

Parliament of Australia
Senate Standing Committee on Economics

Supplementary Submission to the Senate Inquiry into
National FuelWatch
(Empowering Consumers)

Prepared

by



INFORMED SOURCES

Contact Information & Copyright

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Summary of Supplementary Submission

This supplementary submission covers two matters:

1. It outlines the steps that Informed Sources will be taking to further enhance our public transparency offering, and,
2. It seeks to set the record straight on some topics which would benefit from clarity.

Inquiry Submissions analysis:

The Inquiry has focussed on three main elements:

- The 24-hour rule
- The need for improved transparency for motorists
- Any potential impact on independents/smaller operators

Of the 31 submissions, if we exclude those which are equivocal or do not specifically indicate a preference, we find that the majority of submissions are **against the 24 hour rule** (19 against while 4 support) and the majority of submissions are **in favour of increased transparency** (15 support with 4 against).

This combined stance (against 24 hour rule yet in favour of increased transparency) has some interesting advocates: RACQ, RACV, RAASA, Aust. Institute of Petroleum, Aust. Convenience and Petroleum Marketers Association, Pilbara Regional Council, and the Motor Trades Association of Australia.

Regarding the third element, the impact on independents/smaller operators; some commentator's view that under WA FuelWatch the independents have "flourished" can not be supported by the numbers – see correction to the public record. In addition, there is a real concern by independent operators that they will be harmed by the introduction of a National FuelWatch – all three independent/small operator submissions are against 24 hour rule **and** against increased transparency.

Informed Sources enhancements to Transparency:

Use of the Informed Sources data and the MotorMouth facility was canvassed as a potential solution in the ACCC report of 2007. We have taken on board the suggestions of this report and are pleased to advise the following enhancements:

- ***MotorMouth has already started displaying prices for more than 140 regional centres***
This enhances the ability for rural and travelling motorists to benefit from increased knowledge of country prices and starts to bring a focus to rural pricing.
- ***MotorMouth launches fuel pricing on Google***
We are pleased to advise that all MotorMouth prices will very soon be available on Google with enhanced map search facility.
- ***MotorMouth will launch MyPriceboard to allow every service station in Australia to display their pricing.***
As this is an "opt-in" service, Independents who believe they will benefit by staying "below the radar" of internet based price disclosure can choose to do so.

- **MotorMouth will offer free "warning" email alerts to motorists when markets rise.**
If more than 5% of sites in a major metropolitan area raise their prices more than 5c then automatic emails will be sent to alert motorists that a rise is under way. With Independents and low price resellers typically moving their prices up 12 hours after initial rises this will allow motorists plenty of time to respond, will penalise those who raise their prices and advantage Independents and low price resellers who hold back on the rise.

Informed Sources has again approached the major petrol resellers with a view to launching their electronic data onto the MotorMouth web site for public access and we are hopeful this initiative will be adopted by at least some companies in the near future.

Initiatives for ACCC consideration:

The ACCC has an ever increasing role to play in this most essential of markets. We, and we are sure others, would welcome their involvement in the following ways:

- ***ACCC becomes a "Special Subscriber" to the Informed Sources OPW service and has the same access to prices each hour at individual sites as the major petrol resellers***
By having access to the very data the major resellers receive on a continuous basis the regulator will be better placed to "keep the foot on the neck" of any practices.
- ***ACCC displays Singapore crude and petrol prices with a comparison to pump prices***
Increasingly educated commentators and observers are realising that this differential is a key determinant of competition in the Australian market.
- ***ACCC commences a rigorous and comprehensive attack on Price Board standards***
There is increasing disquiet by consumers of incomplete, inaccurate or misleading price board practices, especially in regard to E10 and specialty fuels. This complex issue would be seen as a major improvement by the petrol buying public.

Delivery through the Motoring Organisation:

Informed Sources has a well established partnership with motoring organisations in delivering site specific data to their members. These organisations include the three largest: NRMA, RACV and the RACQ and we are currently in discussion with others to expand this across all states.

The provision of data via the motoring organisations has the added social benefit of drawing motorists to these web sites and service providers in a way that enhances the opportunity to deliver other messages such as learn to drive, drink drive and safety messages.

The Informed Sources solution proposes to continue and enhance this arrangement.

Cost of service

The Informed Sources solution does not call on any government financial support outside the payment for services received by the ACCC. We firmly believe these enhancements can be delivered expertly within the rigours of commercial and business practices.

Summary of approach

All the above initiatives (both Informed Sources/MotorMouth and the ACCC) are structured to ensure an increase in transparency, a continuation of fierce competition, an improved regulatory monitoring, and, the preservation of the role of the Independents in this complex market.

Alan Cadd
Managing Director,

13th August 2008.

Corrections to the Public Record

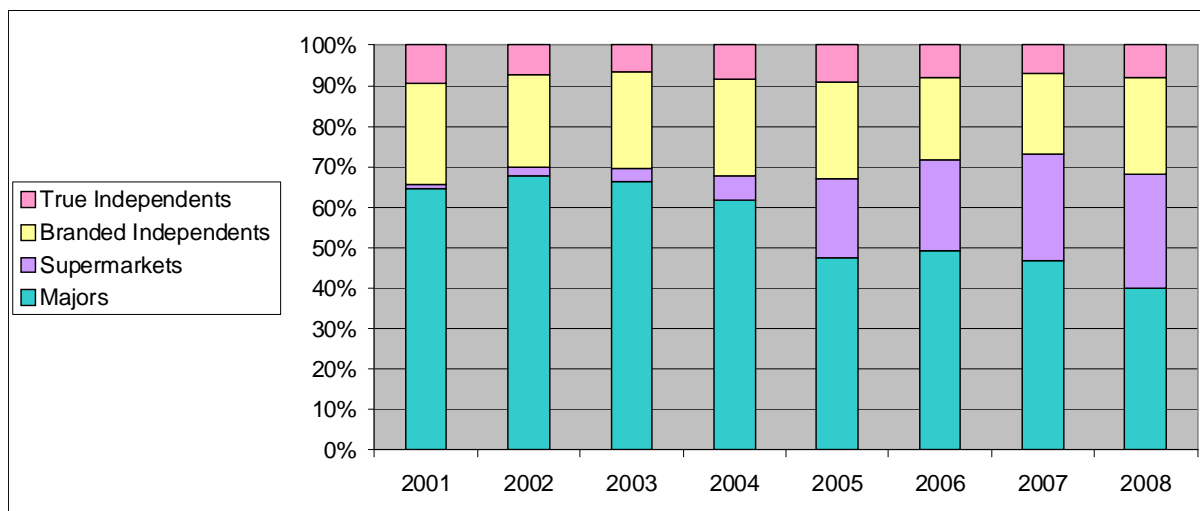
This section deals with comments that have been delivered during the Inquiry that Informed Sources considers require correction. For some points covered in this section, we have been able to review the Hansard transcripts and have been able to bring our own data and experience to correcting a misleading position. For others, where we have not yet been able to review the transcripts (for recent sittings) we are only able to quote words or phrases as they were remembered or we have been made aware of. Notwithstanding, we offer these corrections or alternative views in the spirit of setting the public record right.

Effect of FuelWatch on Independent Retailers in Perth:

It was recently put to the Inquiry by DOCEP that independent retailers would not be harmed by the FuelWatch scheme and, in W.A; they seemed to have increased their market share.

The Informed Sources site counts for the period are displayed below. These tables indicate that in 2001 independents held a **9%** share of the Perth metropolitan market, whilst today they amount to **8%**.

Brand	2001	2002	2003	2004	2005	2006	2007	2008
TRUE INDEPENDENTS	9%	7%	7%	8%	9%	8%	7%	8%
BRANDED INDEPENDENTS	25%	23%	24%	24%	24%	20%	20%	24%
SUPERMARKETS	1%	2%	3%	6%	19%	23%	26%	28%
MAJORS	65%	68%	66%	62%	48%	49%	47%	40%



We believe that DOCEP's figures (stating that the independents' market share had gone from 2% to 6%) may have been taken from Western Australia as a whole, or, perhaps from the FuelWatch regulated areas as opposed to metro or the whole of WA. This is unclear but any analysis outside the metro area runs the risk of distorting the numbers due to distribution or other "Non-FuelWatch" effects.

None the less, the argument that independents/small operators (we have called them "True Independents") have flourished under FuelWatch can not be supported for the main focus of discussions, the larger centre of Perth. It is as well to remember that Mobil have totally exited the Perth market during the period under consideration and that Gull, we believe, are currently taking over the operations of Peak. These two events would suggest that the Perth market is rationalising along the lines of a "larger is better" philosophy and this adds to the concerns expressed by the independents/small operators in their submissions to the inquiry.

Inquiry hearing in Melbourne

During the Senate Economics Committee hearing in Melbourne on the 7th August, a number of statements were heard by the Informed Sources attendee and (without the benefit of Hansard to quote exact words used) we consider require correction.

a) Graeme Samuel claimed that Informed Sources had a third criteria for the selection of econometricians to whom they were prepared to release petrol pricing data – only those who are prepared to oppose FuelWatch with their findings

The two (and only two) criteria that we have applied in the release of our data are:

1. entirely independent of any organisation related to the Inquiry and,
2. 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.

Attached (Appendix 1) is a copy of a letter sent to Mr Samuel on the 30th May 2008. In this letter, we wrote: "***we believe it could be of benefit to selectively release a good portion of the data to aid in the better understanding of the analysis and implications of FuelWatch***". We then suggested a process by which the data could be released to independent analysts with protections in place on the commercial value of our data.

We had of course been anticipating that the ACCC would fully release their aspects of the data analysis but their response to this can be seen in appendix 2.

Informed Sources was content to release the data provided the two criteria could be met. We were concerned to protect the commercial value of the data, whilst allowing unimpeded and objective analysis of the data. Accordingly, we released the data to three independent analysts who asked for access to the data:

- Sinclair Davidson of the Institute of Public Affairs,
- Don Harding of Latrobe University, and
- John Zeitsch of Concept Economics.

It should be noted that Informed Sources had no prior relationship with Messrs Davidson, Harding or Zeitsch or indeed any prior dealings with the I.P.A., Latrobe University or Concept Economics.

We did not release the data to Joshua Gans. As it is our understanding he is an academic colleague of the ACCC's Stephen King and Richard Hayes, both of whom were involved in the authoring of the ACCC's report endorsing FuelWatch. Consequently we considered our first criteria was not met.

Informed Sources has not provided any offer or inducement or incentive to any analyst. All data has been released without any agreement in place as to the type or conduct of the analysis - the single proviso is that the data would not be released without alteration to protect our raw data, since to do so would confer a considerable competitive advantage to our competitors.

b) It was suggested by Graeme Samuel that only those privy to the Informed Sources service (and not motorists) would know the range of fuel prices in Sydney (for example) and be able to capitalise on this knowledge.

Motorists across the country already have access to more than 7000 metropolitan fuel prices updated daily via our subsidiary website, Motormouth.com.au. We have endeavoured to make this information as widely available as possible, including allowing motoring organisations to also display site specific fuel pricing on their web sites.

It should also be noted that MotorMouth also publishes prices at the city level for some 140 regional centres throughout Australia to assist travellers as well as enabling motorists in regional centres to compare their city's prices with other regional centres.

c) Senator Hurley asked the ACCC (in words along the lines of) "why not get Informed Sources to provide the service". Brian Cassidy of the ACCC responded that the Informed Sources solution would cost considerably more than the \$21m currently budgeted by the ACCC for the entire system because of Informed Sources need for to make a profit.

Leaving aside the extraordinary leap required for a staff member of the ACCC to answer this question with regard to Informed Sources business affairs, this assertion is profoundly wrong for two reasons. Firstly, neither Brian Cassidy nor any representative of the ACCC has asked for an estimate from Informed Sources to provide such a service. Secondly, and as noted above, Informed Sources currently provides such services and is continually enhancing these services without recourse to public funds.

Rockhampton Hearing 18th July 2008

Mr Marshall, State News Director for WIN Television made a number of statements that require further comment.

Firstly, contrary to Mr Marshall's statement, Mr Trotter is the Managing Director of FUELtrac - a company that has no relationship with either MotorMouth or Informed Sources.

Over the past five years, MotorMouth has had a number of approaches from WIN Television to display fuel prices on their nightly news programmes. Our response has been that the prices



displayed on MotorMouth are collected by our own staff driving our own vehicles by observing price boards outside service stations and that whilst we make available more than 7000 prices each day from major capitals and the Sunshine Coast, we simply did not have fuel prices that could be published for Rockhampton, Townsville, Toowoomba etc.

MotorMouth has never provided a firm quotation to WIN to collect fuel prices for them. However in general discussions we have used the example that it currently costs in excess of \$50k pa for each car and driver we put on the road in capital cities to collect prices six hours per day across 350 days per annum and with each vehicle covering more than 100,000 kilometres each year.

MotorMouth suggested to WIN that if they could attract advertising to their fuel pricing segment on their News programme, then we would provide a formal quotation for individual markets.

It is unrealistic to expect that MotorMouth, RACQ or any other organisation would incur significant costs associated with the manual collection of fuel prices to provide a service to a commercial organisation like WIN unless there was a value to the supplier.

We hasten to add that a manual collection such as this is NOT part of the proposed solution discussed above. We also note that services based on phone-ins by motorists can be open to manipulation by less than honest site operators posing as drivers. In this way they can indicate prices that are advantageous for their own site and disadvantageous for competitor sites. This is why, in the absence of reliable electronic feeds Informed Sources relies on our own paid field collectors. The cities covered by WIN are now included in the regional centres available on MotorMouth.com.au.

Sydney Hearing 1st August 2008

The Hansard transcript indicates the following exchange (among others) occurred:

Senator CAMERON—But the evidence we have received is that it is \$25,000 to access information from Informed Sources and MotorMouth. I do not know too many battling western Sydney motorists who can access \$25,000 to find out the price of petrol around the place. It is just not an option, is it?

Mr Glasby—It is not an option for the battling motorist, no, but it is an option for the NRMA. They could do that for their members.

Senator CAMERON—Well, I do not know how many regions the NRMA would cover, but I know we received evidence from WIN News in Rockhampton to say that if they accessed Informed Sources, the cost would be \$50,000 per region. That is what they were quoted. They had five regions to cover in the Rockhampton area. So how could the NRMA afford that and provide that service?

Clearly from the section above on the Rockhampton Hearing, Senator Cameron has been misled as to the true facts regarding the Informed Sources and MotorMouth services. Let us state again to set the record straight:

No motorist pays anything to access the MotorMouth website data service or to receive free email alerts.

Appendix 1 – Letter to ACCC on release of data



INFORMED SOURCES

30th May, 2008

Mr Graeme Samuel
ACCC
GPO Box 520
Melbourne Vic 3000

Dear Graeme,

Release of data from econometric analysis

Today I discussed with Dr Stephen King the statement attributed to him, that the ACCC was not able to release the data used in the econometric analysis as it was proprietary data belonging to Informed Sources.

We appreciate the Commission's preservation of our interests and thank you and Dr King for this statement. However, we believe that it could be of benefit to selectively release a good portion of this data to aid in the better understanding of the analysis and implications of the introduction of FuelWatch.

As discussed with Dr King, the reason for the "selective" release is not to hamper any analysis but to continue to protect our commercial interests. We propose the following process for release:

1. The ACCC sends back to Informed Sources the Daily/Monthly Average data the ACCC aggregated so that we can confirm the correct averages have been constructed.
2. The ACCC suggests suitable candidates/organisations that may be acceptable to both parties and who may be interested in undertaking independent analysis.
3. Informed Sources then provides the data from 1. directly to the parties for analysis after establishing our confidentiality/copyright interests.

I hope that the Commission sees this as a useful step in the current discussion and that we might progress along this path.

Yours sincerely,



Alan Cadd
Managing Director

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Appendix 2 – Letter from ACCC on release of data



**Australian
Competition &
Consumer
Commission**

2 June 2008

Mr Alan Cadd
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By email

Dear Alan

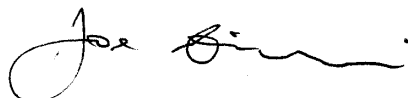
Release of Data from Econometric Analysis

Thank you for your letter to Graeme Samuel regarding the possible release of Informed Sources data which was used in the econometric analysis for the ACCC's report into the prices of unleaded petrol.

Mr Samuel has asked that I respond on his behalf.

As the data is proprietary data belonging to Informed Sources you can obviously choose to release it as you wish. The ACCC does not have any concerns if you decide to release the data. I don't believe that there is any need to undertake a process as you suggest in your letter.

Yours sincerely



Joe Dimasi
Executive General Manager
Regulatory Affairs Division