

Chapter 3

FuelWatch in Western Australia

3.1 The national Fuelwatch scheme is not just a theoretical construct. A FuelWatch scheme is already operating in Western Australia. It was introduced by a state Liberal government in January 2001 in response to a parliamentary select committee report, and supported by subsequent state Labor governments. The incoming Liberal Treasurer and Consumer Protection Minister has said that FuelWatch has his full support as it was working successfully and the new Premier said it was working well.¹

3.2 The WA scheme involves daily monitoring of prices for petrol, diesel and automotive LPG within metropolitan Perth and 52 regional areas (in total covering about 80 per cent of retail outlets). The prices provided by 2 pm each day, which are posted on a website by 4 pm, must be maintained from 6 am the next day to 6 am the following day. FuelWatch also operates a personalised email service, and its information is disseminated in the evening news on TV and in the main morning newspaper. FuelWatch allows customers to choose where to buy tomorrow, and if prices are going up gives fourteen hours to buy at today's prices.

Opinions of FuelWatch in WA

3.3 The WA Government argues 'FuelWatch enables motorists to make informed decisions about their fuel purchases, which puts downward competitive pressure on fuel prices.'² Given the variation in petrol prices at stations across Perth, 'on average at present consumers can save between 13c and 14c for most types of fuel in Perth...about \$7 a trip to the petrol station'.³

3.4 The Royal Automobile Club of Western Australia supports the scheme:
we know from general community support and general use of the FuelWatch scheme, both if you like in an active way and in a passive way, that it is something that has worked well here in WA for consumers.⁴

3.5 Consumer surveys have shown over 90 per cent of WA motorists are aware of FuelWatch.⁵ It is widely used:

1 *West Australian*, 9 October 2008.

2 WA Department of Consumer and Employment Protection, *Submission 5*, p. 5.

3 Ms Anne Driscoll, WA Department of Consumer and Employment Protection, *Proof Committee Hansard*, 16 July 2008, p. 2.

4 Mr David Moir, Royal Automobile Club of Western Australia, *Proof Committee Hansard*, 16 July 2008, p. 24.

...RAC surveys show that 57% of consumers do [use the FuelWatch service]...⁶

Over 32 000 are receiving personalised emails daily so they can make choices about where they buy their fuel...60 per cent of people have indicated that they actually use FuelWatch.⁷

...demand for FuelWatch information from the community increases in line with increasing petrol prices.⁸

Because FuelWatch is available on the evening TV news, on the radio and in the newspaper on a daily basis, you are aware generally of the span of prices available tomorrow or that day. You do not have to be the concerned buyer who actively seeks the information by email or SMS or rings up on a daily basis or when you are about to buy the fuel.⁹

3.6 The scheme is popular with consumers in Western Australia. Consumer surveys have shown two-thirds support it.¹⁰ Another measure of the scheme's popularity is the support for it across the political spectrum, as noted above.

3.7 Some consumers were alarmed when they heard about opposition to the national Fuelwatch scheme and feared it meant that the WA FuelWatch scheme might be scrapped. They sent emails to the WA Department of Consumer and Employer Protection, saying:

...the FuelWatch service is invaluable!

Please ensure the service is retained...A great Government service!!

I was appalled to hear on the radio yesterday some senator saying that the WA FuelWatch scheme had not done anything to reduce petrol prices.

...I find it invaluable...¹¹

3.8 An industry representative in WA saw some benefit:

5 WA Department of Consumer and Employment Protection, *Proof Committee Hansard*, 16 July 2008, p. 5.

6 Royal Automobile Club of Western Australia, *Submission 20*, p. 2.

7 Ms Anne Driscoll, WA Department of Consumer and Employment Protection, *Proof Committee Hansard*, 16 July 2008, pp 2 and 5.

8 Mr Aaron Rayner, WA Department of Consumer and Employment Protection, *Proof Committee Hansard*, 16 July 2008, p. 3.

9 Mr David Moir, Royal Automobile Club of Western Australia, *Proof Committee Hansard*, 16 July 2008, p. 27.

10 WA Department of Consumer and Employment Protection, *Submission 5a*.

11 Concerned consumers, cited in WA Department of Consumer and Employment Protection, *Submission 5a*. The Department notes that 'no negative comments about FuelWatch were received by Consumer Protection'; *Submission 5a*, p. 3.

for the battlers of the world who are struggling to fill up their cars at the moment and who are prepared to take the time to go onto a website, yes, they will be able to get cheaper fuel...¹²

The 6 am price change

3.9 Some submissions raised concerns about whether 6 am was a good time to require price changes to take effect and some operational difficulties.¹³ In Western Australia this problem is handled in a pragmatic manner:

One issue that we have recently encountered...is that one retailer in particular has complained about issues around making the change precisely at 6 am. This goes to the logistics of doing the price boards as well as changing the actual dispensers of fuel. This is a matter that we have been very pragmatic about. We accept that right on 6 o'clock precisely there may be some issues, and so in dealing with any complaints about people not actually imposing that change right at the point of 6 am we tend to be quite reasonable in terms of looking for practical ways to manage such situations and a reasonable outcome. We have generally taken the approach that this is clearly about the principle as opposed to being pedantic about small issues that can arise from time to time.¹⁴

Comparison of Perth fuel prices with other capitals

3.10 In the preceding chapter, it was argued that while the primary focus of Fuelwatch is to empower consumers to find the best price, a consequence of this is to make the retail petrol market more competitive, and this would place downward pressure on average prices and shift prices in the rest of the week down to what was charged on 'magic Tuesdays'.

3.11 A simple comparison of Perth petrol prices with those in Sydney and Melbourne over recent months suggests this is exactly what has happened (Charts 3.1 and 3.2). The weekly cycle in petrol prices has disappeared in Perth, although it took several years for this to happen. (There had been an intermediate period when Perth moved from a weekly cycle like that in other capitals to a smaller fortnightly cycle.) Perth consumers are able to buy petrol at the time of the week convenient to them. It is little wonder they are less focused on which day of the week to buy petrol. Perth consumers have not 'dumbed down'¹⁵; they just do not *need* to monitor petrol prices as

12 Mr Peter Fitzpatrick, Motor Trade Association of WA, *Proof Committee Hansard*, 16 July 2008, p. 19.

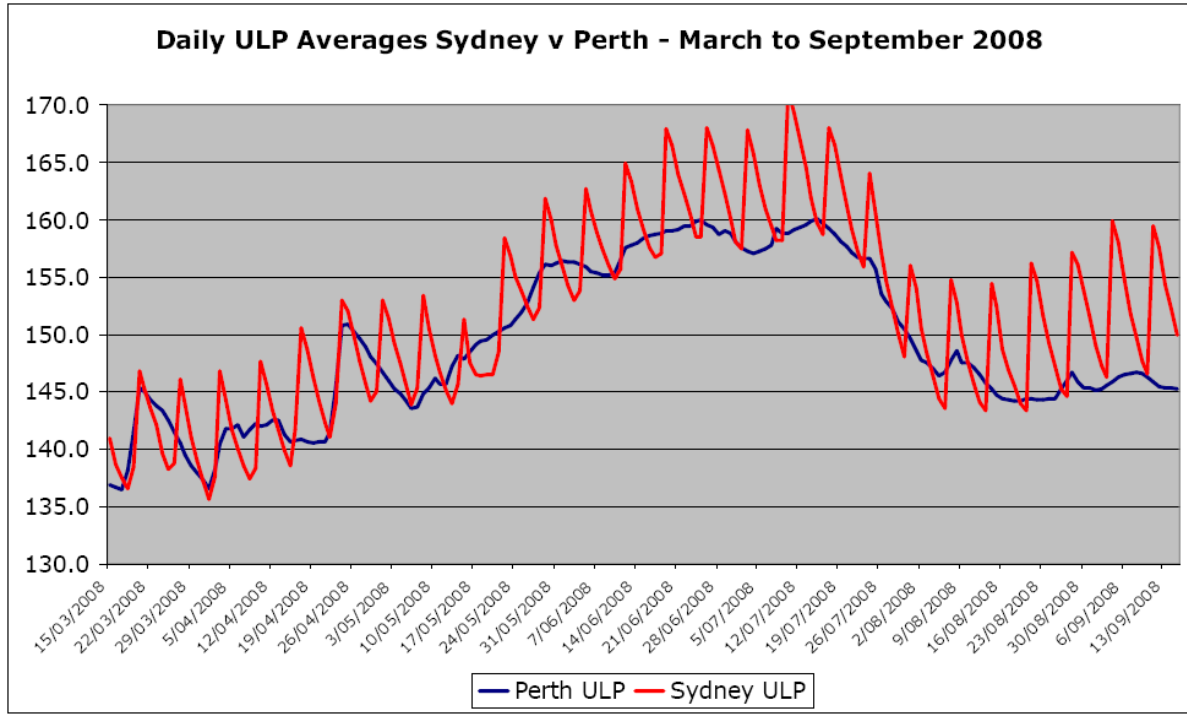
13 Mr Wayne Rowe, service station franchisee, *Submission 11*, p. 1; Caltex, *Submission 14*, p. 7; Woolworths, *Submission 28*, p. 8.

14 Ms Anne Driscoll, WA Department of Consumer and Employment Protection, *Proof Committee Hansard*, 16 July 2008, p. 3.

15 Senator the Hon. Eric Abetz, *Proof Committee Hansard*, 11 August 2008, p. 28.

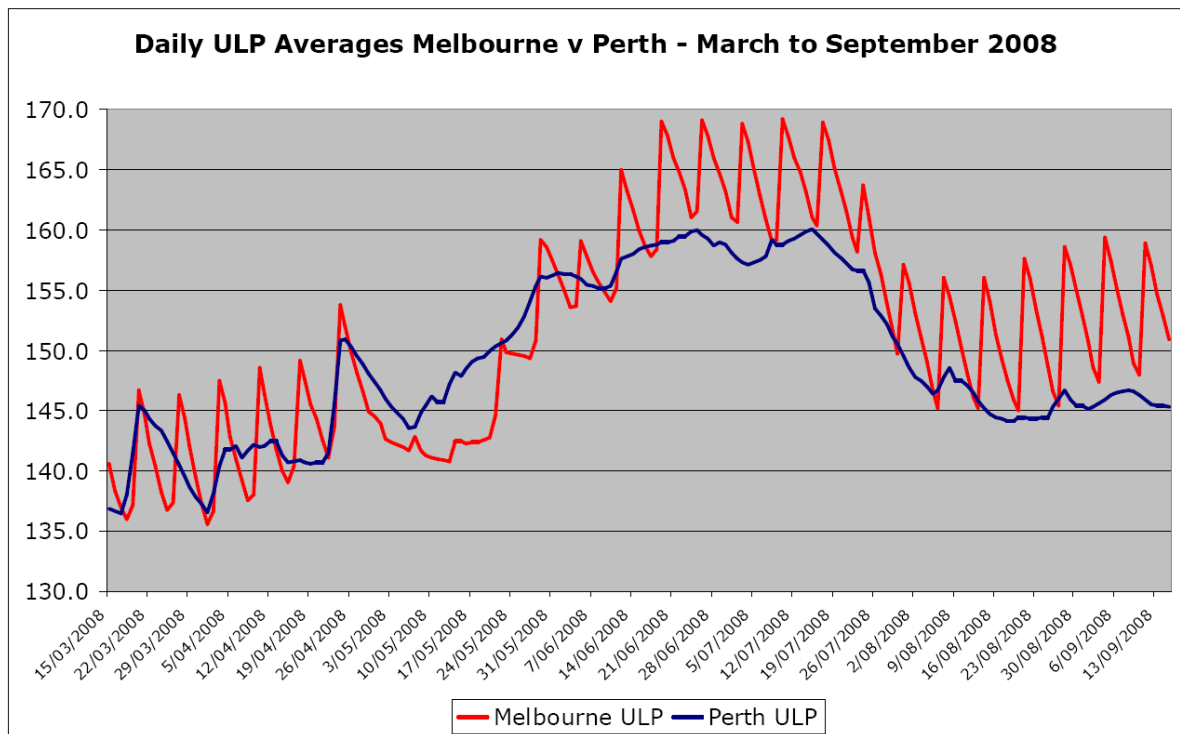
closely. It is interesting to note that the big petrol retailers call the very volatile Sydney and Melbourne prices 'predictable' and the stable Perth prices 'unpredictable'.

Chart 3.1



Source: Informed Sources

Chart 3.2



Source: Informed Sources

3.12 Charts 3.1 and 3.2 only compare Perth prices with Sydney and Melbourne. Average petrol prices are also lower in Perth than in other capital cities. During the inquiry the committee was told:

...the average price for petrol was 3c cheaper than in Melbourne, 4.2c cheaper than in Brisbane—without the subsidy—2.4c cheaper than in Sydney and 2.6c cheaper than in Adelaide.¹⁶

3.13 This has continued to be the case. On the most recent 'magic Tuesday', the average price for a litre of unleaded petrol in Perth was over a cent lower than in Adelaide and Sydney, almost 3 cents lower than in Melbourne and almost 6 cents lower than in Hobart. A couple of days later, Perth prices were over 10 cents below Sydney, Melbourne and Adelaide, and even less than the subsidised price in Brisbane.¹⁷

3.14 While this comparison suggests that FuelWatch in WA is working as would be expected, it not a conclusive argument. Aside from any effect from FuelWatch, there are three factors that would tend to make petrol prices higher in Perth than in other capitals, and one that may make them lower:

- there is only one refinery in the Perth area whereas there are two each around Sydney, Melbourne and Brisbane,¹⁸
- Western Australia has tighter standards on the proportion of methyl tertiary-butyl ether in petrol, which means a premium is added to the price there,¹⁹
- the Queensland government provides an 8.4 cents a litre subsidy (although some studies suggest this does not get fully passed on to retail prices),²⁰ and
- the closer proximity of Perth to Singapore may act to make prices lower than in other capitals.²¹

16 Ms Anne Driscoll, WA Department of Consumer and Employment Protection, *Proof Committee Hansard*, 16 July 2008, p. 3. The comparison was done as at June 2008.

17 Prices for 16 and 18 September 2008, taken from motormouth.com.au, a subsidiary of Informed Sources.

18 ACCC (2007, p. 50).

19 ACCC (2007, p. 83). The WA limit is 0.1 per cent, compared to 1 per cent in the rest of Australia and 15 per cent in Europe (in other respects the Australian and European requirements are virtually the same as those in Europe). Informed Sources suggest this quality premium translates into a premium of 2 cents a litre; *Submission 22*, p. 12.

20 Smaller subsidies were removed in Tasmania and Victoria during 2007. The NT government has 1.1 cents a litre subsidy. NSW and SA have some subsidies in rural areas but not in Sydney or Adelaide. ACCC (2007, pp 88-90).

3.15 A better approach is to look at *margins* rather than *prices*. Over five years, the ACCC found that the average retail margin in Perth was 3 cents per litre, the lowest in Australia.²²

3.16 When Caltex was asked how profitability in Western Australia compared to other states, they replied 'the profitability is broadly similar'.²³ BP claimed 'FuelWatch has not had any noticeable impact on the profitability of our business in Perth'.²⁴ Another piece of anecdotal evidence came from a Caltex franchisee in WA who remarked:

There are very few markets left in Western Australia where there is a healthy margin on fuel...Unless you go to somewhere way out, like Exmouth, ...nowhere else in Western Australia has any big margins in fuel.²⁵

3.17 An even better approach may be to compare margins in Perth relative to other capitals before and after the introduction of FuelWatch. While the WA Department of Consumer and Employment Protection, who administer FuelWatch, claim it lowered petrol prices in Perth relative to other capitals, Informed Sources claim it raised them by 1 to 1½ cents per litre.²⁶

3.18 An unusual objection to comparisons between Perth prices and those on the Eastern seaboard is that the Perth market is inherently 'different'; that Western Australians 'just think differently to what Victorians think'.²⁷ This could mean that Fuelwatch is more effective in other parts of the country.

3.19 In a similar vein, Professor Harding suggests changes in tax policy around 2000 may have had different effects on petrol station margins in Western Australia to

21 Woolworths estimates the difference in shipping costs is 1.3 cents a litre; *Submission 28a*, p. 1. Concept Economics suggests the rise in freight charges could have 'added as much as an additional cent to eastern state petrol prices compared to Perth petrol prices'; *Submission 35*, p. 36. BP gives a similar estimate; *Submission 31a*, p. 2.

22 The comparable figures were 3.7 cents in Adelaide, 4.7 cents in Sydney, 4.9 cents in Melbourne and 5.1 cents in Brisbane; ACCC (2001, p. 141 and Appendix J).

23 Mr Michael Ridley-Smith, Caltex, *Proof Committee Hansard*, 1 August 2008, p. 25.

24 Mr Gavan Jackman, BP, *Proof Committee Hansard*, 7 August 2008, p. 35.

25 Mr Trevor Rowe, *Proof Committee Hansard*, 14 July 2008, p. 17.

26 Both cited in ACCC (2007, p. 246).

27 The Royal Automobile Club of Victoria's David Cumming put this view; *Proof Committee Hansard*, 7 August 2008, p. 53. (Some odd things were mentioned as examples of differences; Mr Cumming drawing attention to the fact that Melbourne has a head office of a supermarket, and is in a valley, as reasons why Fuelwatch would operate differently there.) Mr Roger Featherston of the Law Council of Australia stated that 'other petrol markets in Australia may be structured differently to the Perth market. In terms of the nature of the independents and the nature of competition in those markets, the number of refiners in those markets and the number of import facilities and so forth'; *Proof Committee Hansard*, 1 August 2008, p. 3.

eastern Australia.²⁸ He gives no possible explanation as to why the GST should have one effect in WA and another in other states.

Econometric approaches

3.20 Opponents of Fuelwatch have claimed that it led to higher petrol prices in Western Australia. The reasons why shifting market power from large retailers to consumers would have this effect were not stated. Nonetheless, the ACCC conducted an econometric study to test this assertion, which formed a few pages (Appendix S) of their 2007 report. It has led to a 'battle of the models' between economists supporting and opposing Fuelwatch.²⁹

3.21 As discussed in the previous chapter, economic theory implies that empowering consumers with the information to buy where petrol will be cheapest should lead to a fall in average prices. The magnitude of the fall would depend on how competitive the market had been previously and how many consumers make use of the Fuelwatch information in deciding when and where to purchase petrol.

3.22 The overall conclusion from the econometric studies is that the average retail margin in Perth relative to other mainland capitals has fallen since FuelWatch was introduced. This emerges from the studies by the ACCC, Professor Davidson, Professor Harding, Access Economics and Concept Economics.³⁰

3.23 What is in dispute is the extent to which the fall can be attributed to FuelWatch or to other factors. The average difference between terminal gate prices and retail prices is around 5 cents a litre. Part of this is used to pay for staff and other operating costs of service stations. So the impact of FuelWatch on average prices is likely to be a few cents a litre. Furthermore, it appears that the full impact took a long time to be felt. Given the numerous other changes to the factors driving petrol prices in recent years, it is therefore unsurprising that the econometric studies are not able to agree on precise estimates of the impact of FuelWatch on WA petrol prices. Furthermore, as Professor Wang points out, no amount of econometric sophistication will get around the problem that assessing the impact of FuelWatch when there is only

28 Professor Don Harding, *Submission 4a*, p. 19.

29 The dissenting minority in the *Interim Report* overstates the opposition; 'the majority of those giving evidence to the committee (Concept Economics, Access Economics, Professor Harding, Professor Zumbo) agreed the ACCC analysis was flawed' (p. 37). Access Economics did not give any evidence to the committee (although BP in their *Supplementary Submission 31a* after the *Interim Report* refers to some unpublished work by Access) and Professor Zumbo is a lawyer not an econometrician, who did not critique the ACCC's analysis himself. On the other hand, evidence from Treasury and Professor Gans supported the ACCC analysis.

30 ACCC (2007, 2008); Professor Davidson, *Submission 17*, p. 6; Professor Harding, *Submission 4b*, charts on pp 5-6 and regression results on p. 14; BP, *Submission 31a*; and Mr Henry Ergas, Concept Economics, *Proof Committee Hansard*, 11 August 2008, p. 2. It is also evident in the chart by Informed Sources, *Submission 22*, p. 11 and in the data from FUELtrac cited by the AAA, *Submission 19a*, p. 6.

one capital city that has implemented it means that there is effectively a single observation.³¹

3.24 All the studies basically adopt the approach of testing whether the retail margin fell significantly after a particular event at a certain date, referred to as a 'break'. The test assumes that there was an immediate and sustained impact of a constant size as a result of the event. The ACCC's (2007) results suggested the average differential dropped by a statistically significant 1.9 cents per litre after the introduction of FuelWatch.³²

3.25 Further analysis has attempted to distinguish the effect of the introduction of FuelWatch from the effect of the entry of Coles into the Perth market. The ACCC's (2008) results showed that the entry of Coles had a much smaller impact than did FuelWatch.³³ By contrast, Professors Harding and Davidson and Concept Economics conclude the entry of Coles was the only factor lowering the WA retail margin and that FuelWatch had no impact. A similar claim is made using a chart rather than econometrics by Neumann Petroleum.³⁴

3.26 However, Dr Stephen King questions whether some of the FuelWatch impact is being wrongly attributed to the Coles entry in these tests.³⁵ No convincing argument has been put as to why the entry of the supermarkets should have affected Perth petrol prices in a different way to its impact in the eastern states. As Professor Wang comments, 'one cannot separate out the effect of the Fuelwatch from that of Coles or Woolworths by comparing the Perth market and the Melbourne or Sydney markets. Supermarkets entered all the major petrol markets.'³⁶

3.27 It is worth emphasising that the break tests assume the events had an immediate and constant impact. But it appears that the introduction of FuelWatch had

31 Professor Wang Zhongming, *Submission 27*, p. 10.

32 The results compare the period August 1988 to December 2000 with that of January 2001 to June 2007.

33 Dr Stephen King, ACCC, *Estimates Hansard*, 5 June 2008, p. 39.

34 *Submission 15*.

35 Dr Stephen King, ACCC, *Proof Committee Hansard*, 7 August 2008, p.7.

36 Professor Wang Zhongming, *Submission 27*, p. 10. Similarly, Ms Anne Driscoll, WA Department of Consumer and Employment Protection, comments 'these same supermarket chains were establishing themselves and increasing their market penetration in the eastern seaboard at the same time as they were in WA'; *Proof Committee Hansard*, 16 July 2008, p. 10.

quite a gradual and protracted impact.³⁷ It would be hard for a break test to disentangle these effects.

Replication and 'peer review' of the ACCC study

3.28 The ACCC has been criticised for not having a blind review done of its econometric work, as would be done with an article published in a scholarly journal.³⁸ A full peer review of this kind would be time-consuming and potentially breaching the confidentiality of cabinet advice. Instead, the work was reviewed within the ACCC. The ACCC's methodology was also examined and found 'reasonable... valid and robust' by Treasury.³⁹ There were also complaints that the ACCC have not made public as much information as they might about the procedures they used in conducting their tests.⁴⁰ Professor Joshua Gans described the ACCC's work as 'a far more rigorous investigation of the WA scheme than anyone had ever done'.⁴¹

3.29 The ACCC was also criticised for not making the Informed Sources data it had used for its study available to other researchers. The organisation had provided the data to the ACCC (it is not clear whether voluntarily or under subpoena⁴²). The ACCC did not want to make this proprietary data publicly available but was happy for Informed Sources to make it available to academics.⁴³ (Similarly, the ACCC had been provided with confidential data from the refineries on the impact of fuel quality premia.)

37 Similarly, rather than a constant impact, some witnesses thought the entry of the supermarket chains would lead to an initial decrease in prices but in the medium-term an increase in prices. For example, Mr Aivars Blums from the Motor Trades Association of Queensland said that 'to construe a reduction in fuel prices by the majors is not a difficult circumstance for them if they so desire. The question is for how long will the fuel price reduction exist in any circumstance'; *Proof Committee Hansard*, 17 July 2008, p. 8. It is claimed this is what happened in Europe when the large supermarket chains entered the retail petrol market; Mr Peter Fitzpatrick, Motor Trade Association of WA, *Proof Committee Hansard*, 16 July 2008, p. 20.

38 This criticism was made by Professor Don Harding (*Submission 4a*) and by Opposition senators at June 2008 estimates hearings.

39 Mr Jim Murphy, *Proof Committee Hansard*, 11 August 2008, pp 29, 37; *Estimates Hansard*, 4 June 2008, p. 85. There was no evidence provided supporting the contention of the dissenting minority senators that 'Treasury was among the government departments which had reservations about the national Fuelwatch scheme'; *Interim Report*, p. 39. (The senators may have based this statement on the assertion by Professor Davidson; *Submission 17*, p. 9.) Indeed Treasury's Jim Murphy explicitly said 'we support Fuelwatch'; *Proof Committee Hansard*, 11 August 2008, p. 35.

40 Mr Henry Ergas, Concept Economics, *Proof Committee Hansard*, 11 August 2008, p. 2.

41 *Submission 1*, p. 2.

42 Informed Sources referred to some data being provided under 'written formal contracts'; *Proof Committee Hansard*, 17 July 2008, p. 21. The ACCC chairman has referred to subpoenaing some data; *Estimates Hansard*, 5 June 2008, p. 11.

43 Informed Sources referred to their data as 'commercially a very valuable item' which they guard very closely; *Proof Committee Hansard*, 17 July 2008, p. 22.

3.30 Informed Sources have chosen to supply it to some but not all academics who requested it. They say they apply two criteria in deciding whether to release their data; academics must be 'entirely independent of any organisation related to the Inquiry and that the analysis and subsequent report by the analyst will in no way compromise the commercial status or value of the Informed Sources pricing data'.⁴⁴ There have been suggestions that there may be another test; that 'the data have been released to parties who had previously expressed ... opposition for Fuelwatch'.⁴⁵

3.31 The Committee regrets that academics who had not previously expressed opposition to Fuelwatch, and so might bring an open mind to the analysis, have not been allowed access to the necessary data.

Recommendation 1

3.32 The committee recommends that any data collected by Fuelwatch be made available by the ACCC to independent academic researchers to allow open analysis of the scheme.

Volumetric data

3.33 Simple unweighted averages of listed petrol prices may not be a good basis for econometric tests. For example, if there are two service stations, one that sells its petrol for \$1 a litre and another for 50c a litre, the (unweighted) average price is 75c per litre. But if the service station that sells its petrol at 50c a litre sells all the petrol, the average price paid by consumers is not 75c but 50c a litre. The committee therefore notes that the quantity of fuel sold at any stage of the price cycle is a vital component of any study.

3.34 Ideally, the average observation for each day and market should refer to prices paid weighted by the amount sold at that price. The failure to use consumption-weighted or 'volumetric' data would understate the benefits of FuelWatch as it would not capture the effect of consumers being better placed to switch from buying petrol at dearer stations to cheaper stations.

3.35 A similar argument applies to buying on cheaper rather than more expensive days from a given station. Unfortunately, the data were not available to make the comparison using consumption-weighted prices. The closest approximation to a volumetric analysis was in the ACCC's original study. The true volumetric result (which would reflect some substitution) would be bounded by the estimated fall in the unweighted average weekly price (which assumes no substitution effects on volume)

44 Informed Sources, *Submission 22a*, p. 7.

45 Mr Graeme Samuel, ACCC, *Proof Committee Hansard*, 7 August 2008, p.7. This interpretation is given some support by the comments by Professor Harding who said after his first paper attacking Fuelwatch came out, 'Informed Sources gave the data to me. They said they were impressed with my work. It was not available to other academics'; Professor Don Harding, *Proof Committee Hansard*, 7 August 2008, p. 24. Informed Sources confirmed that they had refused to release their data to Professor Gans; *Submission 22a*, p. 8.

and in the minimum weekly price (which assumes an extreme substitution effect on volume). The ACCC found that prices were lower whether calculated on average (1.9 cents per litre fall) or minimum price (0.7 cents per litre fall).⁴⁶ The implication of their econometrics is therefore that a test done on a volumetric basis would also show that FuelWatch was associated with lower petrol prices in WA.⁴⁷

Other criticisms of the ACCC study

3.36 Professor Don Harding's main criticism in his first paper (*Submission 4a*) is that the difference between the retail petrol price margins should be deflated by a price index. This argument apparently did not convince other Fuelwatch critics as Professor Davidson and Concept Economics were content to present results using undeflated margins. However even Professor Harding's own preferred methods suggest the relative margin in WA is more likely to have fallen rather than risen after the introduction of FuelWatch.

3.37 There are various weaknesses in Professor Harding's study. It would be interesting to know whether other economists would support his assumption that the margin varies with the fuel price or that it is better to deflate the weekly price margins by the interpolated fuel component of the CPI rather than the weekly price itself.⁴⁸

3.38 Having already dismissed the scheme as 'foolwatch', Professor Harding's second paper (*Submission 4b*) benefits from access to Informed Sources data. Instead of comparing Perth prices to those in the rest of Australia, he just compares them to Sydney. The ACCC's Dr King believes this was done because comparisons with other cities put FuelWatch in a good light, a selective use of data which means the test 'has no statistical validity'.⁴⁹ Notwithstanding his criticism of the ACCC on this issue, Professor Harding's own paper is not peer-reviewed and the data used are not made available.

3.39 Professor Davidson from the Institute of Public Affairs and Concept Economics were also provided with data by Informed Sources and conducted econometric tests, also not peer-reviewed and also without making the data used available, and concluded that Fuelwatch had not reduced relative petrol price margins in WA.⁵⁰ However Concept Economics' credibility as independent analysts of the

46 ACCC (2007, pp 247, 375-7); ACCC (2008); and Dr Stephen King, ACCC, *Estimates Hansard*, 5 June 2008, p. 51.

47 For further discussion, see Mr Joe Dimasi, ACCC, *Estimates Hansard*, 5 June 2008, pp 19 and 40.

48 Serially correlated errors might be introduced by interpolating 13 observations from quarterly CPIs given that fuel prices do not move smoothly.

49 Dr Stephen King, ACCC, *Proof Committee Hansard*, 7 August 2008, p. 6. Mr David Martine from Treasury was also concerned about a possible 'bias' introduced by Professor Harding's approach; *Proof Committee Hansard*, 11 August 2008, p. 40.

50 *Submission 17*.

topic was somewhat reduced by their chairman having previously called those giving weight to the ACCC's support for Fuelwatch as 'a fitting subject for psychiatric investigation'.⁵¹

Conclusion

3.40 The various econometric studies consistently show that compared to the eastern capitals, petrol prices in Perth are lower now than before FuelWatch was introduced. This change did not occur instantly upon the introduction of FuelWatch but over time. Some critics argued the reduction is due to the entry of the supermarkets into the Perth market, but this seems unlikely given that the supermarkets also entered the eastern markets. The committee therefore concludes that there is no compelling reason on the basis of the econometrics to overturn the reasoning in Chapter 2 that a national Fuelwatch scheme would place downward pressure on average retail petrol prices.

3.41 The committee notes in passing that the critics of Fuelwatch are introducing a demanding standard for changes in policy. If economic policy changes were only made after supportive econometric studies that satisfy all critics, and give precise estimates of the benefits from new policies, then there would have been no floating the dollar, allowing in foreign banks, introducing the GST, cutting taxes or phasing out high tariffs. It would also deny governments the ability to take political judgments on economic reforms.

51 Henry Ergas, 'Kevin 24-7 or 7-11', *The Australian*, 3 June 2008.