

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 3-5 June 2008

Question: bet 108

Topic: Fuel Watch – Regulatory Impact Statement

Hansard Page: E44-E45

Senator Abetz asked:

Senator ABETZ—Then I turn the page and I see ‘Business Compliance Costs’. I am told there that it imposes a series of compliance costs upon retail businesses of \$20.7 million.

Mr Cassidy—This is where, I am afraid, we run into a problem. The ACCC has no understanding whatsoever of that figure or what the basis for it is or how it was derived. Our view is, particularly with the way we are designing the Fuelwatch system, that the compliance costs for petrol retailers will be almost nonexistent, but certainly absolutely minimal.

Senator ABETZ—This is the interesting point here because Treasury in its considered documentation is telling us that the estimated business compliance cost is \$20.7 million, including the initial start-up costs and one year of ongoing business compliance costs. The estimated start-up cost is \$2 million, or \$424 per business. The estimated annual ongoing cost is \$18.7 million, or \$3,974 per business. Let us amongst friends round it up to \$4,000 per business—

Senator COONAN—That is before you have got any benefit for consumers.

Senator ABETZ—That is quite right. I am wondering if you, Minister, or one of the people at the table can assist me if the budget documentation dealing with Fuelwatch in any way, shape or form covers this \$20.7 million.

Mr Cassidy—As far as I am aware the only place that that figure appears is in this RIS because it is not actually a budget figure in any sense; it is what purports to be the cost to retailers—

Senator ABETZ—Which may be passed onto consumers. It is not something that the government has budgeted for or factored into its budget and that is why you cannot find it, and you have confirmed to me that I could not find that figure either in the budget papers. Treasury and the government tabled this regulatory impact statement indicating the cost per business, \$4,000 or \$18.7 million per annum total, that may be passed on to consumers, yet we interestingly have the minister for Fuelwatch on Sunday, 27 April, telling Sky News in an interview with David Speers about Fuelwatch:

This will be a free service. We’ll be covering the cost of the setup, and there’ll be no increased compliance costs for service stations whatsoever. Minister, you as a government accept in the regulatory impact statement that \$20.7 million is going to be the cost to business. We also have you, Minister, promising that there will not be any cost to business. Where is this \$20.7 million going to come from?

Senator Sherry—I will be happy to refer that to the minister and I will take it on notice for you.

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Senator Sherry—I have some information on the earlier issue that Senator Abetz has asked about and I said I would take on notice. The government's Fuelwatch program will improve competition in the market by empowering consumers. We are concerned about potential cost to businesses from Fuelwatch. As part of the assessment of potential compliance costs there will be the provision of a toll-free number for reporting fuel prices once a day to ensure they do not face these costs. The minister believes in net terms many businesses will in fact be better off. They will only have to phone through prices once a day instead of every time the fuel price changes through the day as they now do with private monitoring services. Fuelwatch will make use of existing accounting and record keeping and it will also cost consumers less to find the cheapest petrol, so consumers will obtain information for free that the oil companies can use to pay a price to obtain. I suspect that is not going to satisfy your questions—

Senator ABETZ—Well picked up—

Senator Sherry—I will take it that this question is still on notice, but I wanted to inform you as soon as I could on the views of the Assistant Treasurer, which undoubtedly were the views that he was informing the community of in that interview you referred to.

Senator ABETZ—Which, of course, was on 27 April 2008. But he then, as I understand it, tabled a regulatory impact statement on 29 May, about a month later. One assumes that, by tabling this document, he, at least on this occasion, is accepting Treasury advice in relation to the impact of Fuelwatch. I am not sure that he does it all the time, but I think on this occasion he may have done. So what we are trying to get is: how do the promises in this interview on 27 April marry up with the costs that will be incurred according to the regulatory impact statement and the, I think, agreed fact that there is nothing in the budget documentation to cover that shortfall and that which the regulatory impact statement predicts will, in fact, be passed onto consumers?

Senator Sherry—The question is on the record. I anticipated my response would not be sufficient for covering the issues you have raised, and we take it on notice.

Senator COONAN—Could you just also as part of taking on notice refer the Assistant Treasurer to the contents of paragraph 71, which also seem at odds? It sets out a number of matters which are said to go to compliance costs for small businesses establishing and maintaining information technology, daily notification of prices, learning the new legislation, establishing record keeping, info-tech systems, maintaining records, complying with auditing and compliance, developing and applying petrol pricing et cetera. The cost to business, no doubt, will also be reflected in their need to be able to properly keep their records and undertake audits. There is obviously a huge compliance burden involved in Fuelwatch before we will see any benefit at all to any consumer. It is a perfectly reasonable piece of information that we want to know now before we have to actually look at this legislation in the Senate.

Senator Sherry—I will take your question on notice, but you are reading from the EM, aren't you?

Senator COONAN—Sorry, I am reading from the RIS?

Senator Sherry—The RIS, yes. So it is known. The issues are dealt with in that document, but I will take your question on notice.

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Answer:

As indicated by Mr Brian Cassidy (CEO, ACCC) to Budget Estimates on 5th June 2008, the ACCC did not prepare the RIS and has a limited understanding of the calculations of the figures contained in the RIS and how they were derived.