



Andrew Barr MLA

Chief Minister

Treasurer

Minister for Social Inclusion and Equality

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Minister for Tourism and Special Events

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Ms Vicki Dunne MLA
Acting Speaker
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Dear Madam Acting Speaker

Pursuant to Standing Order 254B, I write to request your assistance in facilitating non-sitting circulation to members of the ACT Government Response to the Report of the Select Committee on Fuel Pricing *Inquiry into ACT Fuel Pricing*.

Please find a copy of the Government Response attached. I will also present a copy of the Government Response to the Legislative Assembly on 11 February 2020. Thank you for your assistance in this matter.

Yours sincerely

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Treasurer

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**THE LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY**

**ACT Government Response to the Report of the
Select Committee on Fuel Pricing: *Inquiry into ACT Fuel Pricing***

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December 2019

Overarching ACT Government Comment

The Government thanks the Select Committee for undertaking its comprehensive and wide ranging inquiry into the ACT fuel market and welcomes the findings and recommendations in the final report.

In responding to the recommendations of the report, the Government acknowledges the significant evidence supporting the finding that the ACT fuel market has not been delivering optimal outcomes for the community.

The ACT Government recognises there is no single reform that will guarantee improved outcomes for consumers in the ACT fuel market. Ongoing effort will be required from all key stakeholders to help promote increased competition and transparency in the ACT market to deliver sustained improved outcomes for consumers over the medium to longer term.

Recommendation 1

The Committee recommends that the Assembly establish a standing committee to monitor fuel pricing and competition in the ACT. The role of this standing committee should include but not necessarily be limited to:

- a) regular analysis and reporting on the function and performance of the ACT fuel market for a given period, including price movement, comparison with markets surrounding and adjoining the ACT, and the prevailing terminal gate price; and
- b) oversight and reporting on any price monitoring scheme implemented in the ACT.
- c) the scope of the committee could also be broadened to inquiry into other markets that have a significant impact on ACT consumers.

Government Response

Agree in principle.

The Government recognises that establishing an ongoing analysis and reporting function related to the ACT fuel market could assist with promoting improved consumer outcomes. We note that the benefits of scrutiny of the market was supported by the Australian Competition and Consumer Commission, who have suggested that lower prices observed in Canberra in

April and May 2019 may have been influenced by the Select Committee's inquiry.

In considering options for delivering this function, it is important to carefully consider what entity is best placed to undertake this important activity on behalf of the community. While a Standing Committee of the Assembly could deliver such a function, the Government considers a preferable approach would be to use an existing body that already has suitable expertise and resources to deliver this role on an ongoing basis.

The Government considers the Independent Competition and Regulatory Commission (ICRC) is the most appropriate body to undertake this role in the Territory. The Government will consider arrangements for engaging the ICRC to undertake the recommended monitoring, reporting and analysis role for the ACT fuel market. Should an ACT mandatory price monitoring scheme also be implemented (as per Recommendation 3), reporting about the operation of that scheme could also be undertaken by the ICRC.

The Government does not consider that there is a need to establish a separate Committee with a broad scope to inquire into other markets that have a significant impact on ACT consumers.

Recommendation 2

The Committee recommends that the ACT Government be proactive approaching independent operators directly when considering the addition of new service stations in the ACT and, in doing so:

- a) consider setting aside land for independent operators and/or prioritising new sites which provide high visibility to consumers;
- b) consider and report on the feasibility of introducing concessions for independent operators entering the ACT market, including payroll tax concessions, rates concessions or concessional leases;
- c) ensure that the introduction of any proposals in this recommendation strike a balance between the potential to attract and accommodate discount retailers without unfairly distorting the ACT fuel market.

Government Response

Agree in principle.

The Government notes that lower levels of competition within particular segments of the market is impacting on fuel prices in the Territory and that a greater presence of independent retailers could deliver improved outcomes for ACT consumers.

The Government will consider the proposed policy responses designed to encourage further entry by independent fuel retailers. However, the Government notes that even with the offering incentives to encourage entry by independent operators, it is not always possible to guarantee that a service station site will remain independently operated in the medium to longer term.

The Government also notes that two additional independent service stations sites will commence operating in the near future in Mitchell and Fyshwick without any Government intervention. Similar to many other independent operators, these new stations will use existing sites that were previously used by petrol retailers, rather than new greenfield sites. The Government will monitor closely the impact on fuel prices in the surrounding areas of these new entrants into the market.

Recommendation 3

The Committee recommends that the ACT Government initiate a real-time, mandatory price-monitoring scheme similar to the FuelCheck scheme operating in NSW and, in doing so:

- a) investigate the feasibility of NSW FuelCheck adapting to incorporate the ACT market;
- b) ensure that accurately capturing, recording and publishing ACT fuel prices through a government-regulated body enhances the transparency of prices;
- c) arm consumers with the ability to more easily shop around and take advantage of cheaper prices; and
- d) ensure that data captured as part of such a mandated scheme is available in real-time as open source public information for use in other apps, websites etc.

Government Response

Agree in principle.

The Government remains of the view that there is already a high degree of retail fuel price transparency in the ACT. Several privately provided apps and

- websites provide reasonable coverage of fuel price information for the Territory at no charge to the community, which generally provide sufficient information to allow consumers to find the locations with lower fuel prices at any given time.

It is unclear whether the additional benefits to consumers from an ACT Government operated mandatory real time fuel price reporting scheme would outweigh the costs that would be incurred in developing, implementing and operating the scheme.

However, noting there would be additional benefits to consumers from improved levels of real-time price information, the Government will engage with the NSW Government to investigate the feasibility and costs of expanding the NSW FuelCheck scheme to incorporate the ACT fuel market.

If the extension of the NSW FuelCheck scheme to include coverage of the Territory is found to be feasible, and a suitable agreement can be reached with the NSW Government, the Government would also ensure that real time ACT fuel price information captured through the scheme is made publicly available as open source data, as recommended by the Committee.

Recommendation 4

The Committee recommends that the ACT Government continue to provide public, accessible education and sources about fuel prices to ACT consumers, enhancing what is already available.

Government Response

Agreed.

The Government recognises its important ongoing role in providing public, accessible education and sources of key information about fuel prices to the ACT community, as a mechanism for enhancing consumer knowledge and promoting improved consumer outcomes in the ACT fuel market.

As part of the process to consider reforms to increase price transparency and improve ongoing reporting and analysis of the ACT fuel market, the Government will consider what opportunities may be available to further enhance the information and accessible education opportunities it makes available to consumers in the Territory.

Recommendation 5

The Committee recommends that the ACT Government analyse the comparative level of costs, taxes and rates that service station operators are paying within and outside the ACT, comparing like sites, and report to the Assembly by March 2020. This report should detail any potential change in costs of doing business in the ACT which could result in lower fuel prices.

Government Response

Noted.

The Government notes analysis about the comparative level of costs faced by service station operators in the Territory compared to other surrounding areas was undertaken by the ICRC during their recent petrol price inquiry. The ICRC concluded the higher average annual prices in the Territory recorded in recent years were primarily a result of higher retail margins.

The ICRC found that, on a cents per litre basis, retail operating costs were lower in Canberra in 2017-18 compared to the surrounding region. The ICRC also noted that differences in petrol retailer costs and margins between the ACT and other jurisdictions may reflect the differences in tax systems.

As part of its ongoing tax reform program, the ACT Government is currently undertaking a comprehensive analysis of the economic, social and distributional impacts of the first two stages of tax reform. This analysis will incorporate consideration of the entire range of state and local government taxes paid by businesses in the ACT, including commercial rates, and will compare ACT taxes with those in NSW.

The outcomes of this analysis will be used to inform the development of the next phase of tax reform in the Territory, which will be announced as part of the 2020-21 ACT Government Budget.