消費者委員會
CONSUMER COUNCIL

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Data shows fuel price adjustment "quick going up, slow coming down" and "no excess going up, less coming down"

The Council urges to enhance information dissemination and transparency in fuel pricing

The Consumer Council, analysed data on international crude oil and auto-fuel prices as available to public from 2013 to 2014, found signs that adjustments in auto fuel pricing were quick to go up and slow to go down. When international crude oil price fell on a downward trend, oil companies' product cost margin on every litre of auto-fuel sold rose steadily given a smaller downward adjustment was made in pump prices as compared with the change in international crude oil.

It was found that despite international oil prices dropped significantly in the second half of 2014, price adjustments for local auto-fuel prices were slow to be revised accordingly. To protect better consumers' rights, the Council suggested the Government to release on regular basis more detailed information including import prices of crude oil and other costing components of local oil. Greater transparency in market information will enable consumers to monitor and to better understand within the change in oil prices.

The Council reviewed and analysed schedules, frequencies and magnitude of the international crude oil and the pump prices between January 2013 and December 2014 to find out if auto-fuel price adjustments were "quick going up, slow coming down" and "more going up, less coming down".

Constrained by commercial sensitive information such as cost structures, inventory and market share of each oil company, and without investigative power, results and conclusions drawn could not offer precise understandings of the impact of oil price change to the profitability of the company and the ultimate effect on the public.

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According to the Council's analysis, the "quick going up, slow coming down" was observed in the first half year of 2013 and second half year of 2014, In the first half year of 2013, oil companies adjusted upward pump prices four days after an increase in crude oil prices, but it took eight days for oil companies to reduce retail auto-fuel price after the prices of crude oil went down.

The rate of response from individual oil company to international oil price fluctuations was very different. However, as far as the frequency of adjustment is concerned, the pattern of the five oil companies was very similar. Within a period of 24 months, each oil company had adjusted (both upward and downward) pump prices 55 – 60 times.

Meanwhile, a significant drop by 53.9 points in the average international crude oil prices between 1 July and 31 December 2014 but the average local auto-fuel prices (before tax), was reduced only 24.1 points. The price gap of average auto-fuel price and the Brent crude oil, the greatest of four periods widened from the first half year of 2013 and the second half year of 2014, went up from HK$5.53 to HK$6.01 per litre on average.

According to the analysis based on the monthly import prices of auto-fuels announced by the Government Census and Statistics Department, the price gap between import and pump prices widened continually with the average price increasing from HK$4.36 per litre in the first half year of 2013 to HK$4.9 per litre in end of 2014.

Although it could not be proved that oil companies had "more going up", the data reflected that there were "less coming down" situations as the magnitude of pump price cut was relatively small. In other words, during the time when international crude oil prices were on the decrease continuously and if only the oil cost was taken into account, oil companies' product cost margin on every litre of auto-fuel was constantly increasing as the adjustment magnitude of auto-fuel prices was relatively narrow compared to that of crude/imported oil prices.

The Council has invited the five oil companies to present its view on pricing practices of "quick going up, slow coming down" and "more going up, less coming down". The four companies responded to our invitation that the import price of auto-fuel is one of the many factors considered when adjustment in pump prices is made and other operating costs, included discounts, insurance, land premium and costs in safety and environment protection. Adjustment magnitude in these operating costs may not be entirely tied in with the change in international crude oil prices.

The Consumer Council has endeavored to monitor pump prices to protect consumer interest. To assess whether the magnitude and schedule of adjustments of local auto-fuel prices have been reasonable, factors such as labor, land, transportation and promotion cost have to be taken into account. The Council urged the Government and oil companies to enhance transparency and make available more information, such as detailed data on import prices of oil, rental of gas stations and other industry operating cost indexes so that consumers could be better informed to analyse trends and to determine if the increases or decrease in pump prices are justified.