



INFORMED SOURCES

Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir,

In response to references to the Informed Sources Group during public hearings at the “Inquiry into the price of petrol in Australia”, we wish to place a number of matters before the Committee.

This letter seeks to:

- Provide some background information on the Informed Sources Group
- Communicate our independent market positioning in regard to our clients including the ACCC, State Governments and oil companies
- Outline in broad terms the methods Informed Sources uses to collect retail fuel pricing data
- Provide further clarification on some information provided to the Committee by the Western Australia Government
- Highlight the role that our wholly owned subsidiary www.motormouth.com.au plays in assisting consumers locate the cheapest fuel prices in their local area.

We are agreeable for this document and attachments to be made available for publication should that be considered appropriate by the Committee.

Background information

The Informed Sources Group commenced operations in Australia in Australia in 1987 and has its Head Office at Milton in Brisbane. The Group is privately held by the Cadd family and Alan Cadd, one of the original founders, is the current Managing Director.

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Mr Cadd has a background in the Oil industry being employed in Shell's Information Technology area in both Melbourne and London up until 1986. No other members of the IS Group's management team have an oil industry background. We employ less than 20 full time staff in Brisbane and currently operate an Australian field force of some 300 part time and casual employees.

The Group also has offices in New Zealand, Malaysia, Germany and Norway. (See www.informedsources.com)

We are an information solutions provider to Government and Industry and our monitoring services include:

1. Retail fuel prices in Australia, Germany and Norway
2. Supermarket, hardware, pharmacy, liquor and convenience store prices in Australia and New Zealand
3. Location of service stations, their facilities and the services they provide in Australia, New Zealand, Germany and Malaysia. Recent one off projects have also been carried out in Thailand, Egypt and Italy.
4. Mystery Shopping in a range of industries in Australia and New Zealand.

Informed Sources Market positioning

Informed Sources is fiercely independent and this is supported by our retention from time to time as an "Expert Witness" for our corporate and government clients both in Australia and overseas in regard to our data.

Our role is quite simple- collect data and report that data to our clients! We do not analyse prices or make market predictions on future prices- that is a role for others and the media!

In regard to retail fuel pricing, we collect and report fuel prices that have **already** been displayed on priceboards outside individual service stations.

There is nothing secret about our approach- we are quite open about it. How our Oil Company clients utilise the data to run their networks or how Government use the data for monitoring, remains confidential to those clients and is something we deliberately choose not to involve ourselves in.

In Australia our Oil Pricewatch Service [OPW] is utilised by our full subscribers including BP, Caltex, Coles Express/Shell, Mobil, 7Eleven and Woolworths. This is a multi-subscriber service that reports prices down to individual site level to assist the fuel retailers with their tactical pricing decisions and enable them to check prices collected by their own staff who report prices displayed by their competitors. We have also approached a number of the other independent brands to join the service, and our marketing efforts are ongoing.

We provide a Market reporting service to the ACCC and a number of State Governments. We do not report prices at an individual site level to any party (including the ACCC) that is not a full subscriber to the OPW service. This is not through an unpreparedness to do so on our part, merely, a lack of need for such detailed data by these authorities.

From time to time we are subject to a Section 155 notice from the ACCC once an investigation has been commenced. At that time, the ACCC has full access to the data available from our extensive and complete back history data files.

In regard to the OPW Service in Australia, we hold written confirmation from the ACCC that the service does not breach the Trade Practices Act. It is interesting to further note, that as part of our expansion to Germany, Informed Sources presented our service details to the Bundeskartellamt or Federal Cartel Organisation – German equivalent of the ACCC. After a detailed examination of our OPW services for introduction into the German market place, the FCO provided Informed Sources with formal written approval.

The minutes of the Committee hearing held 19 October 2006 indicated that the contract between the ACCC and Informed Sources should be made available to the Committee. This is a Commercial Contract and we have declined that opportunity for commercial reasons. We are of the view that this letter provides the Committee with a more expansive explanation and background on Informed Sources and the role we undertake in the market than would be achieved from simply releasing a legal contract.

Data collection methods

Informed Sources uses the following methods to collect retail fuel pricing data:

1. Our own staff driving Informed Sources vehicles record the prices displayed on the priceboards outside both major and independent service stations in Sydney, Melbourne, Adelaide, Brisbane, Gold Coast and Sunshine Coast .The prices are recorded on a small computer mounted in each vehicle and automatically downloaded into our central data base in Brisbane. These collections occur twice each day from Monday to Saturday and once on Sunday.
2. Some fuel retailers provide Informed Sources with a file at least hourly containing the pump price that was captured when a fuel card transaction was processed at their branded service stations. No customer details are received for this transaction- only the fuel and the pump price per litre. We do not receive prices for any credit card transactions.
3. Other fuel retailers provide Informed Sources with a file at least hourly containing the price captured when the pump price changes on their consoles at their branded service stations.
4. Perth prices are sourced using methods [2] and [3] and supplemented with data published by the Western Australian Government.

We do not receive forward prices from any oil retailer and if they were to be supplied inadvertently, they would be rejected by Informed Sources before they could reach our data base.

Those prices collected manually by our own staff using method [1] from major branded service stations are used to audit the prices received under methods (2) and (3) detailed above. This audit process ensures the quality of the data is maximised to provide certainty to our clients.

We apply stringent validity checks to our data and have contractual conditions in place with our full subscribers that forbid them from seeing competitor prices unless they are contributing timely prices to the data exchange. To reiterate, these prices are not transmitted to Informed Sources until the prices have actually appeared on the pumps and priceboards outside individual service stations.

We pride ourselves on the quality of our data and the following examples are testimony to our independent market positioning:

- In 2005, the Federal Cartel Office in Germany [the ACCC equivalent in Germany] approved the processes we employ for a fuel pricing data exchange across Germany [this project has now been piloted across 1,500 service stations in the Rhine Ruhr Valley in Germany]
- The ACCC selected Informed Sources to monitor retail prices across Australia at more than 2000 locations including supermarkets, hardware, pharmacy and other retail outlets throughout Australia during the GST transition period.
- We are able to work across industries such as oil and grocery in Australia and overseas because our focus is only on the data- we collect prices but have no interest on why prices are at particular levels or in consulting to these organisations.

W.A. Government submission to the Committee

We note that a number of references were made to Informed Sources data in a presentation to the Committee by Mr Patrick Walker, Executive Director of the Department of Consumer and Employment Protection in the Western Australia Government.

Given that the Western Australia Government continues to be a client of Informed Sources, we are concerned that Mr Walker may have been misinformed on some issues by his Department.

Issues for clarification include:

1. It was suggested that Informed Sources only monitor 50% of service stations in Sydney, Melbourne, Adelaide, Brisbane and Gold /Sunshine Coasts. This is quite incorrect as Informed Sources monitor at least 85% of sites in these markets. This includes all major branded sites (i.e. BP, Caltex, ColesExpress, Mobil, 7Eleven and Woolworths) together with key independents.
2. Reference was made that Informed Sources does not have fuel pricing data available back to 2001. Informed Sources has comprehensive fuel pricing data extending back to 1987.
3. It was suggested that independent service stations may be more expensive than major branded service stations in the Eastern States. Please refer to the attached chart [Attachment A]

Motormouth.com.au

Motormouth.com.au is a wholly owned subsidiary of the Informed Sources Group and each day reports up to 7000 retail fuel prices collected manually by our own drivers from the priceboards.

This free service enables consumers to search on line or receive a daily email alert for the cheapest fuel prices in their local area in the major capital cities. Consumers can also receive the latest prices on their mobile phone; however there is a small charge for this SMS service.

Under partnering arrangements with RACV, NRMA, IGA Supermarkets and Yahoo7, consumers are also able to search on line at their respective web sites for the cheapest fuel prices with the prices being supplied by MotorMouth.

We believe Motormouth plays a valuable role in assisting consumers to find the cheapest prices and time their purchases to take the greatest advantage of the fuel pricing cycle.

As a matter of interest, we attach a chart [Attachment B] that compares ULP prices collected by our field staff in Oslo [Norway] and Sydney over recent months. It certainly demonstrates the pricing cycles that operate in both of these very competitive markets.

Given the fuel pricing data available in Australia to motorists from Motormouth, our online partners, the ACCC as well as the Australian Institute of Petroleum and some of the major oil companies, it is our view that there is arguably more information available to the public on fuel prices than any other commodity in Australia!

Summary

I trust the foregoing provides the Committee with a greater understanding of our independent positioning and the role that Informed Sources plays in the marketplace.

We pride ourselves on the quality of the data that we report to Government, Business and Consumers.

Yours Sincerely,



Alan G Price
General Manager
Informed Sources Australia Pty Ltd
31 October 2006

Attachment A – Comparison of Independents and Major brands for Eastern State Capitals (Melbourne, Sydney and Brisbane] for ULP

Attachment B- Comparison of market averages for Oslo (Norway) and Sydney for ULP