Frequency of Pricing Adjustment and Fuel Cost

- The pricing formula determines the LPG ceiling price (P) for dedicated LPG filling stations which comprises two elements, namely the LPG international price (A) and the LPG operating price (B):

$$P = A + B$$

- The LPG international price (A) will be directly reflected on LPG pump prices. The LPG international price (A) in the prevailing pricing formula is adjusted at half-yearly intervals according to the upward or downward movement of LPG international prices in the past six months. The LPG operating price (B), which is the operating cost plus profit margin bid by the contractor, is fixed throughout the 21-year contractual period, subject to a yearly adjustment according to the movement of the Composite Consumer Price Index.

- For an LPG taxi refilled an average of 1,000 litres of LPG a month at dedicated stations where the LPG international prices from July to December 2005 are $1.71/L, $1.73/L, $1.88/L, $2.22/L, $2.34/L and $2.30/L respectively and the average operating price (B) is $0.88/L, the average monthly expenditure on LPG of the driver is as follows:

Half-yearly Adjustment
Under the half-yearly adjustment arrangement, (A) is the average LPG international price for the past six months, i.e. $(1.71+1.73+1.88+2.22+2.34+2.30)/L÷6, which equals $2.03/L. The total expenditure on LPG of the driver for the ensuing six months will be $(2.03+0.88) x 1000 x 6, which is equal to $17,460 or $2,910 per month.

Monthly Adjustment
With the implementation of the monthly adjustment arrangement using the LPG international price for the preceding month, the corresponding LPG pump prices for the second to the seventh months are $(1.71+0.88)/L, $(1.73+0.88)/L, $(1.88+0.88)/L, $(2.22+0.88)/L, $(2.34+0.88)/L and $(2.30+0.88)/L respectively. The total expenditure on LPG of the driver for the ensuing six months will be $(2.59+2.61+2.76+3.10+3.22+3.18) x 1,000, which is also equal to $17,460 or $2,910 per month.

Quarterly Adjustment

If quarterly adjustment were made, the quarterly average of LPG international price would be reflected on the fourth and the seventh month, i.e. $(1.71+1.73+1.88)/L÷3 and $(2.22+2.34+2.30)/L÷3, which are equal to $1.77/L and $2.29/L respectively. The total expenditure on LPG of the driver for the ensuing six months will be $(1.77+0.88) x 1,000 x 3 + $(2.29+0.88) x 1,000 x 3, which is also equal to $17,460 or $2,910 per month.

Actual Total Expenditure Unchanged

The above calculation demonstrates that revision of the pricing adjustment frequency will not affect fuel costs of drivers.