



## Andrew Barr MLA

### Chief Minister

Treasurer

Minister for Social Inclusion and Equality

Minister for Tertiary Education

Minister for Tourism and Special Events

Minister for Trade, Industry and Investment

Member for Kurrajong

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

Dear Mr Snedden

I would like to thank the Committee for undertaking a comprehensive inquiry into ACT fuel prices, and welcome its interim report.

I was encouraged the Committee reconfirmed that the international oil price and Australian Government taxes make up most of the price at the pump, making it challenging for the ACT Government to influence fuel prices. The nine potential options identified by the Committee for further exploration to address the key levers available to the ACT Government to reduce petrol prices, and the major advantages and disadvantages, are well articulated in the interim report.

As I outlined in my appearance before the Committee, there is no easy solution and the most efficient and effective response with net benefits is most likely to be a combination of measures. I am interested in exploring a combination of measures that has the potential to provide a solution over the next decade, until low and zero emission vehicles become commonplace. The Committee's approach of considering a hierarchy of approaches and whether some measures should be deployed together will be helpful in achieving this objective. In doing so, it is important to consider potential costs in the context of the risks and benefits.

Attracting more fuel discounters to Canberra in key locations is likely to be at the heart of a solution, as it offers the most scope for enhancing competition and reducing prices. While I understand the Committee's concerns about community sensitivities over billboards, there are established petrol stations with large signs in highly visible locations in Canberra. For example, Drakeford Drive, Tuggeranong; Majura Road, Pialligo and Canberra Avenue, Fyshwick. These types of locations also offer significant volumes of passing traffic, which can support the business model of fuel discounters.

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I would welcome further consideration by the Committee of the potential barriers and opportunities for independent and/or discount fuel retailers seeking to establish a presence in Canberra, and the areas in which the ACT Government may be able to act to reduce barriers and enable opportunities to be harnessed. It will be important to ensure that the benefits of independent and/or discount fuel retailers establishing in the ACT can be maintained over the next decade. As part of this, the ACT Government is considering ways of identifying suitable land in key locations for new entrants.

The prospect of success of potential regulatory and consumer information options critically depends on improving the competitive environment first. In that context, I was interested in the evidence provided to the Committee that fuel applications and websites are becoming obsolete and communicating via messaging is increasingly common. Innovative use of technology could play an important role, including for fuel discounters. Further consideration by the Committee of how technology could be used to greater effect to aggregate consumer buying power to deliver savings would assist the Government in considering this issue.

I have attached an outline of available information on the costs of approaches that have been considered in other jurisdictions to assist the Committee in considering a possible hierarchy of measures.

Yours sincerely



Andrew Barr MLA  
Chief Minister

**22 JUL 2019**

### **Government petrol price reporting schemes**

The ACT Government is cautious about any proposal to introduce regulatory price lock mechanisms or mandatory price reporting. Although these mechanisms are operating in WA, NSW and the NT, such intervention may not be appropriate for the ACT market.

In a market with weak retail competition such as in the ACT, these mechanisms could potentially result in reduced market participation with adverse outcomes for competition and consumers.

A 2017 Victorian Parliamentary inquiry into regional fuel prices found fuel discounters lose their competitive advantage under mandatory fuel reporting, because their competitors can see price changes instantly and match them. The inquiry also found that there was no evidence that mandatory fuel price reporting schemes in Australia and overseas have reduced fuel prices.

Therefore, while petrol price reporting schemes are popular with motorists, improving competition in the ACT is important as a first step, before considering their introduction.

#### Western Australian style mandatory reporting and price lock in scheme (WA FuelWatch)

WA FuelWatch commenced in 2001 and requires petrol stations in prescribed areas to notify their next day's fuel prices on a daily basis. This creates a reverse auction environment for retailers. It also allows consumers to make the next day's purchase decision with more confidence and limits retailers ability to change prices within the day.

Price lock in schemes are relatively expensive. In evidence to the NT Scrutiny Committee's examination of draft fuel price disclosure legislation in 2015, it was indicated that WA FuelWatch cost several million dollars to set up. In 2008 the Commonwealth proposed to introduce a similar scheme nationally with estimated costs of \$20.9 million over four years. At the time, some retailers estimated that the compliance costs would cost up to \$4,000 per annum.

#### New South Wales style mandatory reporting scheme (NSW FuelCheck)

FuelCheck commenced in NSW in 2016 and requires fuel retailers to register with the scheme and notify all movements in their prices in real time via the online portal.

It cost \$300,000 to set up the NSW FuelCheck website and database, with costs of maintenance around \$64,000 per annum. The annual staffing budget for NSW FuelCheck was \$163,000 in its first year (1.8 FTE). Compliance and enforcement is undertaken by NSW Fair Trading. Compliance costs for retailers were not estimated prior to introduction of FuelCheck.

The Northern Territory set up a similar website in 2017, MyFuel, at an estimated cost of \$250,000.

## **A fuel prices oversight position or body**

As noted by the Committee, the cost of a fuel prices overseer depends on the model chosen. While in WA, NT and NSW it is one of the functions of the Commissioner for Consumer Affairs or Fair Trading, a standing committee may be suitable for the ACT in the short term. In the longer term, a fuel price overseer may need a range of powers to obtain information from retailers and suppliers, along with a range of ways to respond to poor behaviour.

The data from a mandatory reporting scheme would support the work of a fuel price overseer and it may be desirable to introduce both at the same time. For example, mandatory reporting data could allow tracking of retail fuel prices for individual service station sites against the wholesale price at the Sydney fuel terminal as well as retail price levels in the market place. Canberra petrol prices are much slower to respond to changes in the wholesale price than Sydney (on average two to three weeks compared to two to the three days) and can be faster on the way up than the way down.

## **Concessions**

The Government is committed to a fairer, more sustainable and more accessible Concessions Program that targets support to those Canberrans who most need a helping hand.

The Government provides significant transport related concessions and support for those in need, including:

- discounts for driver licence renewals and motor vehicle registration;
- reduced fares on public transport; and
- assistance for those with specialised transport needs through the taxi subsidy scheme and the ACT community bus program.

The Government will continue to consider the effectiveness of concessions, however, outcomes that would deliver a more competitive petrol market in the ACT have the capacity to deliver for the benefit of all consumers.

## **Government rates and taxes**

The Government is currently implementing stage two of the ACT's tax reform program, covering the second five years of this 20-year reform. The reforms involve a revenue-neutral tax mix switch from inefficient taxes like conveyance duty and insurance duty to an efficient broad based tax through the general rates system.

- An inquiry into commercial rates has been conducted recently and 25 recommendations were made for government consideration.

While there may be scope to continue to look at government rates and taxes for petrol stations in the ACT, and the overall burden compared to other jurisdictions, evidence provided to the Committee did not indicate rates and taxes were driving higher petrol prices in the ACT compared to other jurisdictions in the period leading up to this inquiry.