

## Fuelwatch Submission - August 2008

If the primary goal of Fuelwatch is to provide a web based system which will stabilize or lower the price of petrol/diesel at retail outlets then the following points may worthwhile considering:

1. Any such system must allow retailers to change prices at will.
2. Retailers (minimum say 4 or 6) within a set geographic area (e.g., a country town or several contiguous suburbs in a large city) provide their current or indicative price for their fuel products to an online price feed. The retailer's current price remains anonymous.
3. Each price submitted to the online price feed is then averaged (after the removal of any outlier prices) for that geographic area.
4. This average price for each product for that particular geographic area is then displayed on a web screen designed for the purpose.
5. Also the names and addresses of the retailers contributing prices to the average price feed are displayed on the same web page.
6. Customers can view the average prices and the retailers in their area.
7. Customers can select a retailer by clicking on that retailer's logo and a web page with the capability of submitting a bid to buy fuel will then display.
8. The customer can then enter the number of litres of fuel they wish to purchase and the price their willing to pay into the bid fields designed for the purpose. The bid is transmitted to the point of sale desk at the retailer and the clerk can accept or reject the bid.
9. If the bid is rejected, then the customer can try another retailer or bid another price.
10. If the bid is accepted, then an individual contract is made to sell petrol at that price for say a period of 24 hours to that person only. The contract details together with a contract number are automatically produced at the customer's web client.
11. The customer then goes to that retailer, quotes the contract number, and purchases the petrol at the agreed price no matter what price changes have occurred in the intervening period.
12. If the customer fails to buy the petrol, then the contract simply lapses after the set time period.
13. Retailers can also easily look at pricing to see where their sales are going and adjust accordingly.
14. Note that no retailer can collude via this system on prices because of the anonymity of the price feed.

This is just a basic analysis of the situation – the same generic idea may work for GroceryWatch as well. The central idea is that easy access via the internet to timely pricing information on any product allows customers to shop around quickly and lock prices through the bid/accept/reject mechanism.

Most of the infrastructure for this already exists as retailers change prices they can be automatically fed into the price feed. I don't think there would be much training required for the till operators. There may be an issue if a large volume of bids come through. There are ways to address this.

It is likely customers will base their bids on the current average price or lower. Constant bidding at lower prices may have the effect of lowering the overall average price. But at least consumers will be able to lock down a price they can afford.

There are some assumptions – mainly that customers know what volume of fuel they need. They will need to have some internet savvy and of course understand the contract they are entering into.