



Department of Consumer
and Employment Protection
Government of Western Australia

11 October 2006

Our Ref: CP1968/2006

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The Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Mr Hallahan

**ADDITIONAL INFORMATION FOR THE SENATE INQUIRY INTO THE PRICE OF
PETROL IN AUSTRALIA**

I am writing in relation to evidence given by Mr Patrick Walker, Commissioner for Fair Trading in Western Australia, at the hearing of the Senate Inquiry into the Price of Petrol in Australia on 20 September 2006 in Perth. Mr Walker has asked me to provide the Committee with some additional information on his behalf.

The Chairperson of the Senate Economics Legislation Committee, Senator Brandis, asked Mr Walker a question relating to the impact of the '24 Hour Rule' that operates under Western Australian legislation. He asked about the causality of lower prices in Perth compared with other capital cities in Australia, and asked how Mr Walker would respond to critics who say that competition is being damaged by limiting price volatility to one daily change. Mr Walker omitted to state in his response that one of the key principles of the '24 Hour Rule' is that it encourages retailers to set their prices at low levels. Fuel retailers know that they need to compete on price in order to gain sales and that if their prices are higher than those of their competitors, it is likely they will lose sales as a result. As fuel retailers in Western Australia are required to fix their prices for 24 hours, they are encouraged to set their prices at the lowest level possible. If retailers were allowed to vary their prices during the day, there would be no incentive to set their prices at low levels as they could simply lower their prices during the day to meet their competitors' prices if required (and not lower them if this were not necessary). Under the '24 Hour Rule', this is not possible, so retailers must set their prices at the lower level from the outset. Mr Walker is of the firm opinion that this rule has had a positive impact on lowering retail fuel prices in Western Australia.

Mr Walker also wishes to clarify a comment he made in relation to the method of registering to receive the free daily email service provided by FuelWatch. As recorded on page E85 of the Hansard transcript, he stated that subscribers must identify up to ten service stations about which they would like to receive daily information. This is not quite correct. Subscribers select the type(s) of fuel they wish to receive prices for and can choose to nominate specific brands, or they can choose to simply nominate particular suburbs or areas (or no specific area). When subscribers receive their emails, the emails will list the ten cheapest sites that match the specified selection criteria.

In addition, it has come to our attention that there is an inconsistency in the calculation of the wholesale margin data included in section 6.2 of the Submission provided to the Senate Inquiry. Data calculated for the period prior to July 2005 were inadvertently based on a different formula to data provided from July 2005 to August 2006. I request, if possible, that our original submission be replaced with the revised submission attached. The only amendments are to the data in Tables 9 and 10, and Figures 6 and 7 in Appendix C, which now present data calculated using a consistent method from January 2003 to August 2006.

Thank you again for giving the Government of Western Australia the opportunity to give evidence at the hearing. I wish you all the best with the Inquiry. If you have any further questions or would like clarification on any points, please feel free to contact me on (08) 9282 0563.

Yours sincerely



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