

Level 1
9a York Street
Sydney NSW 2000
Australia

Mail to: PO Box 1026
Strathfield NSW 2135
Australia

T 02 9276 7210
F 02 9276 7212
E alan.evans@
mynrma.com.au

16 July 2008

The Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir

Inquiry into the National FuelWatch (Empowering Consumers) Bill 2008 and the National FuelWatch (Empowering Consumers) (Consequential Amendments) Bill 2008

NRMA Motoring & Services (NRMA) is the largest mutual organisation in Australia representing over 2.3 million members.

NRMA represents its members to government on a range of issues affecting motorists such as affordable motoring, increased road funding, climate change and traffic congestion.

In relation to affordable motoring, the NRMA has made submissions to various government inquiries into fuel prices and has taken a leading role in the public domain in highlighting the consequences of rising fuel prices for motorists and the community as a whole.

The NRMA would like to provide the following comments to the Senate Standing Committee on Economics inquiry into the proposed introduction of the FuelWatch price monitoring scheme.

NRMA's Position

Fuel in our society today is regarded by many motorists, particularly those who have no or limited access to public transport, as an essential good. Therefore the NRMA believes that the Government must ensure that the fuel market works in the interests of consumers.

The NRMA supports any measure which makes the market for fuel more transparent and delivers price relief for motorists. We therefore welcome the proposed introduction of FuelWatch as an attempt to introduce greater competition and transparency into the market for transport fuels.

However the NRMA wishes to see evidence that the proposed FuelWatch scheme results in lower costs to motorists. Therefore, the NRMA recommends that once introduced, the Government undertake a thorough public review of FuelWatch after 12 months of operation to ensure that the scheme is meeting its stated objectives. A detailed methodology of this review must be developed and made public as soon as possible so that the community can assess the validity of the review process.

The NRMA endorses the appointment of the Petrol Commissioner and welcomes the opportunity to work with the Commissioner to help keep fuel prices as low as possible. The NRMA will continue to advocate for greater powers for the Petrol Commissioner to ensure a competitive petrol market that is less volatile and cheaper for motorists.

Transparency

On any given day the price for unleaded petrol can vary by up to 20 cents per litre across Sydney. The weekly average variation is around 16 cents per litre across Sydney. This is a clear indication of the ability of oil companies to take advantage of motorists' lack of information on prices and set fuel prices at the highest level which they think a locality will bear.

There is little evidence that the fuel market is really competitive as there is no evidence of price wars in the fuel market. This is unlike sectors where there are multiple players who vigorously compete against each other and offer different prices for the same or similar goods.

The ACCC Chairman has been quoted as saying that the current system of setting petrol price "is as close to being illegally collusive as we can find, but it is not illegal" (**ABC Online PM – Graeme Samuel accuses grocery chains, petrol companies of deception: Thursday 19 June 2008**)

This limits price competition and leads to what the ACCC chairman called "a cosy oligopoly" and encourages "a lazy form of competition" (**ABC Online PM – 19 June 2008 and SBS Insights – 2 Dollars a litre – Part 2: 8 July 2008**)

Unfortunately the lack of price transparency and the weekly price cycle that exists in most capital cities does not impact on all motorists equally. While some motorists can plan their refuelling precisely to buy fuel at the lowest price of the cycle, many cannot and have to buy as the need arises.

NRMA believes that the FuelWatch scheme as currently proposed will provide motorists with greater information and choice on which to base their fuel purchasing decisions. It also means that petrol stations will not be able to change their prices at will several times a day as is currently the case.

FuelWatch will put a wider range of information on prices in the hands of motorists for the first time, enabling them to make more informed choices. By having to quote fixed fuel prices for a 24 hour period, petrol retailers will have to make better judged and more competitive choices on fuel prices so as to not lose market share.

NRMA believes that the wider dissemination of price information under the FuelWatch scheme will give motorists greater opportunity to search for the cheapest petrol prices without having to spend time and money to obtain petrol price information. In short we believe that the proposed FuelWatch scheme will deliver more power to motorists to get the best price on any given day.

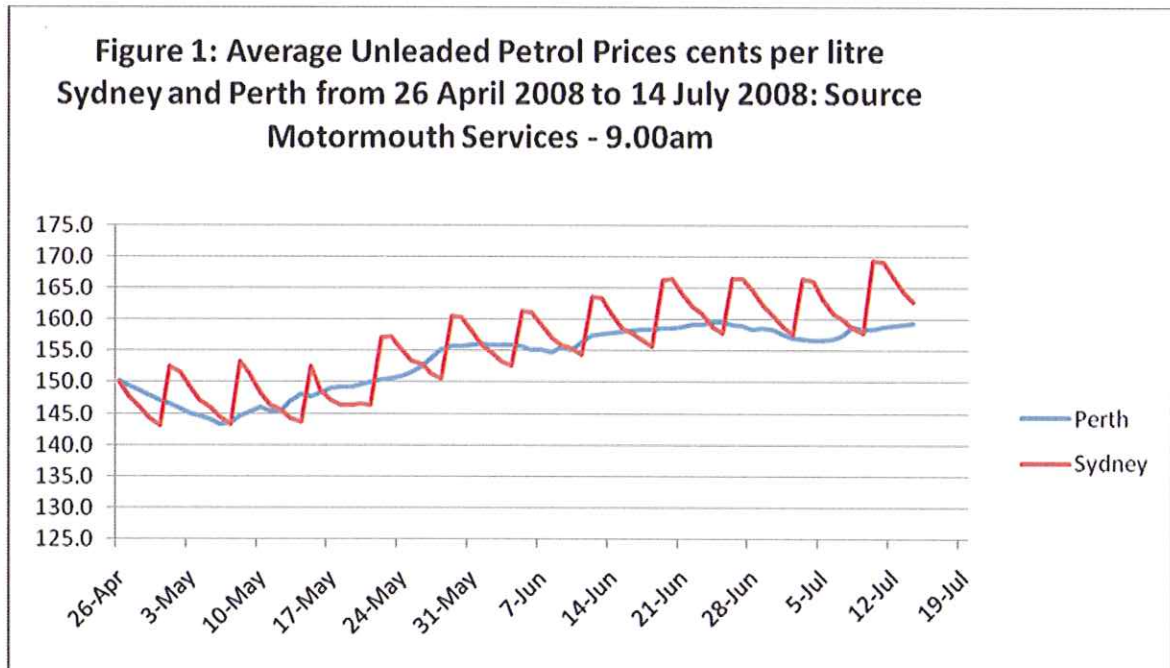
Introduction of Fuel Watch and impact of on price levels

The NRMA has not seen any evidence that FuelWatch could lead to higher prices should the scheme be introduced as proposed.

NRMA will monitor the introduction of FuelWatch and is happy to work with the Federal Government and the ACCC's Petrol Commissioner to review the implementation of the FuelWatch scheme after 12 months. NRMA will be examining the impact that the scheme will have on motorists to see if the scheme delivers real and measurable benefits.

The NRMA notes that Western Australia introduced a FuelWatch scheme in 2001. The NRMA has been comparing Perth and Sydney petrol prices since around the time the Federal Government announced the establishment of a national scheme in April this year. Since 26 April 2008 the Perth market has had predominantly lower average unleaded petrol prices than the Sydney market. When comparing average Sydney prices to average Perth prices over the past eighty days – the average unleaded petrol price in Perth has been lower for 53 days over the period and on average has been 2.2 cents per litre cheaper than the Sydney price.

Figure 1 below illustrates our tracking of Perth and Sydney unleaded petrol prices since 26 April 2008.



Closing Comments

The Federal Government must do all it can to ensure motorists are given full price information in order to provide one optimum for the optimum conditions for a truly competitive retail fuel market. Giving greater information to motorists means that they have the power to make more informed choices. This increases competitive tensions in the retail market and in turn is likely to put downward pressure on price levels.

The market must work in the interests of consumers. The provision of greater and more transparent information for motorists is a first and crucial input into this process. The Petrol Commissioner must also be given the relevant powers as part of a complete package of reforms

NRMA would welcome the opportunity to discuss these issues in greater detail.

In the meantime, should you require any further information on the matters discussed herein, please contact Mr Wal Setkiewicz, Senior Transport Adviser, on 02 9276 7238.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alan H Evans', written in a cursive style.

Alan H Evans
President
NRMA Motoring & Services