

28 July 2006

Mr Peter Hallahan
Committee Secretary
Senate Economics Legislation Committee,
Suite SG.64, Parliament House
Canberra ACT 2600
By email: economics.sen@aph.gov.au

Dear Mr Hallahan

RE: INQUIRY INTO THE PRICE OF PETROL IN AUSTRALIA

Thank-you for your invitation, dated 11 July 2006, to make a submission in regard to the Senate Economics Legislation Committee's (the Committee) inquiry into the price of petrol in Australia. We also very much appreciate your extending the deadline for our submission to 28 July 2006.

The Australian Taxi Industry comprises approximately 17,000 taxis and 70,000 taxi drivers. On average, each taxi travels over 150,000 km each year. Collectively, the industry transports in excess of 365 million passengers annually. In summary, we make a very significant and unique contribution to the nation's public transport infrastructure especially by being the only mode that operates on-demand, 24/7, and on a door-to-door basis.

The Australian Taxi Industry Association (ATIA) has a very keen interest in the retail price of fuel. It is a major component of every taxi's operating costs. In response to the historically high cost of petrol, the industry has moved in large measure to using LPG – as a cleaner, greener and more cost effective option. Importantly though, there are many places in rural and regional Australia where LPG is not readily available or not priced competitively. In all of these areas, the industry adapts to such circumstances by typically operating smaller displacement, petrol engine vehicles.

Accordingly, the ATIA's interest in petrol prices has 3 distinct aspects. We are firstly interested in their impact on the economic viability of rural and regional taxi operators. In many of these towns and communities the local taxi service provides essential transport services to the socially, economically, and physically disadvantaged. For these groups, the local taxi service is not merely a convenience but their only source of reliable, safe and accessible transport. Worryingly, the current high prices for petrol in these areas have the potential to render affected taxi businesses unviable, and in the absence of any other assistance from government sources, leave any number of communities without access to a public passenger transport service.

Secondly, the ATIA has a significant interest in the impact petrol prices on diesel prices. The Disability Discrimination Act and the Disability Standards for Accessible Public Transport have resulted in taxi fleets around Australia comprising ever increasing numbers of wheelchair accessible vehicles. These vehicles typically operate with diesel engines. It is also to be expected in coming years, that a number of very fuel efficient, ultra low sulphide diesel engine vehicles popular in Europe will become available in the Australian market. Accordingly, there is a reasonable prospect that the number of taxis operating on diesel will increase significantly in the future.

In the context of the Committee's inquiry, it should be noted that retail diesel prices disturbingly appear to be inextricably linked to the highest petrol prices prevailing in any particular market. This linkage appears only to work for setting high points for diesel prices and accordingly when competition produces discounting of petrol prices, diesel prices rarely follow. As a final comment in this regard the ATIA has noted that in many countries around the world, diesel as a product requiring less processing and refinement than petrol, can be marketed at prices significantly cheaper than petrol. It is extremely disappointing to our industry that Australian diesel prices do not reflect cheaper processing costs vis-à-vis petrol and therefore -

- (a) work against the cost efficient delivery of accessible taxi services to members of the community with a disability, as well as
- (b) prospectively restricting the range of low polluting vehicles under viable consideration for deployment as working taxis.

Thirdly, the ATIA is concerned that high petrol prices may lead to and sustain higher retail prices for LPG. While our studies show that petrol prices and LPG prices move somewhat independently of each other, it remains a legitimate concern that given the substitutability of the products, high petrol prices can reasonably be expected to underpin upward movements in LPG prices and act to discourage competitive discounting or other downward movements in LPG prices.

With respect to the specific terms of reference of the Committee, the ATIA makes the following brief comments.

1. The ATIA remains to be convinced that some oil industry participants are not using upward price movements in world oil prices to disguise opportunistic price gouging in the domestic retail market. In particular, the impact of upward movements in world oil prices appears to be more immediate and extensive than occurs in the event of downward movements.
2. A number of our constituents operate service stations that retail fuel and related products. We are advised that some oil industry participants may at times favour their own retail establishments to the competitive detriments of other affiliated establishments. It would be a very great concern to the ATIA if the number of independent retail establishments was to diminish much further.
3. Any increase to the current extent of vertical integration would be a matter of concern. It would be the ATIA's view that a strong presence of independent retailers serves to promote competitive pricing for the benefit of all consumers.
4. The trend to volatile pricing in capital cities, especially where it is based on particular days of the week, is especially frustrating and nonsensical from the perspective of an industry such as ours that purchases fuel on a daily basis. The taxi industry has little capacity to avoid purchasing fuel on high price days. Similarly, the tendency for regional areas to typically miss out on competitive discounting is also disappointing for taxi operators in those areas.

Should you require any further information or clarification in regard to the issues raised in this letter please do not hesitate to contact me directly on (07) 3847 3711.

Yours sincerely



Blair Davies
Executive Director