



AAA – FUELtrac “FuelWatch” Review

Prepared March 2008

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FuelWatch System

- Established in WA in January 01 requiring two enabling Acts and subsequent amendments,
- Is consumer focused and designed to provide price transparency and certainty at both wholesale and retail levels,
- Requires operation and maintenance of an extensive database to record daily “notified” prices by fuel retailers within defined boundaries by 2pm,
- Covers ULP/PULP/Diesel /LPG/ RON98 and Biodiesel blends,
- Provides Automated Phone Service, free email service and 24/7 Web access,
- Provides data & comparisons on relevant Singapore Benchmark prices and Terminal Gate prices (post Jan 2003),
- FuelWatch involves substantial commitment of Government resources in staffing, IT software and hardware, data collection and verification, purchasing of external data (E.g. Platts Singapore), telephone and email services and ongoing compliance, auditing and prosecution (legal) cost for enforcement. Note it has not been possible to obtain full aggregated costs for the provision of this service from published WA Government Annual Reports.



FuelWatch Claimed Benefits

- Increased fuel pricing transparency,
- Better purchase decisions i.e. lower fuel price purchases,
- Certainty of fuel pricing i.e. by the 24 hour rule,
- Lower search costs,
- Lower prices in Perth Vs Eastern capitals,
- Eliminates price cycles and prevents major price fluctuations⁽¹⁾,
- Psychological effects i.e. feeling of power , more control real or otherwise,

(1) WA Select Committee on Pricing of Petroleum Products



FuelWatch Disadvantages

- Bureaucratic system with inherent “high” admin, compliance and delivery costs,
- Detrimental to smaller scale Independents Vs Majors who can employ strategies of “rolling” price leaders⁽¹⁾,
- Higher fuel prices in Perth relative to other Eastern capitals⁽²⁾,
- Has not eliminated price cycles or price fluctuations,
- Relatively low usage rate of 9% of respondents in ANOP survey in WA nominated FuelWatch as their principal source of obtaining information on petrol prices⁽³⁾.

1. Gull Petroleum ACCC submission.

2. Informed Sources ACCC public hearing transcript Melb 9th Oct 2007 (since the introduction of FuelWatch process in WA petrol prices had increased 1.0 – 1.5 cpl)

3. ANOP Research ACCC Report Dec 2007 p. 282



ACCC Review

- Effect on WA ULP pricing – Average weekly price margin 1.9 cpl less from Jan 01 to Jun 07 Vs Aug 98 – Dec 2000 however if the analysis is extended to using the low points of the weeks prices rather than simple weekly average prices the decrease was smaller at around 0.9 cpl on average⁽¹⁾.
- Effect on the duration of price cycles – Inconclusive as there have been periods of 7 day cycles , no cycles, 14 day cycles since the introduction of FuelWatch. The more regular 14 day cycle has only been a feature since Jan 2006 some five (5) years after the introduction of FuelWatch⁽²⁾.
- Effect on the amplitude of price cycles – inconclusive.
- Search costs have been reduced for consumers however this benefit derives more from the elimination of intra day price changes because of the 24 hour rule and extensive media coverage rather than the FuelWatch web site operation alone.
- No measurable effect on country or regional pricing.

(1) ACCC Report Dec 2007 p. 247

(2) ACCC Report Dec 2007 p. 249



FUELtrac ULP Pump Price Varn: Pre vs Post FuelWatch vs Supermarket Entry

Pre FuelWatch: Jan 99 – Dec 2000

1. Sydney was 0.98 cpl higher
2. Melbourne was 1.34 cpl lower
3. Adelaide was 0.83 cpl lower

Post FuelWatch and Pre Supermarket Entry: Jan 01 – Mar 04

1. Sydney was 0.03 cpl higher
2. Melbourne was 1.70 cpl lower
3. Adelaide was 0.45 cpl lower

Post Supermarket Entry: Apr 04 – Feb 08

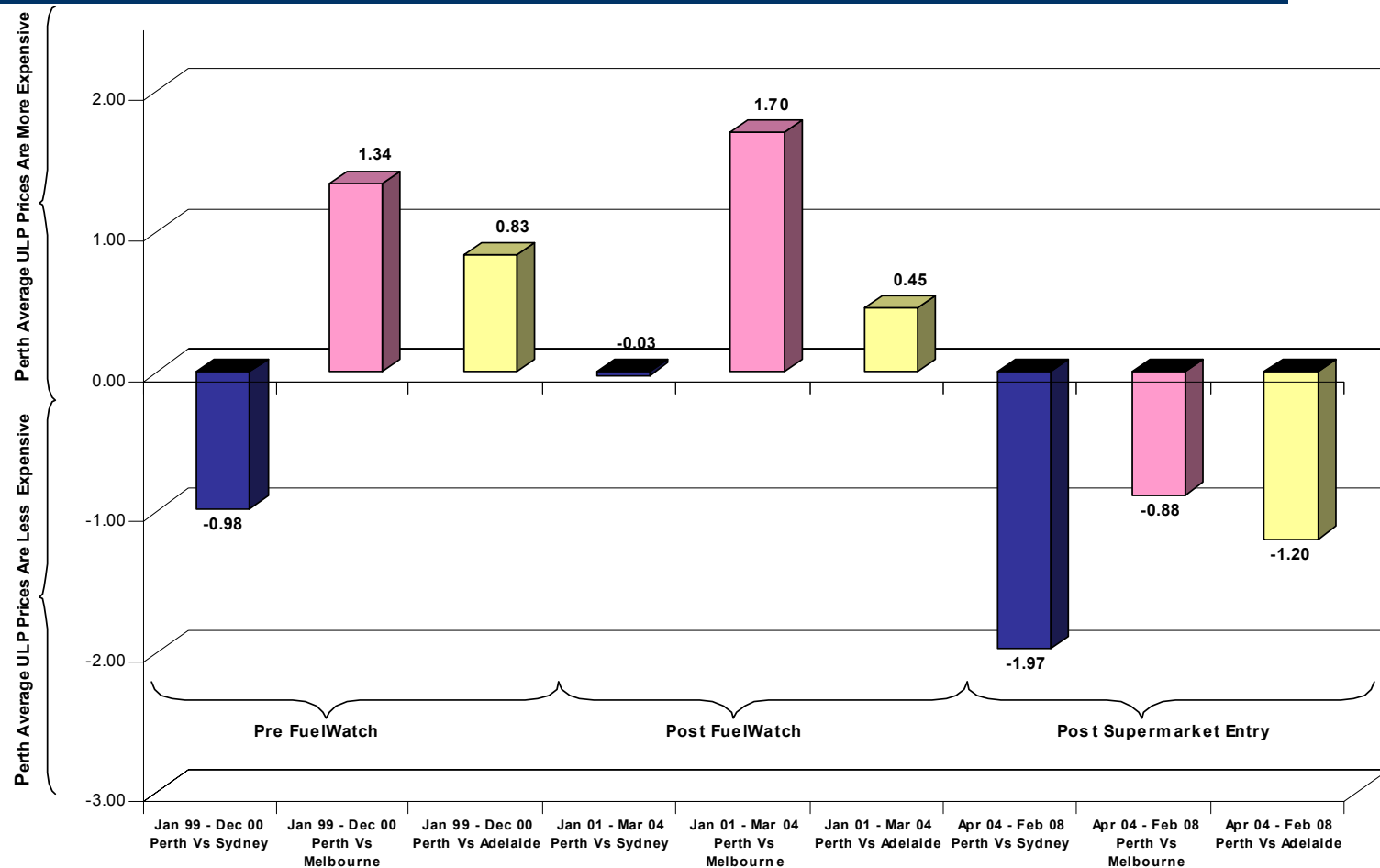
1. Sydney was 1.97 cpl higher
2. Melbourne was 0.88 cpl higher
3. Adelaide was 1.20 cpl higher

Refer to following graphs for the respective pricing differentials :



FUELtrac ULP Pump Price Varn Pre vs Post FuelWatch vs Supermarket Entry

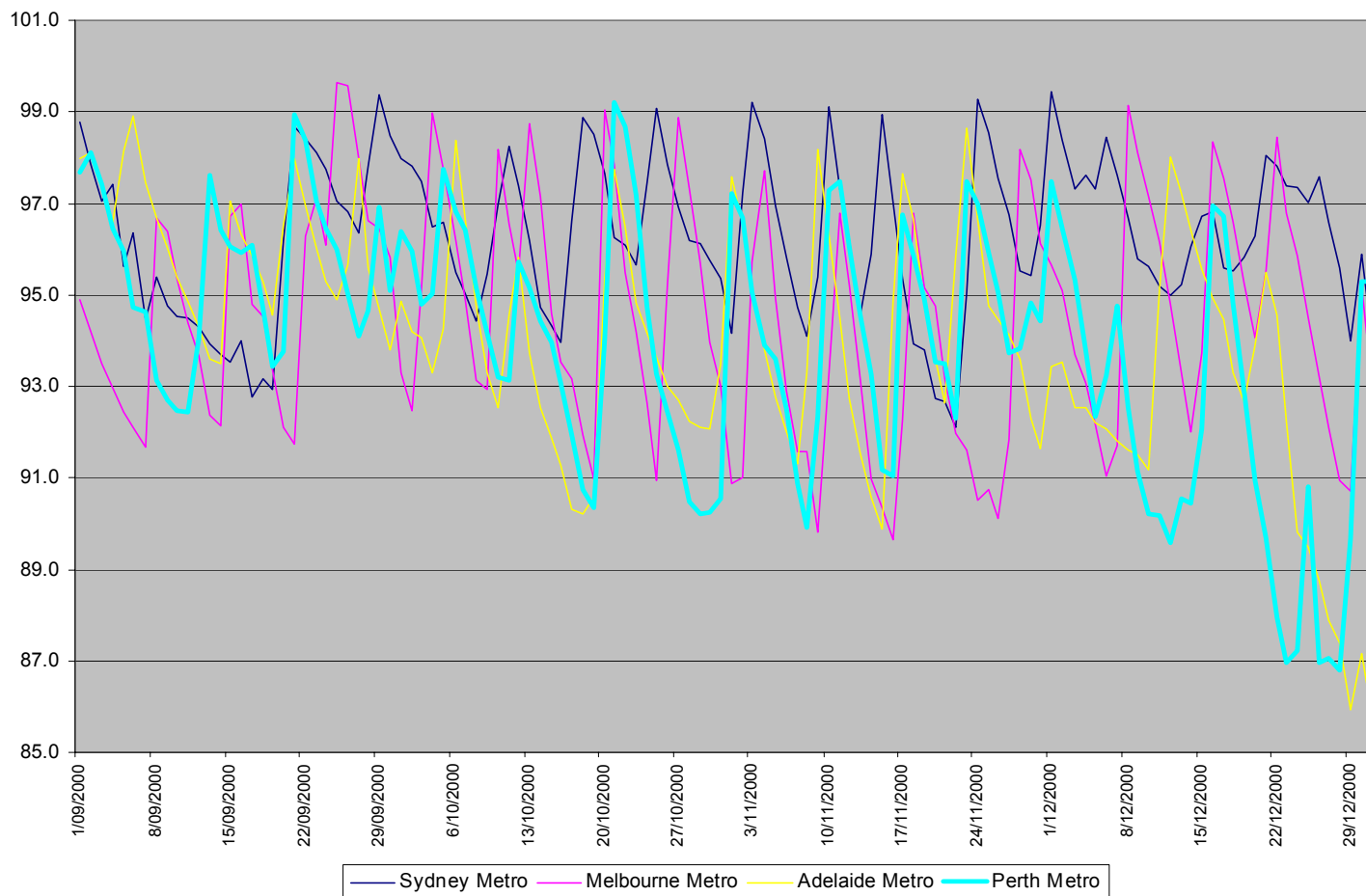
ULP Avg Pump Price Variation Perth Vs Syd Vs Melb Vs Adel





FUELtrac ULP Pump Price Comparison Pre and Post FuelWatch

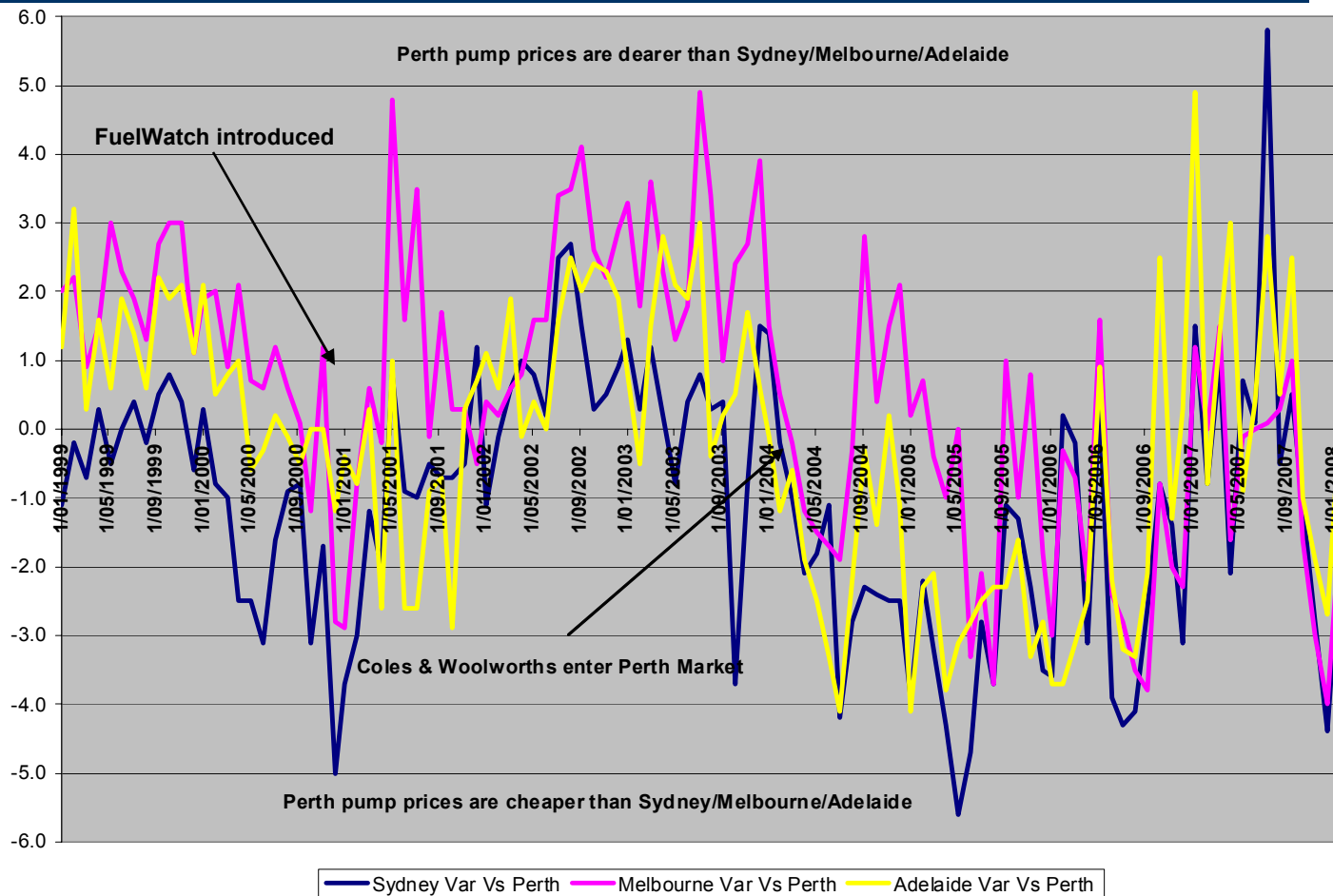
Daily ULP Price Movements Before FuelWatch





FUELtrac ULP Pump Price Comparison Pre and Post FuelWatch

Pricing Differential (CPL) Perth Vs Other Capitals





FUELtrac Price Cycle Duration

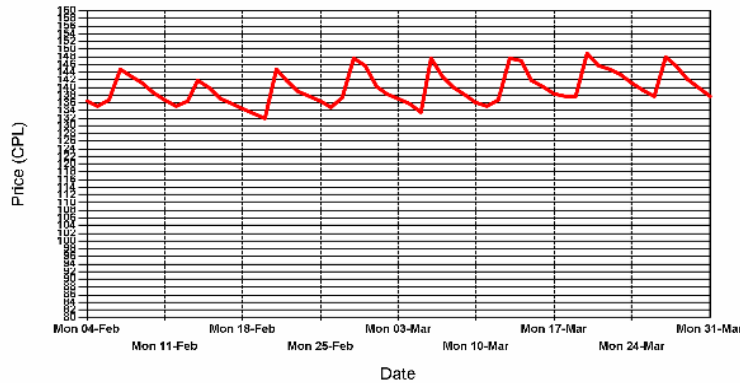
- FUELtrac's analysis of comparative ULP pump pricing data during 2000 in the period prior to the introduction of FuelWatch in Jan 2001 shows a regular weekly cycle consistent with those then operating in Melbourne, Sydney and Adelaide.
- Analysis of data post Jan 2001 shows less consistent cycles with periods of weekly, no cycling and since early 2006, a more regular 14 day cycle.
- The most recent Shell Australia graphs (Feb – Mar 2008) clearly show the regular 14 day Perth cycle Vs the 7 day cycle operating in Melbourne, Sydney and Adelaide.
- The Darwin graph is instructive as it shows what happens in the absence of price cycles (i.e. high, “flat line” pricing).



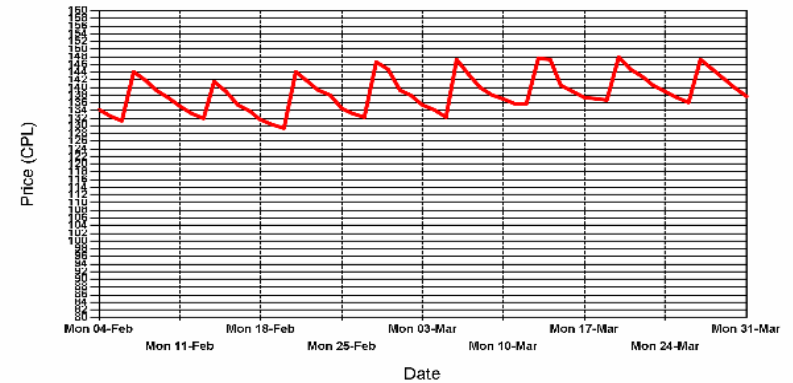
FUELtrac Price Cycle Duration

Pricing Cycle – Comparison of Current Situation (1)

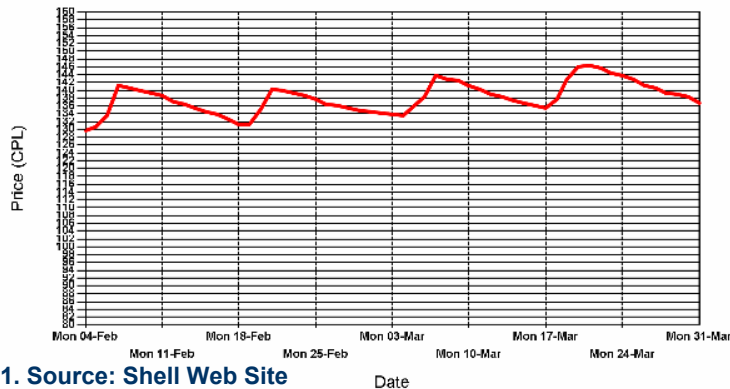
Average Unleaded Fuel Price in Sydney to Mar 31 2008



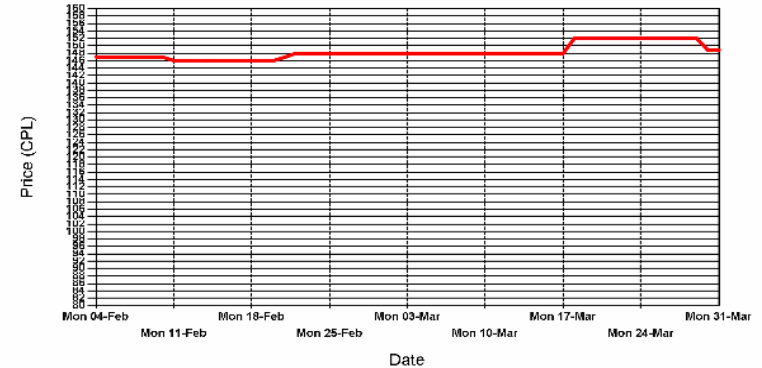
Average Unleaded Fuel Price in Melbourne to Mar 31 2008



Average Unleaded Fuel Price in Perth to Mar 31 2008



Average Unleaded Fuel Price in Darwin to Mar 31 2008

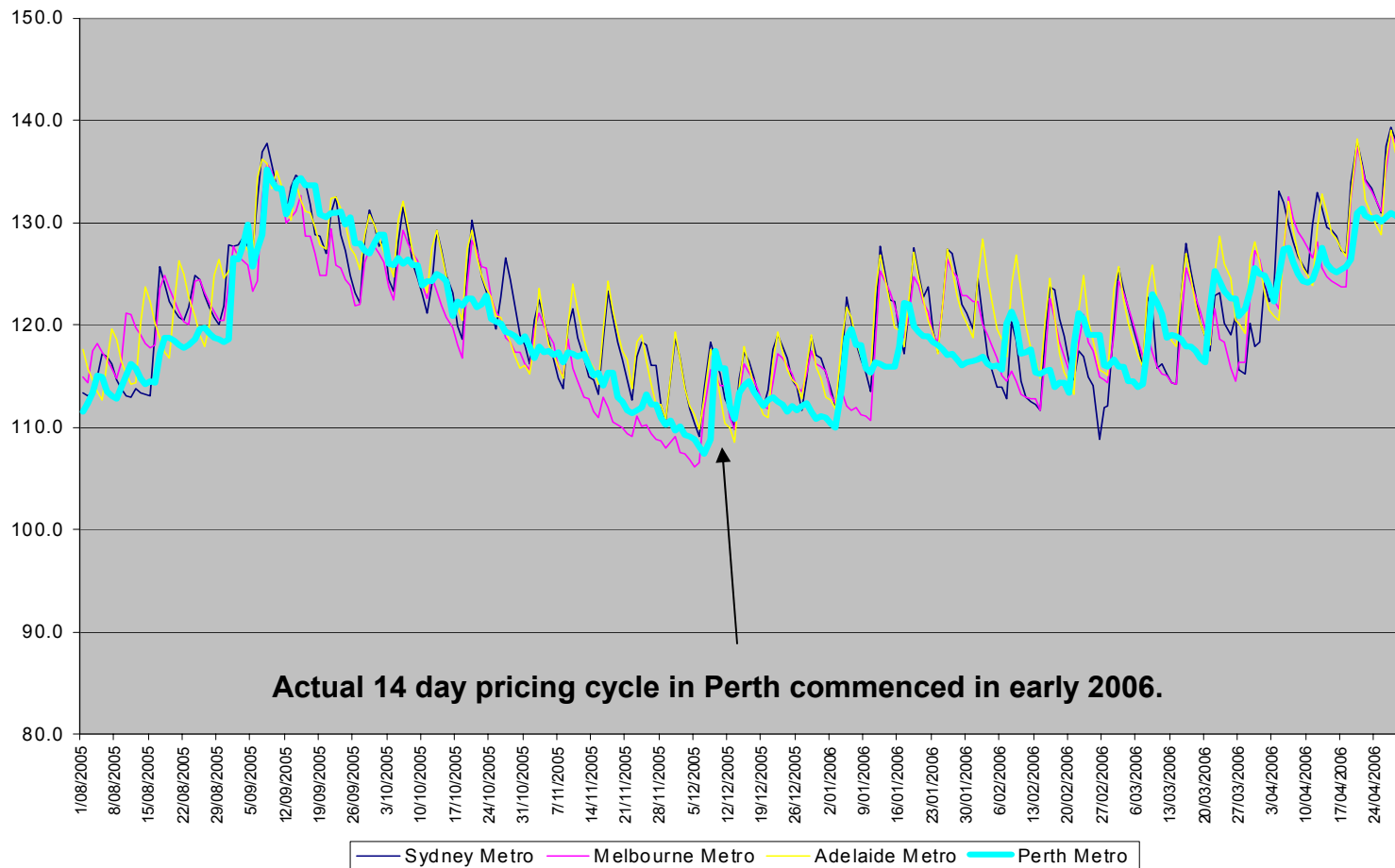


1. Source: Shell Web Site



FUELtrac Price Cycle Duration

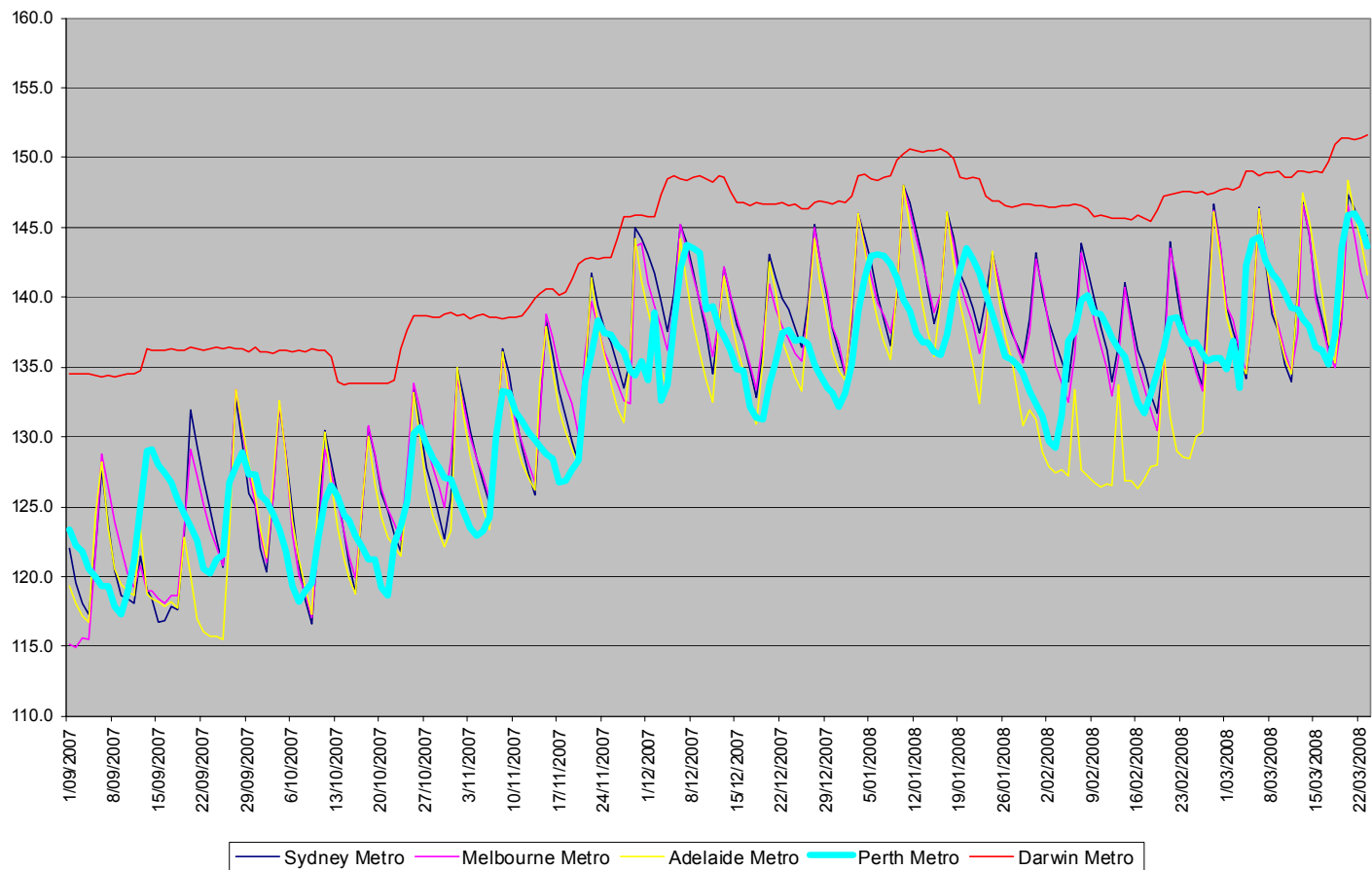
Pricing Cycle – Commencement of 14 Day Cycle in Perth





FUELtrac Price Cycle Duration

Daily ULP Price Movements 2007-2008 Including Darwin





FUELtrac Price Cycle Amplitude Pre and Post FuelWatch

FUELtrac's analysis of price cycle amplitude shows that average “movements” pre FuelWatch were as follows :

1. Perth – 5.14 cpl
2. Adelaide – 4.82 cpl
3. Melbourne – 6.26 cpl
4. Sydney – 4.22 cpl
5. An average across the four metro locations of 5.11 cpl.

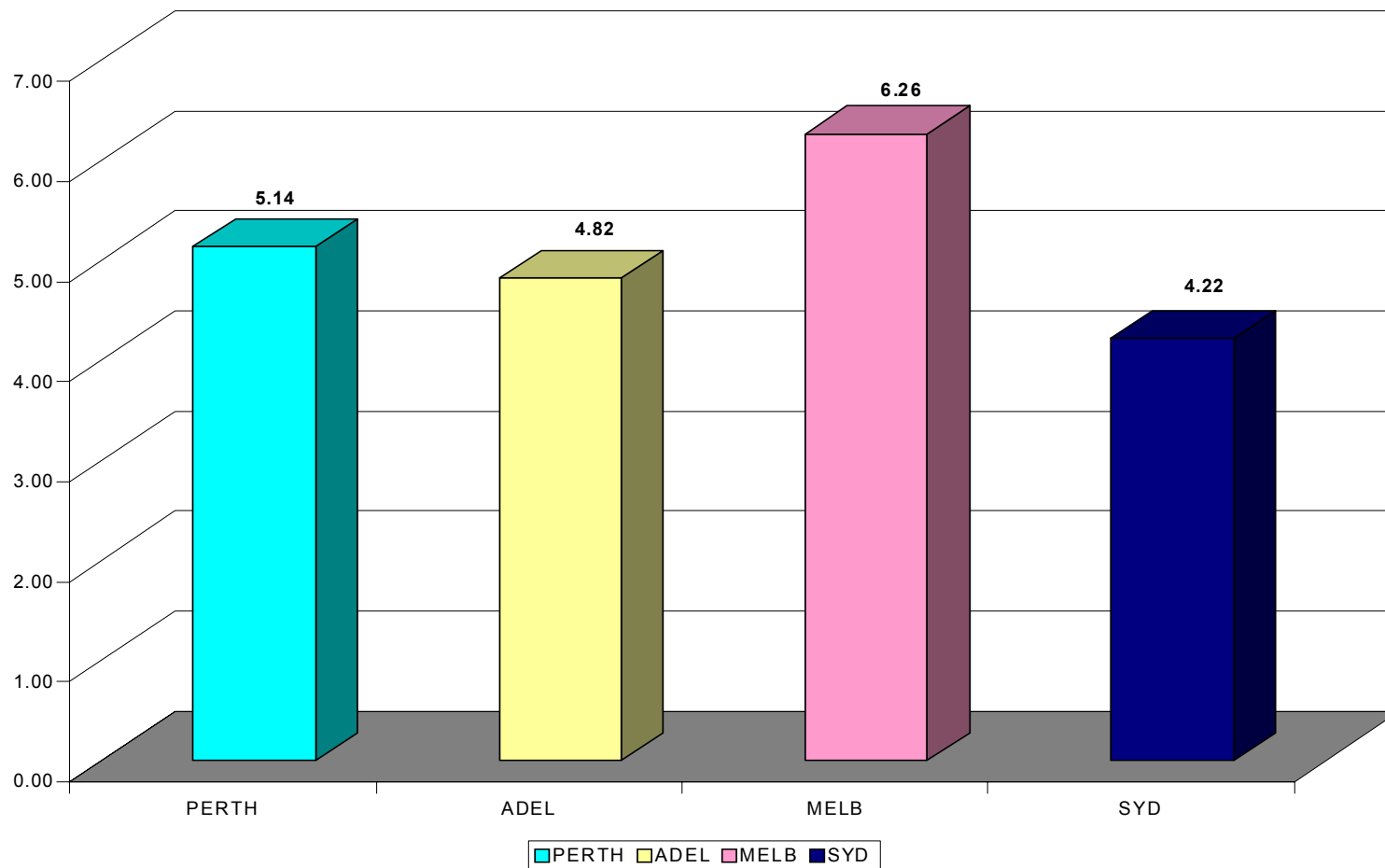
Post FuelWatch the movements have been as follows :

1. Perth – 9.03 cpl
2. Adelaide – 10.42 cpl
3. Melbourne – 9.41 cpl
4. Sydney – 9.26
5. An average across the four metro locations of 9.53 cpl a substantial increase of +4.42 cpl in amplitude despite the introduction of FuelWatch in WA.



FUELtrac Price Cycle Amplitude Pre and Post FuelWatch

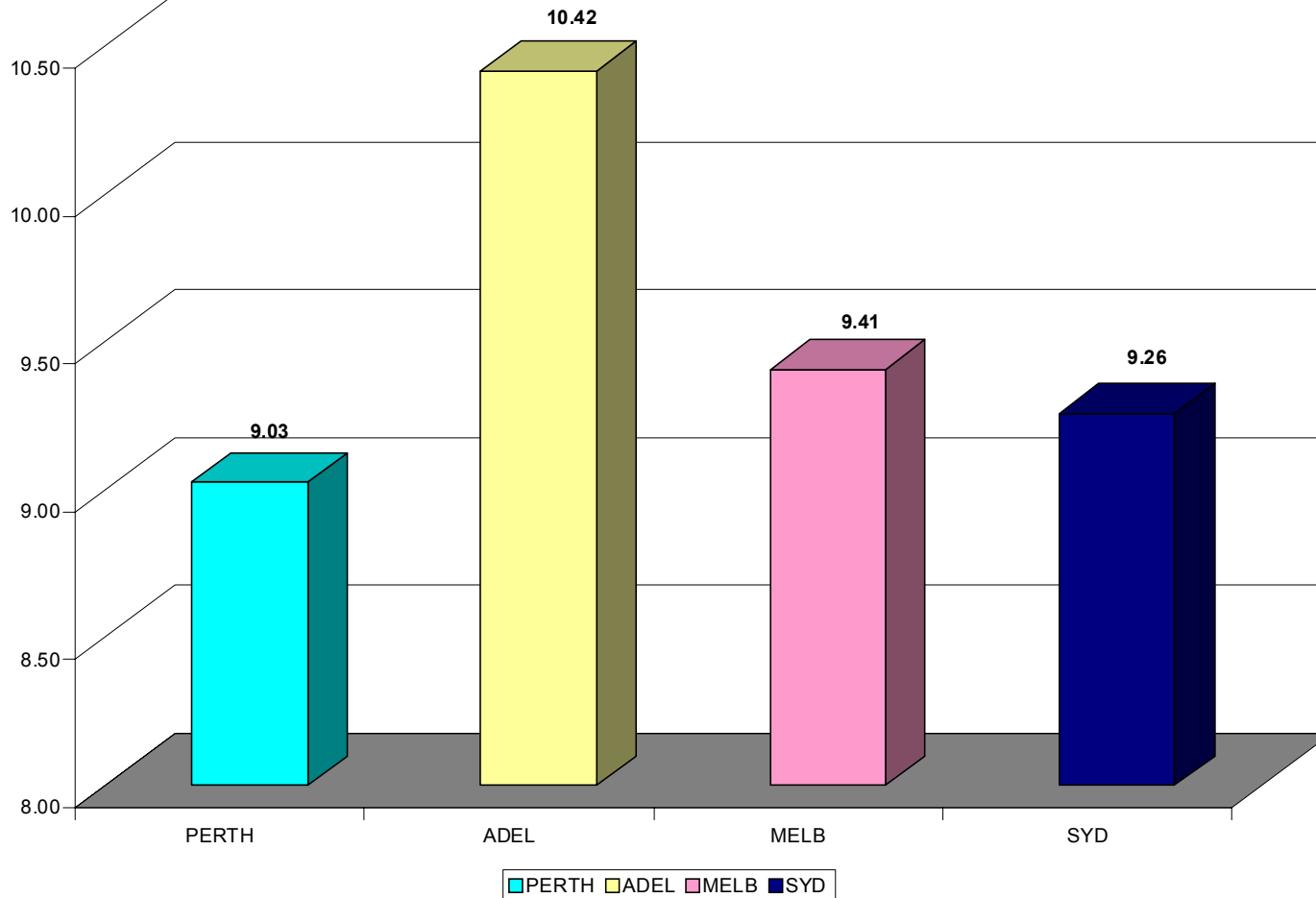
Average Price Cycle Amplitude Pre FuelWatch





FUELtrac Price Cycle Amplitude Pre and Post FuelWatch

Average Price Cycle Amplitude Post FuelWatch





FUELtrac Summary

The FUELtrac Review indicates that the following changes have been observed Pre and Post the introduction of FuelWatch in Perth Vs Melbourne, Sydney and Adelaide :

- Price Variation – the **ONLY** average absolute ULP decrease of -1.35 cpl in ULP Prices has occurred in the period **post the entry of the Supermarkets into the Perth metropolitan area not as a result of the introduction of FuelWatch**
- Price Cycle Timing – there has been a change from a regular 7 day cycle in Perth consistent with Melbourne, Sydney and Adelaide to a regular 14 day cycle in Perth Vs the continuing 7 day cycle in the other metro capitals (excluding Darwin/Hobart) however this pattern has only emerged since early 2006
- Price Cycle Amplitude – the comparison of data from 2000 immediately prior to the FuelWatch introduction in Jan 2001 with more recent data from the period 2007/08 indicates that the average amplitude for the respective periods increased from 5.11 cpl up to 9.53 cpl although the relative ranking of Perth has changed from 2nd to 4th.



FUELtrac Summary

- The 24 hour rule has largely eliminated “intraday” price variations its effect on competition however is less clear with a number of Independent retailers claiming to be disadvantaged against larger multi-chain oil company or supermarket controlled sites using a strategy of rolling price leaders⁽¹⁾.
- Given the multitude of changes in both the WA and the wider Australian Oil Industry over the period that FuelWatch has been operating including:
 - Changes to Australian Fuel Quality Standards,
 - Closure of the Mobil Refinery in SA ,
 - Rise of the Grocery Retail Petroleum chains Coles and Woolworths, and
 - Rationalisation of Oil Company retail networks and divestment to larger Independent Chains (Eg Gull, United, Freedom, Neumann’s, Matilda)

We do not believe it is possible to directly attribute changes in the WA fuel market to the introduction of the FuelWatch system in WA.

(1) ACCC report 2007 p264



FUELtrac Summary

- The ACCC highlighted the potential benefits and disadvantages associated with measures designed to increase price transparency.
- The discussion about improved price transparency in Government and the media has focused on the introduction of a national FuelWatch system as the **only** system that could produce real net benefits to consumers. Our Review would indicate that these “benefits” would be marginal at best after allocation of “total” capital and recurrent costs associated with the operation of a proposed national scheme.
- The Oil Companies through their participation in Informed Sources allows them to directly exchange pricing information in a timely and cost efficient manner, that is not available to Independents and consumers. This has allowed them to undertake tactical pricing strategies that may well result in anti-competitive practices.
- It is estimated that this system of direct data exchange between participating Oil Companies and the Supermarket chains costs in the order of \$3 – \$4 million per annum and we don’t believe the participants would incur such costs without a net benefit (i.e. higher average prices / margins).



FUELtrac Recommendations

- Rather than trying to duplicate the same level of price transparency via the provision of publically funded pricing websites (FuelWatch). We believe greater competitive advantages could be gained by the dismantling/banning of the current Informed Sources model of a “closed” supplier pricing exchange.
- The effect of this ban on this direct exchange of data between the Oil Companies and Supermarkets could then be assessed by the ACCC using proper econometric analysis after an appropriate period had passed without the operation of the Informed Sources system.
- The most conclusive aspect of FuelWatch has been the effect of the 24 hour rule in eliminating intra-day price movements. If this is considered a desirable benefit, then this rule could be applied in applicable markets without all the other FuelWatch system requirements with their inherent costs and operational requirements.
- The objective of improved fuel pricing transparency could be achieved via a number of other options that could be provided by Industry participants at no cost to the Government or taxpayers. For example, the current Shell Company website provides a possible template for other Industry participants to provide up to date detailed and transparent fuel pricing at all their locations nationally.



FUELtrac Recommendations

Pricing Information Available Free of Charge Via Oil Company Web Site

The screenshot displays the Shell website's FUELtrac interface. At the top, there is a navigation bar with the Shell logo, accessibility links, and a search bar. The main content area is titled "Price Search - Western Australia" and provides information on how to use the service, including a "Jump to State" dropdown menu. A sidebar on the left contains various navigation links. On the right, a summary box for Perth shows petrol prices, product costs, taxes, and margins. Below this, three examples of price search results are shown for different locations: Claremont and Dampier. Each example includes a table of fuel types and prices, and a "Jump to State" dropdown menu. Red arrows highlight the "Price Search - Western Australia" link and the "Jump to State" dropdown menu in each example.

Shell in Australia

- Home
- About Shell in Australia
- Shell for Motorists**
 - Shell Fuel Finder
 - Shell Petrol Pricing**
 - Price Trends
 - What Drives Prices?
 - Price Fluctuations
 - Price Search**
 - World Prices Compared
 - A Competitive Industry
 - Terminal Gate Pricing
 - Country Prices
 - FAQs & Related Links
 - Fuels
 - Oils & Lubricants
 - Shell Card
 - Product Catalogue
- Shell for Businesses
- Jobs & Careers
- News & Library
- Social Investment
- Shell Motorsport
- Contact Us

Price Search - Western Australia

This page provides today's petrol price for suburbs and towns where there are Shell branded service stations.

For an explanation of the price breakdown phase, see [What Drives Prices?](#)

Select a Suburb or Country town to view average price for a range of Shell products

Suburb/Town:

Perth

	Today	28 day Avg
Petrol Price *	136.7	139.8
Product Cost	78.1	78.6
Tax	50.6	50.9
Shell & Retail Margin	8.0	10.3

* Average Perth price last updated on 31 March 2008 at 11:00 EST.

Here is an [important note](#) on the petrol prices.

For an explanation of the price breakdown phase, see [What Drives Prices?](#)

Jump to State:

Select a Suburb or Country town to view average price for a range of Shell products

CLAREMONT	Fuel Type	Price
Suburb/Town:	Unleaded	137.7
<input type="text" value="CLAREMONT"/>	Diesel	159.9
<input type="text" value="CLAREMONT"/>	AutoGas	137.7

Price Search - Western Australia

Here is an [important note](#) on the petrol prices.

Jump to State:

Select a Suburb or Country town to view average price for a range of Shell products

DAMPIER	Fuel Type	Price
Suburb/Town:	Unleaded	159.5
<input type="text" value="DAMPIER"/>	Diesel	169.9

Price Search - Western Australia

Here is an [important note](#) on the petrol prices.

Jump to State:

1. Source: Shell Web Site