

**AUSTRALIAN  
AUTOMOBILE  
ASSOCIATION**

13 April 2006

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

Constituent Members



Dear Mr Hallan,

### **INQUIRY INTO THE PROVISIONS OF THE PETROLEUM RETAIL LEGISLATION REPEAL BILL 2006**

The Australian Automobile Association (AAA) welcomes the opportunity to provide this submission to the Senate Economics Committee's inquiry into the provisions of the Petroleum Retail Legislation Repeal Bill 2006.

The AAA and its member clubs have long supported the repeal of the current Petroleum Retail Sites Marketing Act 1980 and the Petroleum Retail Marketing Franchise Act 1980 to drive greater competition within the petroleum retail market. The AAA made a submission in February 1999 when the Senate Rural Affairs and Transport Legislation Committee considered this same issue with their Petroleum Retail Legislation Repeal Bill 1998 Inquiry. A copy of that submission is attached.

While there have been changes in the market place since 1999, our position remains unchanged. The most obvious changes in the market are the rationalisation of sites in country markets, greater use of shopper dockets, the introduction of GST and shifting consumer preferences.

Since making that submission, the AAA has encouraged the Government to proceed with the repeal of the Petroleum Retail Sites Marketing Act 1980 and the Petroleum Retail Marketing Franchise Act 1980. The AAA supports the repeal of these Acts on the basis that it is to be accompanied by the introduction of a mandatory "Oilcode" under the Trade Practices Act.

The AAA supports open and transparent petroleum terminal gate pricing, a competitive independent retail sector and effective dispute resolution processes to drive maximum long-term competition in the petroleum industry and deliver the cheapest petrol price for consumers.

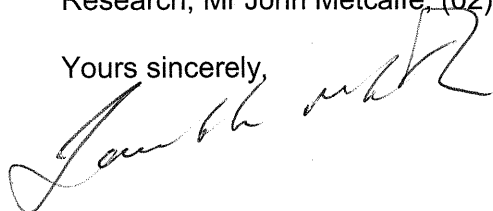
However, the recent experience of increase in petrol prices, especially an increase in the margin between metropolitan and regional prices has raised a concern over competition in regional Australia. The AAA has requested that the Australian Competition and Consumer Commission (ACCC) monitor this situation.

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To ensure that the reforms proposed with this legislation deliver the expected benefits of a more competitive market, the AAA requests that the Committee recommend that the Government formally direct the ACCC to monitor and report on the impacts of the changes.

If you wish to discuss this further you may contact the AAA's Director Policy and Research, Mr John Metcalfe, (02) 6247 7311.

Yours sincerely,

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

Lauchlan McIntosh  
**Executive Director**

## **Submission to the Petroleum Retail Legislation Repeal Bill 1998 Inquiry**

**Conducted by the Senate Rural Affairs and Transport Legislation Committee**

**February 1999**

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### **Introduction**

The Australian Automobile Association (AAA) welcomes the opportunity to make a brief submission to the Senate Rural and Regional Affairs and Transport Legislation Committee's inquiry into the Petroleum Retail Legislation Repeal Bill 1998.

The AAA is the federal secretariat of the state and territory motoring clubs, and represents over six million motorists. Its constituent members are NRMA, RACV, RACQ, RAASA, RACWA, RACT, AANT and RACA.

AAA and its Constituents support deregulation of the petroleum industry, and the repeal of both the Petroleum Marketing Sites Act 1980 and the Petroleum Retail Marketing Franchise Act 1980. Repeal of these Acts is necessary to remove barriers to entry, and will help improve the efficiency of petroleum marketing and inject greater competition into the market. It may also bring a rationalisation of outlets, improving volumes and combined with competitive forces lead to further benefits to consumers.

Our support for deregulation, however, is conditional upon there being a comprehensive and ongoing price monitoring system in place, as well as effective measures, such as the Trade Practices Act, to prevent and punish anti-competitive behaviour by industry participants.

### **Petroleum Marketing Sites ACT 1980**

Repeal of the Sites Act is supported for the following reasons:

- the Act tends to entrench existing, less efficient operators resulting in higher costs to consumers, and prevents the more rapid introduction of gains in marketing efficiency, higher volume sites etc.;
- the Act does not apply to independents and they could be seen to hold an unfair advantage over the major oil companies;
- the need for control over the oil majors involvement in retailing has diminished due to the growth in independents (eg. Woolworths) and the increase in imports;
- the establishment of independent terminals and storage facilities will also help to improve competition;
- other developments in the industry, particularly the moves towards open access to terminals will help to increase competition and reduce the need for industry regulation;
- existing regulation has not worked to the benefit of motorists and consumers, particularly in country areas; and
- increased competition will help reduce the price gap between city and country.

While we support the repeal of the Sites Act, we would expect the Federal government to continue to monitor the operation of the downstream petroleum market including the importation and distribution sectors. The aim of this monitoring should be to ensure that efficiencies are actually realised.

### **Petroleum Retail Marketing Franchise ACT 1980**

The Franchise Act was set up to regulate the terms and conditions of franchise agreements in the oil industry. Our concern relates to the effect of the Franchise Act on retail prices and the levels of competition in the market place. As with the Sites Act, the Franchise Act tends to prevent necessary rationalisation with the costs ultimately borne by the consumer.

The existing Franchise Act regulates the terms conditions of franchise agreements, and to some degree protects the rights of both the franchiser and franchisee. As such there can be seen to be a need for such legislation. The Franchise Act is not necessary as there will be an effective Oilcode in place which is backed up by the Trade Practices Act.

The Oilcode would appear to support the same principles as the Franchise Act, while recognising the desire of some oil companies to not renew agreements on non-productive or unprofitable sites. In the spirit of deregulation it can be seen that oil companies may wish to open new sites and rationlise others. There also exists a continual need to ensure the rights of both franchisers and franchisees are protected.

The introduction of the Oilcode provides protection for existing and future franchisees, commission agents and distributors. This would suggest there is no requirement to maintain the Franchise Act. AAA and its Constituents endorse the objectives of the Oilcode and calls on the Government and petroleum industry to finalise the new Oilcode. It is hoped that the new Oilcode will lead to more open and vigorous competition and bring consequent benefits for consumers.

### **Potential Downsides to Deregulation**

While we support repeal of the Acts, there are some potential downsides to deregulation. There is a risk that a deregulated petroleum industry may result in motorists being vulnerable to the negative effects of market power in the hands of one or two operators. This is more likely to be of concern in regional areas compared with more densely populated centres where there are numerous retail outlets and more optimal volumes are achieved. On the other hand, an oligopoly may continue, maintaining competition benefits in metropolitan areas. We are also particularly concerned about potential loss of convenience if rationalisation of service stations reaches the point where motorists in country areas have to travel greater distances to purchase fuel.

AAA and its Constituents will be closely monitoring developments in the industry in order to ensure that consumers, particularly in country areas, benefit from deregulation.

### **Petrol Price Monitoring**

In regard to price monitoring, an Australia wide monthly price monitoring system has been in place since last September. Prices are audited by AAA. So far this has proved successful in generating greater awareness of prices, improving transparency of pricing and highlighting towns where prices seem excessive. There has been considerable media and public interest in this monitoring service. In order to maintain pressure on industry participants to justify the prices they charge, it is essential that this service continue and be backed up by effective anti-competitive measures.