

To the Secretary,
Economics Committee, Australian Senate.

Dear Madam/Sir,

Through you, I wish to draw to the attention of the Economics Committee – knowing that it is looking into the fatuous “Fuel Watch” matter – some highly relevant material.

This was compiled by my Son, Dr Sean Carmody (PhD Cambridge in Pure Mathematics; University Medal and first-class Honours in Pure Mathematics at Sydney University) who has, for several years, been working for various organisations in the financial sector. It is plain from his analysis that “Fuel Watch” is a mechanism for wasting \$20-30 million of taxpayers’ money. Perhaps there was *worse* ways of doing this, but it is a waste, nonetheless.

Why do I say this? Well *first* I recommend that you and the committee read his two analyses carefully, based as they are on published documentation (the Singapore Crude price and AAA data). *Second*, by way of explanation I should say what is meant by R^2 the “correlation coefficient” which he mentions. He has plotted the movements of two indices – the published prices of “Singapore Crude” and mean monthly Sydney bowser prices (AAA data) -- *over 10 years* and they are *highly correlated*. His figure of 0.96 means simply this: of all of the factors which influence the Sydney bowser price, 96% is contributed by the price of the crude product; *everything else*, contributes 4%. That “everything else includes refining costs and the oil companies’ margins, transport to retailers, retailers’ margins *etc.* So the “Fuel Watch” scheme will attempt to scrutinise retailers’ activities which – whatever they might be – are an aliquot of the mere 4% which is non-crude. It is madness; and wasteful madness at that.

The URL for this information is:

<http://stubbornmule.wordpress.com/2008/07/21/update-on-sydney-petrol-prices/>

Yours sincerely.....John Carmody