



INFORMED SOURCES

25 March, 2019

Andrew Snedden
Committee Secretary
Select Committee on Fuel Pricing
Legislative Assembly for the ACT
PO Box 1020 CANBERRA ACT 2601

Dear Andrew

Thanks for your email dated 19 March and for providing a proof copy of the hearing transcript from 14 March, 2019. We have reviewed the transcript and believe this to be an accurate record of what was said.

At the hearing, there were a number of questions that Informed Sources took on notice. As such, we are pleased to answer these questions below having now had time to further consider and research.

Question on notice 1: Coles Express operates 26% of service stations in the ACT. Is there anywhere else in the country where there is this sort of concentration from one company?

Response: A review of the number of service stations by canopy brand across the capital cities show:

Adelaide – 36% of sites are branded On the Run
Darwin – 28% of sites are branded Puma Energy
Hobart – 35% of sites are branded Caltex

Some care needs to be taken when comparing Hobart as the ownership of Caltex sites is likely split between Company owned/company operated sites and Dealer owned/dealer operated sites.

Question on notice 2: The head of the ACCC said that Coles Express is responsible for ACT high prices

Response: Coles Express operates 15 out of 58 service stations in the ACT. They have the highest concentration of service stations compared to any other retail brand. How they price will have an impact on the market. Informed Sources analysis suggests that impact can be quantified and is about 2 cents per litre.

Given the difference between Canberra fuel prices and many other locations is often greater than 2 cents per litre, this suggests there are other factors in addition to Coles Express, that are responsible for the variance in prices between locations.

Question on notice 3: What is the concentration of Independents in the other locations compared within Informed Sources’ submission?

Response:

Location	% of Independent or minor branded (by canopy brand)
Canberra	9%
Nowra	13%
Brisbane	15%
Perth	16%
Gold Coast	17%
Sunshine Coast	18%
Townsville	20%
Adelaide	21%
Geelong	22%
Albury	23%
Goulburn	24%
Melbourne	24%
Hobart	27%
Newcastle	29%
Sydney	31%
Yass	33%
Darwin	37%
Wollongong	38%
Wagga Wagga	45%

Question on notice 4: “I believe Mr McKenzie said that the fuel price in Canberra tends to be influenced by when the Sydney price cycle is at its deepest cut”.

Response: We have been unable to locate a transcript of the interview Mr McKenzie provided to ABC radio on 14 March, however our submission provides some analysis between the relationship between the Sydney TGP and Canberra average price (below for reference). This analysis shows that there is about a 3 week lag between the Canberra average price and Sydney TGP.

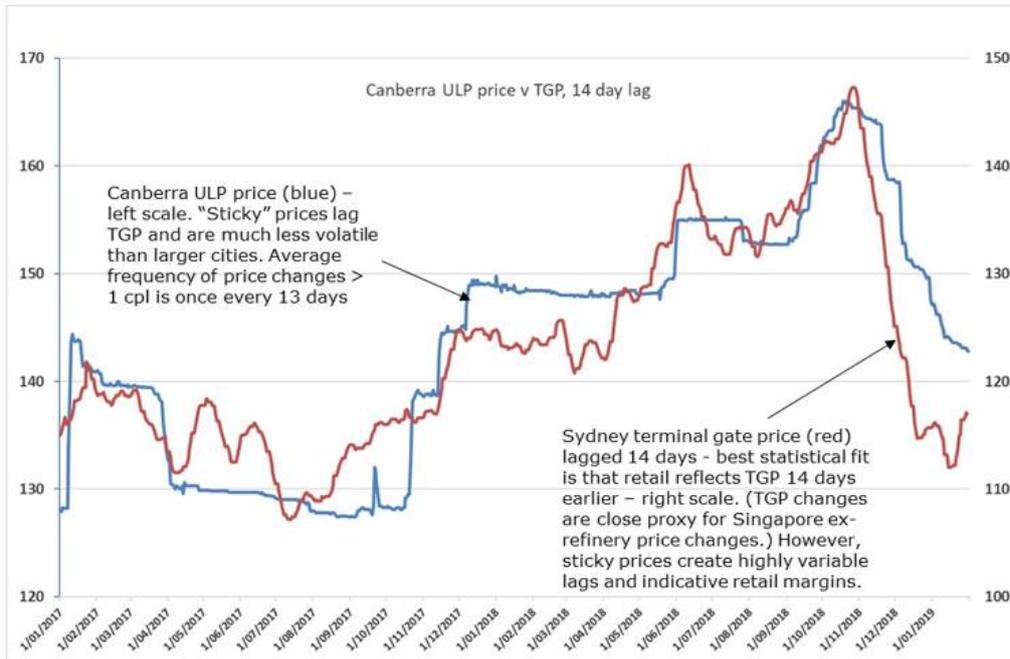
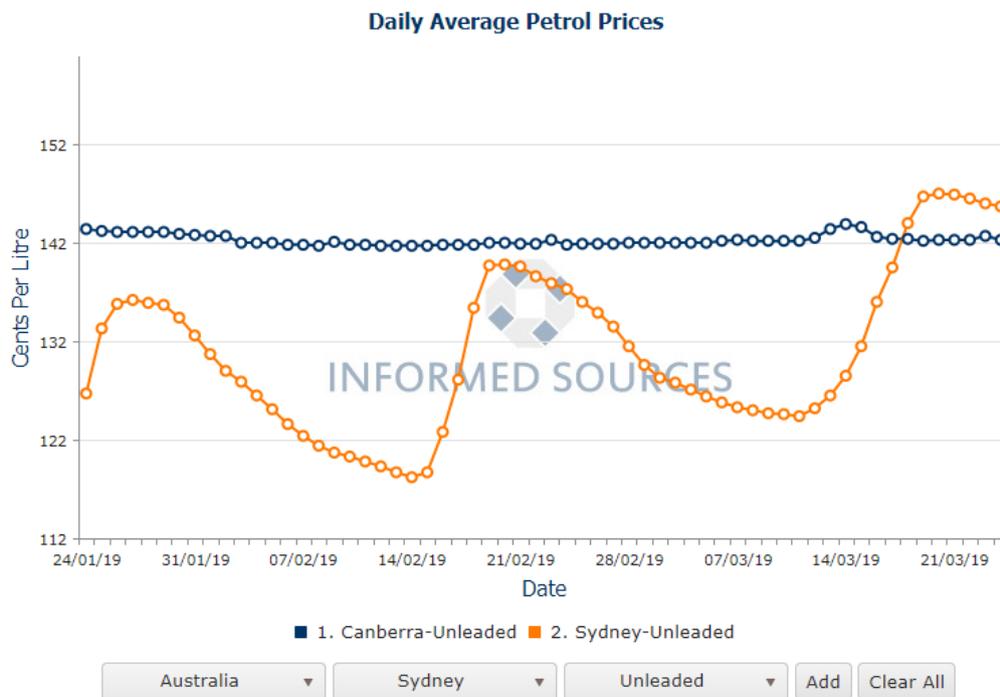


Figure 3: Canberra prices track TGP over time but are “sticky”. Source: Informed Sources

Comparison between the Sydney average and Canberra average prices show that Canberra prices do not cycle whereas Sydney do and that Canberra prices are on average, higher than Sydney prices.



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Question on notice 5: The graph shows a massive jump in the spread of the maximum to minimum price in 2015, which is when Costco and Metro were both established. That margin has shrunk. Has your analysis picked up whether it is a case of other retailers across the ACT reacting? Or is it a case of the discount imperative being reduced by those operators? It is only a small change over the last four years, a 4c or 5c per litre difference in the differential. But is it coming from one end over the other or both ends?

Response: To answer this question, we have reviewed the relationship between the minimum and maximum prices against the Sydney TGP.



This analysis shows that there was little difference between the minimum price and TGP in 2010 and then in 2015/16. Since 2015, the minimum price has been trending comparatively higher each year than TGP.

Therefore, this leads us to conclude that the reduction in spread between 2015 and 2018 is due to the minimum price trending up by a margin greater than the maximum price trending upwards.

Question on notice 6: Of the 58 retailers in Canberra, which is not many companies, how many companies are customers of yours?

Response: This information is commercially sensitive and on that basis, we would prefer not to disclose publicly.

We trust the above responses will help inform the committee. We again thank the ACT Government for the opportunity to participate in the hearing and would be pleased to assist in whichever way we can whilst the committee continues its work.

Should we be able to assist further, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nick Ferris', with a long horizontal flourish extending to the right.

Nick Ferris
Commercial Manager, Asia Pacific