Consumer Act 2010 (Cth)*. Under this direction, the ACCC produces quarterly petrol monitoring reports focusing on price movements in the capital cities and over 190 regional locations across Australia. It also produces petrol industry reports that focus on particular aspects of consumer interest in the fuel market. These reports are available on the ACCC website at: <https://www.accc.gov.au/regulated-infrastructure/fuel/acccs-fuel-monitoring-role>

Price cycles

In December 2018, the ACCC released a petrol industry report on petrol price cycles in Australia. Petrol price cycles occur in the five largest cities (i.e. Sydney, Melbourne, Brisbane, Adelaide and Perth) and in a small number of regional locations. In Sydney, Melbourne, Brisbane and Adelaide (the eastern capital cities) price cycles generally occur over a number of weeks. Price cycles in Perth move in a regular and predictable weekly pattern.

The report noted that price cycles have changed significantly over the last 10 years.

- The magnitude of the price increase increased substantially during this time. In 2009, the average price cycle increase ranged from around 8 cents per litre (cpl) to 14 cpl depending on the city (or between around 7 per cent and 11 per cent of the annual average price). By 2017, the average price cycle increase ranged from around 18 cpl to 24 cpl (between around 14 per cent and 19 per cent of the annual average price).
- In the eastern capital cities, the duration of petrol price cycles (i.e. the length of time between one trough and the next trough) increased significantly. In 2007, price cycles generally occurred on a weekly basis. Over time, price cycles in these capital cities lengthened and, in 2017, the average duration of price cycles ranged from around four to five weeks.
- Similarly, the number of price cycles that occurred each year in these cities decreased significantly, from 52 price cycles in 2009 (one each week) to between 10 and 14 price cycles in 2017 (depending on the city).

Price levels

In August 2019, the ACCC released its latest quarterly petrol monitoring report, which reported on the June 2019 quarter and financial year 2018-19.

The report noted that:

- In the June 2019 quarter, average retail petrol prices across the five largest cities were 145.3 cpl, an increase of 15.0 cpl from the March quarter 2019 (130.3 cpl).
- During the June 2019 quarter, daily average prices (on a seven-day rolling average basis) varied considerably. After increasing to a high of 154.0 cpl in mid-May 2019, they subsequently trended downwards to a low of 136.4 cpl at the end of the quarter.
- The annual average retail petrol price in the five largest cities in 2018-19 was 141.2 cpl, which was 6.7 cpl higher than in 2017-18 (134.5 cpl).
- In real terms (i.e. after prices have been adjusted for inflation), this was the highest annual average price in four years. In nominal terms, it was the highest annual average price in five years.