

Date: 29/05/19

Mr Andrew Snedden
Committee Secretary
Select Committee on Fuel Pricing
Legislative Assembly for the ACT
GPO Box 1020
CANBERRA ACT 2601

By email: committees@parliament.act.gov.au

Dear Mr Snedden

Inquiry into fuel pricing

Thank you for the opportunity to provide this late submission in relation to the Select Committee on Fuel Pricing.

In November 2018, Woolworths Group Limited entered into an agreement to sell Woolworths' petrol and convenience business to UK-based company EG Group. Following confirmation from the Foreign Investment Review Board that the Commonwealth held no objections to the acquisition, the sale completed on 1 April 2019 and EG Group entered the Australian fuel market.

EG Group currently operate more than 5,200 sites across Europe, the United States and Australia, employing over 30,000 people. In Australia, EG Group (trading as Euro Garages Australia) operate 538 fuel and convenience sites, with 10 of those located in the ACT. In the ACT, Euro Garages Australia employ around 95 people and serve more than 75,000 customers each week.

Below we have responded to the matters to be addressed by the Committee.

Fuel pricing methodology and key determinants

The retail price of fuel is influenced by a number of different factors. The Australian Competition & Consumer Commission has described the factors as follows in a fact sheet on its website:

“Automotive fuel prices (such as petrol, diesel and automotive LPG) in Australia are affected by three main factors: the relevant international benchmark price, Australian Government taxes (including an excise and GST), margins and other costs.

Of these factors, it is changes in the international benchmark prices that are the main driver of retail fuel prices in Australia. They are the largest component reflected in the final retail price, making up about 50 per cent of the price for petrol and diesel and around 70 per cent for automotive LPG. Changes in a benchmark price are driven by international supply and demand for each fuel, which in turn impacts on the price at the pump in Australia. The international benchmarks are traded in US dollars, so Australian retail prices are also affected by the Australian and US dollar exchange rate.

After the international benchmark price, taxes and other costs and margins make up the rest of the retail price....

Fuel prices in Australia are also influenced by other factors such as the level of competition in a local market and pricing strategies employed by competitors (such as the regular petrol price cycles in the larger cities).”¹

Euro Garages Australia believes that the above is an accurate description of the broad components of retail fuel prices. It is acknowledged that some of the factors influencing this domestic industry component include transport costs, competitor behaviour, costs of doing business in a particular locality including occupancy costs and volume sold.

We note that increased administrative requirements through regulation are likely to have an impact on costs and could have the unintended consequence of putting upward pressure on prices for ACT consumers.

Characteristics of the ACT fuel market

Euro Garages Australia has an exclusive supply arrangement with Caltex Australia to source fuel products for our retail network and utilises two fuel terminals in Sydney, New South Wales, to supply the ACT network. Fuel is transported to the ACT by road and given the short period of time that Euro Garages Australia has been trading in the ACT, it is unable to provide detailed insight as to the characteristics of the ACT retail fuel market. We do note, however, that the presence of major fuel brands (BP, Coles Express/Viva, and Caltex) along with 7 Eleven, United Petroleum, Metro Petroleum and Costco allows for a competitive fuel retail environment.

The impact of fuel prices on the ACT community

¹ACCC Fuel Facts

<https://www.accc.gov.au/system/files/Fuel%20facts%20-%20International%20prices%20drive%20Australias%20fuel%20prices.pdf>

We understand that fuel is an essential purchase for many Australian households and when prices increase there is an impact on household budgets. This is the case whether the customer is in the ACT or elsewhere.

Euro Garages Australia aims to provide strong value and convenience for our customers throughout the ACT and the nation.

Reasons for significant pricing discrepancies within the ACT and compared to other areas

We understand that the current inquiry was established out of concern about apparent “significant pricing disparities” between Canberra and other capital cities and between the ACT and bordering areas in NSW².

We accept that such geographic price disparities, if they exist, are not a function of the global fuel price but instead would be influenced by domestic factors.

It is, however, important to note that a point-in-time snapshot of fuel pricing on a particular day can be misleading: i.e. fuel may be more expensive in Canberra than another city on a particular day, but the reverse could be true on another chosen day.

Euro Garages Australia aims to price its fuel competitively within each local market it operates. We monitor local prices regularly and focus on ensuring we deliver competitive prices at each of our sites in the ACT.

Best practice approaches and initiatives in other jurisdictions which have a meaningful impact on reducing fuel prices

Given the number of competing petrol retailers operating in the ACT, we encourage consumers to use the online tools currently available to compare prices and shop around.

Euro Garages Australia is supportive of the publication of retail fuel prices to consumers and publishes its own fuel price data to consumers via the free Woolworths Fuel App available for iOS and Android. We also provide our own fuel price data to Informed Sources which publishes this data via its subsidiary MotorMouth, on both its website and app platforms. Euro Garages Australia understands that MotorMouth publishes timely fuel price data in relation to approximately 4,500 fuel sites around Australia.

Euro Garages Australia also participates, as required, in government-run price notification schemes in New South Wales, the Northern Territory and Queensland. It is our view that these schemes largely duplicate existing datasets already available to the public through sources such as MotorMouth and other fuel price Apps. It is our understanding that these schemes have proved costly to the industry as a result of both technical development and compliance costs. No doubt these schemes also involve

² Hansard, ACT Legislative Assembly, 14 February 2019, <http://www.hansard.act.gov.au/hansard/2019/pdfs/P190214.pdf>

significant cost to government both in initial set up and ongoing updates and maintenance. We are unclear about the rate of consumer take-up of the government developed apps.

It is also understood that the ACT Government is considering the introduction of a scheme similar to Western Australia's FuelWatch. Whilst advocates of this scheme focus on the benefits of lower costs to motorists who refuel on one particular day of the week, it is important to recognise that the Perth petrol market has a weekly cycle which is largely influenced by market competition. Further, it is our view that FuelWatch's requirement to 'lock in' a price the day prior in fact restricts competition as it does not allow for intra-day pricing reactions by market participants.

We suggest that the ACT Government consider whether it can assist in promoting the existing apps and tools such as the Woolworths Fuel App before embarking on a costly development of its own system that may not meet consumer needs. We would also be happy to consider any suggestions the Committee may have on any improvements we can make.

Should the ACT decide to develop and implement its own fuel price monitoring platform, further consultation with industry should occur. Under the NSW, NT and QLD schemes, Euro Garages Australia provides bulk fuel price data electronically rather than relying on manual data entry by individual employees at individual fuel sites. Minimising administrative burden on individual fuel site-based teams remains critical to the Euro Garages Australia operating model and in turn, restricts upward pressure on fuel retail prices. It is our view that the electronic provision of bulk fuel price data is the most efficient and accurate means of delivering prices to consumers.

Regulatory and legislative solutions and barriers, particularly around competition and retail margin

Euro Garages Australia has concerns around the continuing introduction of new regulatory and legislative barriers impacting fuel retailers across all levels of government, particularly at both local and state levels.

In addition to the previously mentioned mandatory fuel price reporting schemes, Euro Garages Australia faces regulatory and legislative barriers across areas including biofuels, fuel price boards and vapour recovery. In the ACT, Euro Garages Australia has recently implemented changes to the network's 10 fuel price boards as a result of the *Consumer Protection Legislation Amendment Act 2019 (the Act)*. Euro Garages Australia does not believe that this change was necessary, given there was no evidence of systemic consumer detriment from the display of conditionally discounted prices.

Before any additional regulation or legislative requirements are proposed, careful consideration should be had to the potential unintended consequences on compliance costs and operational regulatory burden, which may ultimately serve only to exacerbate the perceived problem that the Committee is currently investigating.

We appreciate the opportunity to contribute to the inquiry and would be happy to respond to any further questions you may have.

If you have any questions or would like to discuss these issues further, please contact me directly on [REDACTED].

Yours faithfully,

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

Cara Williams
National Fuel Manager