



service station association ltd

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10th April 2006

The Secretary
Senate Economics Legislation Committee
Suite SG.64
Parliament House
CANBERRA ACT 2600

Dear Sir,

Re: Petroleum Retail Legislation Repeal Bill 2006

Thank you for the opportunity to comment on this proposed piece of legislation. The SSA is on record as being opposed to the repeal of the PRSM and the PRMF Acts and we remain so. Our reasons are set out below.

The Acts were introduced during the Fraser Government to provide a buffer against big business, aka the oil companies, dominating and controlling the petrol retailing industry. It also enshrined small business in the industry with the benefit of thousands of franchisees providing diversity of competition. Independents, oil companies and franchisees together represented thousands of individual decision makers that, in turn, led to Australia having the most competitive structure in the western world. For many years now, Australian motorists have enjoyed the cheapest petrol in the OECD on a before tax basis. The two Acts are an integral part of this very successful structure and removing them will not increase the level and extent of competition any more than currently exists.

However, and despite claims to the contrary, the Acts do confer significant property rights to a large number of existing franchisees, notably in the Caltex and Mobil networks. The same used to be said of the BP network until a few months ago when BP started buying back its franchise network in anticipation of this repeal bill passing into law. The fact that the oil companies have circumvented the Sites Act is therefore not totally true; it is only true in part.

However, we acknowledge that the two acts are out of date, that the industry has changed significantly in the last 26 years and a new set of rules is needed. We note that the Minister is intending to replace the two acts with a mandatory Oilcode, and again we are not opposed to such a move, provided that the Oilcode provides the same sorts of measures that the original acts provided. Unfortunately, the proposed Oilcode does not do this and hence is an unworthy substitute. Hence our opposition to the Repeal Bill.

Our main objection to the proposed Oilcode is that it does not prevent the oil companies nor the supermarkets nor the large fuel wholesalers and distributors from directly operating their own sites. i.e., eliminating franchisees and lessees totally from the industry. In that scenario, the Oilcode would apply to no-one and would therefore be redundant. More importantly, such a scenario would eliminate a complete layer in the competition framework, significantly reducing the diversity of competition needed to provide continuing cheap petrol.

We also oppose the proposed Oilcode as it does nothing to curb the ability of the supermarkets to exercise their market power to dominate and eventually control the industry. Both Coles and Woolworths are well documented as regularly selling petrol below cost and certainly below the price that independents have to pay to procure their supplies. There has never been a more pressing time for real reform to maintain the competitive structure of the industry – however, the Minister's proposals don't go far enough.

We therefore can't support the Repeal Bill while the replacement Oilcode remains ineffective.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Ron Bowden', written in a cursive style.

Ron Bowden
Chief Executive officer