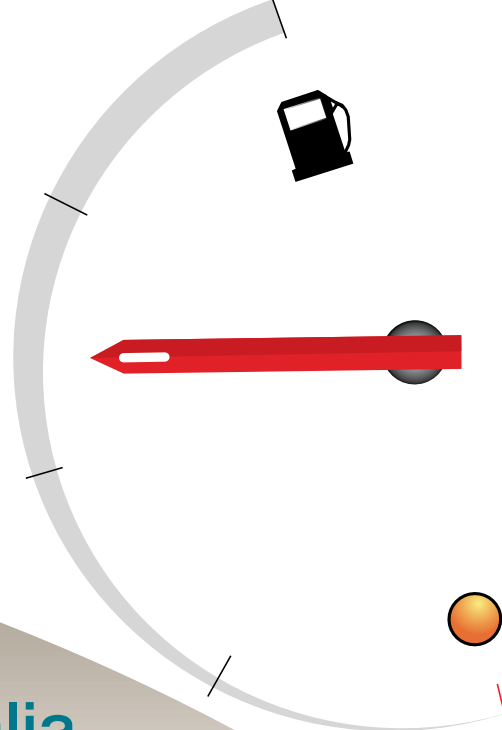




Australian  
Competition &  
Consumer  
Commission



# Fuel facts

## Petrol price cycles in Australia

### Petrol price cycles and the ACCC

As with most consumer goods in Australia, the price we pay for fuel is determined by competition and the cost of getting the product to the market.

The Australian Competition and Consumer Commission does not set fuel prices. However, the ACCC closely monitors the retail prices of unleaded petrol, diesel and automotive liquefied petroleum gas (LPG) in all Australian capital cities and in around 150 regional centres and country towns. It then uses this information to examine the competitiveness of retail fuel prices in the interests of consumers.

The ACCC also administers competition and consumer protection laws across Australia. These laws apply to all industry sectors as well as the fuel industry. When sufficient evidence exists that a business has misled consumers or behaved in an anti-competitive way to their detriment, the ACCC can take legal action under the *Trade Practices Act 1974*. The ACCC has taken action against businesses to protect consumers where there has been evidence of illegal conduct in the Australian fuel industry.

### What is a petrol price cycle?

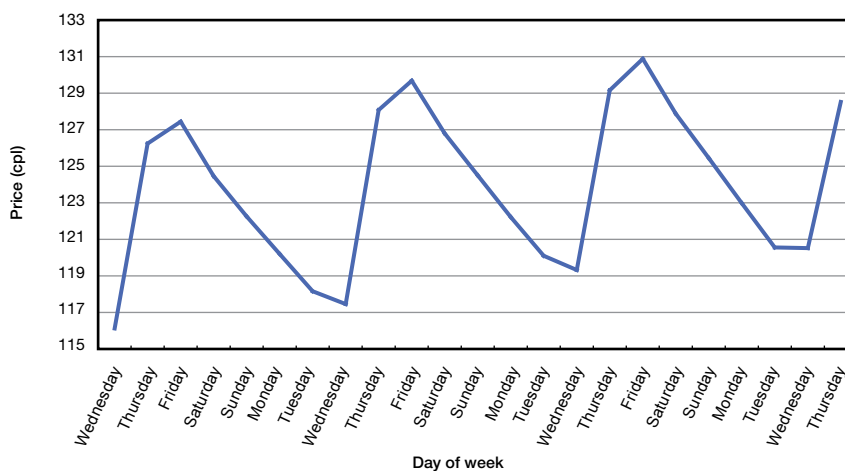
Petrol price cycles are the **consistent** movement of prices up and down over a **regular period**. In markets where petrol price cycles occur, retail petrol prices generally rise quickly at the beginning of the weekly cycle but are then discounted to a low point for the remainder of the cycle. The chart below shows how the average retail price of unleaded petrol in Australia's five largest capital cities moves up and down on a weekly basis.

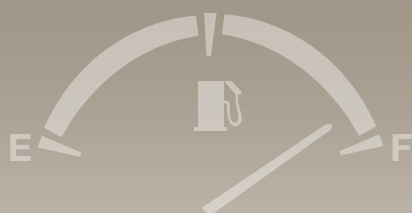
### What factors influence price cycles?

Research has been undertaken to determine why petrol price cycles occur. The fuel industry has cited a number of factors that possibly may influence the pattern of petrol price movements.

No matter who sells unleaded petrol, it is essentially the same product, so when consumers buy petrol their first consideration is usually price. Consequently, it is possible that price cycles in the largest Australian retail markets demonstrate strong competition between service stations that lower their prices to compete for market share until they approach a point when they may be at or below cost. As this is not sustainable, prices are then increased and the pattern is repeated.

Average unleaded petrol prices: five largest capital cities  
(from 10 June to 2 July 2009)





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The price cycles may also be affected by differences in consumer demand for petrol during the week. At times of low demand, retailers have a stronger incentive to discount their prices; when demand is higher, retailers can increase prices with less risk of losing customers.

Price support, historically offered by some petrol wholesalers to service stations to help them maintain competitive prices, can also influence the pattern of petrol price movements. When demand for petrol is low, price support can result in price reductions. When price support is withdrawn, the price of petrol climbs quickly to enable retailers to make their margin on petrol sales. Price support is less frequently offered today than in the past.

#### Where do price cycles occur?

Price cycles exist in the large metropolitan petrol markets of Sydney, Melbourne, Brisbane, Perth and Adelaide, generally lasting for a week. Price cycles have occurred in other Australian cities and in some regional areas. Price cycles have also occurred in Canada, Germany and the United States.

#### Is it true that petrol companies raise prices before long weekends?

The ACCC constantly monitors unleaded petrol pricing. To date, the ACCC has not observed service stations consistently increasing prices higher than the average at the end of the weekly price cycle before a long weekend.

#### How can consumers benefit from the price cycle?

Since price cycles usually occur over a week in most cities, prices are generally at their lowest point of the cycle on Tuesday and Wednesday mornings and at their highest on Thursday or Friday. This regularity means that consumers can take advantage of the cycle by planning ahead and purchasing petrol when the price is low.

#### Where can I find further information?

You can find more information about fuel prices, including fuel prices in regional Australia, on the ACCC website, [www.accc.gov.au/fuel](http://www.accc.gov.au/fuel), along with links to other organisations and sites providing information on the fuel industry in Australia.

#### ACCC contacts

ACCC Infocentre 1300 302 502

Website [www.accc.gov.au/fuel](http://www.accc.gov.au/fuel)

Callers who are deaf or have a hearing or speech impairment can contact the ACCC through the National Relay Service, [www.relayservice.com.au](http://www.relayservice.com.au).

Voice-only (speak and listen) users, phone 1300 555 727 and ask for 1300 302 502.

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