

Submission

Fuel Pricing - South Australian Productivity Commission

January 2020

RAA at a glance



SA's largest membership organisation



Established in September

1903

750k



32% of members live in regional SA

(compared to 22% of SA's population)





Most SA drivers

are RAA members



More than

1000 staff employed across SA



Largest

personal lines insurer in SA

businesses accredited through RAA's Approved Repairer network



18 retail shops

- including ten in regional SA

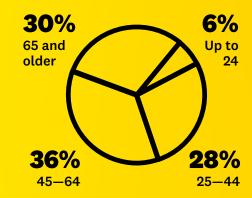


52%



Just over half our members are women...

...and our members span all age groups



Thank you for the opportunity to meet with you and to provide a submission to your consultation process. Below we provide some general comments on fuel prices and against the terms of your commissioned report (provided in the letter from the Premier dated 18 December 2019).

We welcome any other opportunities to provide further information.

Background

RAA is South Australia's largest member organisation, representing more than 750,000 South Australians (around half the state). Through our diverse range of motor, home and travel products and services, we interact with our members in a range of ways that provide unique insight into the services and public policy settings South Australians want and need.

RAA has had a trusted advocacy role in transport and mobility for more than 115 years. Our approach to advocacy is evidence-based. In relation to fuel, we monitor market data and trends, academic research, and draw consumer insights from surveying our large membership base. We have been monitoring the South Australian and national fuel markets for decades, so are well placed to provide insights through this consultation process.

RAA aligns its mobility advocacy with the following three themes:

- Safe A safe mobility system can be defined as a system that not only achieves, but outperforms, national and international safety benchmarks. It encompasses safer drivers, in safer cars, on safer roads, at safer speeds.
- Accessible To have a cost efficient, convenient and reliable transport network as an essential part of personal mobility.
- **Sustainable** Sustainable mobility encompasses the needs of current and future generations, and considers financial, societal and environmental factors.

General comments on fuel prices

Fuel prices

Fuel prices are a major cost of living concern for consumers in Australia. This concern has prompted various action by state, territory and the federal governments – from regulation to monitoring. For instance, the Australian Consumer and Competition Commission (ACCC) has had a history of analysing the market and is currently subject to a Ministerial direction to monitor the price of fuel.

Petrol prices in Adelaide (and in many other major Australian cities) conform to a price cycle. In these cycles, prices go down for a period and are then followed by a sharp increase back up. If motorists do not have adequate information to understand and anticipate these cycles, they can fail to take advantage of lower prices at the bottom of the cycle.

These cycles are the result of deliberate action on the part of retailers and are not directly related to changes in the wholesale costs of fuel. Factors that influence the wholesale costs include the strength of the Australian dollar and the price of crude oil.

RAA publishes <u>some available information</u> on fuel prices on its website to assist motorists in identifying price cycle patterns.

The ACCC regularly releases petroleum market reports, which highlight that motorists can make significant savings if they purchase fuel at the bottom of the price cycle.

Further, the ACCC has stressed that without government mandated publication of pricing, commercial apps and websites can have missing or inaccurate information:

'There are a variety of fuel price websites and apps that provide information to motorists about petrol prices, including

- the NSW Government FuelCheck scheme, the WA Government FuelWatch scheme and the Northern Territory Government MyFuel NT scheme
- motoring organisations' fuel price websites and apps (such as the NRMA and RACQ schemes)

 commercial services such as the MotorMouth website and app, and apps operated by GasBuddy, 7-Eleven and Woolworths.

While there are a range of fuel price websites and apps available to motorists, the ACCC notes that motorists should be aware that some are more comprehensive and timely than others, and not all of them include prices for the lowest priced retail sites. The government schemes are the most comprehensive and up-to-date, whereas the commercial services (such as MotorMouth and GasBuddy) may not include all of the cheaper retail sites. In jurisdictions where commercial services obtain their data via the government schemes, they can be as comprehensive and timely as the government websites and apps.'
[emphasis added]¹

Cost of living pressures are a critical public policy issue in Australia. The recently released Household, Income and Labour Dynamics Survey (HILDA)² report showed that for the 14,000 Australians it surveys every year, growth in real disposable income has stalled since 2009. Further, HILDA found that of all mainland capital cities, Adelaide has the lowest median household income.

It is worth noting that it is not just household consumers who are impacted by fuel prices. Smaller businesses that do not have commercial fuel purchase arrangements and rely on motor vehicles for their business are impacted, along with volunteers that rely upon their motor vehicles.

Status quo - gaps in information

In a process involving potential new regulation, we appreciate that the government needs to identify what evidence is available to justify a change from the status quo.

There are a number of commercial apps and websites that provide some fuel price data to consumers. RAA audits of this data show that some retailers' information can be missing or showing old data and that this is particularly apparent with independent retailers (who tend to be very price competitive) and regional retailers.

RAA encourages motorists to use these services to gain access to some information, however, cautions that they can contain incomplete, inaccurate and outdated information, as pointed out recently by the ACCC (see above). Sometimes with these apps you can also be limited in the number of times you can access fuel price information before you are locked out (unless you pay to subscribe).

App/Site	Information Sources	Data Updates
Motor Mouth	Motor Mouth sources its data from client companies, fuel retailers and roaming drivers that check prices. In 2015 they also began receiving crowd sourced information from motorists reporting prices they saw at the pump.	RAA understands that the frequency of updates is dependent upon when the client companies provide their data. Also, the frequency of the manually collected data varies.
GasBuddy	It is RAA's understanding that GasBuddy uses OPIS Australia station-specific retail petrol and diesel prices, which is collected via fleet fuel cards. We do not know which fuel card companies they source.	The frequency of the data updates depends upon the frequency of the particular fuel cards being used at a site.
PetrolSpy	PetrolSpy uses data which is collected via fleet fuel cards and also has crowd sourced user reported data.	The frequency of the data updates is as often as fuel card use at a site, or when a user last uploaded a price to the website.

¹ ACCC 'Report on the Australian petroleum market' September quarter 2019. See https://www.accc.gov.au/system/files/1641RPT_Petrol%20Quarterly%20Report-Sept2019_D05.pdf

² The Melbourne Institute's Household, Income and Labour Dynamics in Australia (HILDA) Survey is a study that collects information about economic and personal well-being, labour market dynamics and family life of the same group of Australians over the course of their lives. See https://melbourneinstitute.unimelb.edu.au/hilda

RAA has not observed commercial sources providing real time data for all of their surveyed sites. The above methods for collection of data are impacted by a number of factors, e.g. when clients and data partners upload the information and manual surveying frequency limitations. RAA's assessment is that around 70% of fuel retailers' information is available on commercial apps in South Australia.

Key gaps in data often involve the cheaper independent retailers, as they do not have arrangements to provide their data to these sites, so the prices must either be crowd-sourced or be inputed by roaming drivers employed by the sites. This is challenging in a geographically large state such as South Australia.

Further, often regional and remote information is missing for consumers, as there are less motorists in the regions, making it more difficult to crowd source information for these sites.

In late 2019 RAA surveyed its membership on this issue – with 97% of respondents supporting the introduction of real-time fuel pricing, indicating there is significant demand for more comprehensive information in the market.

a) the net benefits and effectiveness of models used in other jurisdictions, including the real-time fuel pricing scheme in New South Wales and the 24-hour price locking mechanism in Western Australia.

The ACCC has estimated that closing the fuel price information gap for motorists could result in annual savings between \$30-75m per year for Adelaide motorists.³

Other jurisdictions that have a real-time fuel pricing model include NSW, Northern Territory and Queensland (currently being trialled). Western Australia has a price locking mechanism along with a government website that publishes prices.

It is worth noting that the ACT government's Legislative Assembly recently undertook a wide-ranging review into fuel pricing and heard from representatives from various Australian jurisdictions. Through their review they contemplated different models operating in Australia. This process resulted in them recommending that the ACT introduce a model based on the NSW system, rejecting the Western Australian model and rejecting the status quo (or 'do nothing' option) in ACT.

1.03 cents per litre in metropolitan Sydney. The model controlled for a range of explanatory variables, including international oil prices. The same benefits were not noted in Northern Territory in this study. However, it is worth noting that the Northern Territory market has far less competition than Sydney or Adelaide and does not have a fuel cycle.

Cooperation with NSW would enable SA to learn from their experiences, avoiding some of the implementation challenges they experienced. If cooperation is secured between the jurisdictions there could also be significant financial savings in sharing the technology platform.

NSW model

NSW's FuelCheck scheme was introduced in 2016 and operates under their fair-trading legislation.⁵ A Griffith University study into the NSW and NT models found that this policy has resulted in a permanent reduction of

Western Australian model

In Western Australia, retailers are required to submit their fuel prices to Government at 2pm daily, and then charge that price the following day from 6am for 24 hours.⁷

The system operating in Western Australia commenced in the early 2000s. This was a very different time when smart phones/apps etc were not available tools for governments and consumers to disseminate information.

³ See https://www.accc.gov.au/system/files/ACCC%20Petrol%20price%20cycles%20in%20Australia—December%202018.pdf at page 7.

⁴ See https://www.parliament.act.gov.au/__data/assets/pdf_file/0019/1416241/9th-Report-on-Inquiry-into-ACT-Fuel-Pricing.pdf

⁵ Fair Trading (FuelCheck) Order 2016 under the Fuel Trading Act 1987 (NSW)

⁶ Griffith University, An empirical study of the impact of petrol price monitoring schemes in New South Wales and the Northern Territory. See https://www.dnrme.qld.gov.au/_data/assets/pdf_file/0018/1403271/fuel-price-reporting-consultation-ris.pdf at page 31.

⁷ Petroleum Pricing Regulations 2000 under the Petroleum Products Pricing Act 1983 (WA)

Creating a 24-hour price-lock mechanism provided certainty to consumers. Currently, with the prevalence of smart phones, it is much more likely that consumers will be checking technology more frequently prior to seeking to purchase fuel. The sharing of information in real-time and the nature of price cycles can benefit motorists in that they can take advantage of prices at their cheapest. It is likely that the Western Australian model would be met with more resistance from retailers, as it is a more heavy-handed form of regulation of the market.

We would recommend that if the Western Australian model is the government's preferred model that they build in a mechanism for retailers to adjust their prices down after setting them, but not up. This would enable some competitive downward pressure on prices.

Queensland model

As mentioned, Queensland is currently running a twoyear trial of real-time fuel pricing under its fair trading laws.⁸

Before conducting the trial, Queensland undertook a regulatory impact assessment.⁹ Key findings of this process include:

- The impost on operators is around five minutes for all fuel types combined per price change.
- The average number of price changes per month per station in metropolitan areas is 30, in regional areas five and in rural areas only one.
- Many operators can provide data via a bulk upload, which is more efficient.

In Queensland, motorists are directed to a range of commercial operators to check fuel prices in real-time rather than being directed to a government run database/app.

RAA has observed that Adelaide's fuel cycle closely resembles the cycle operating in Brisbane, as motorists are more easily able to traverse the city and travel to find cheaper fuel if needed (compared with Sydney, which can really be seen as a collection of larger metropolitan centres acting almost like separate markets). The impact of real-time fuel pricing in Brisbane therefore provides good evidence as to what is likely to happen should real-time fuel pricing be introduced in Adelaide.

Initial data collected by RACQ (RAA's motoring club equivalent in Queensland) found that there are now more 'cheap days' in Brisbane's fuel price cycle and that average Brisbane fuel prices are lower as a result of the trial. In addition, average fuel prices have fallen in many regional Queensland cities.

While RAA has never claimed that the introduction of real-time fuel pricing in SA will guarantee fuel prices will drop here, the experience in Queensland is promising, particularly for regional cities where there has historically been less competition. The real intent of these policies, however, is transparency around information to empower motorists to buy at the best time, saving them money while also continuing to stimulate competition.

RACQ has been monitoring fuel pricing trends since the inception of the trial and have found Queensland motorists have saved more than \$120m since the trial's inception. They are now making the case for the trial to be permanent due to these positive results to date.

We understand that the Queensland model was developed in close collaboration with fuel retailers, which has resulted in positive buy-in from the industry and some differing arrangements for regional operators. It may be worthwhile for the government to engage with the Queensland government on their implementation learnings.

⁸ Fair Trading (Fuel Price Reporting) Regulation 2018 (QLD). See https://www.legislation.qld.gov.au/view/html/asmade/sl-2018-0185

⁹ See https://www.dnrme.qld.gov.au/__data/assets/pdf_file/0018/1403271/fuel-price-reporting-consultation-ris.pdf

b) current regulatory arrangements for fuel pricing in South Australia and how alternative models compare.

See **Appendix A** for a snapshot of SA's regulatory environment for fuel retailers and how it compares to the models operating in NSW and WA.

c) the most cost-effective solution to increase transparency in fuel prices in South Australia.

The way this term of reference is framed suggests that the government intends to implement a model to ensure transparency in prices in South Australia. However, they are seeking advice on the best model and potential net benefits for South Australian consumers and the economy more broadly.

It is worth noting that all models aimed at closing the information gap require a database of some kind to ensure that people are able to access information. As mentioned, it may be possible for the SA government to collaborate with its NSW counterparts around implementing a version of their database, which would be more cost-effective than developing a brand new database/model.

It is a matter of public record that the cost of setting up the technology and systems to facilitate the FuelWatch Scheme in NSW was around \$600,000¹º. This is a relatively small cost when the net ongoing benefits to consumers are considered. As mentioned above, the ACCC predicts benefits between \$30-\$75 million for Adelaide motorists. RAA member surveys show that savings on the cost of fuel have the potential to be redirected into other parts of the economy, including vehicle maintenance, tourism, healthcare and other household goods, as we know that motorists are delaying or foregoing household spending due to the cost of fuel. The latest BankSA State Monitor consumer and business confidence survey, undertaken in August 2019, also reported

'There is growing pessimism about the general climate for consumer spending, which is being fuelled by a lack of wages growth and rising household costs, including petrol prices, power bills and council rates.' 11

The benefits of fuel pricing transparency would not only be experienced by those using vehicles for personal reasons. Many small businesses and volunteers rely upon fuel to provide their goods and services to consumers.

There could be scope for a lighter touch regulatory model for South Australia compared to NSW, e.g. rather than a condition of a license, make reporting of fuel prices part of the regulatory code that fuel retailers are bound by in South Australia. Breaches of the code result in a civil penalty.

All models would also require some kind of compliance framework to ensure that retailers are doing the right thing. The capacity for enabling motorists to report instances where retailers are charging a price different to the published price (e.g. an online 'dob-in' function similar to NSW/Queensland) would enable a relatively 'light touch' regulatory model where a risk-based approach can be taken to compliance.

The costs to establish the FuelWatch scheme in Western Australia may be more difficult to ascertain due to the fact the scheme has been in operation for around 20 years. RAA is not aware of the cost of the Queensland system, as it is apparently commercial in confidence.

It is also likely that if real-time fuel pricing is implemented, consumers will reward retailers who do the right thing with their repeat business, incentivising compliance and competitive pricing.

¹⁰ See above note 4 at pages 39-40.

[&]quot;See https://www.transcontinental.com.au/story/6461505/regional-business-confidence-falls-following-national-trend/ and https://www.banksa.com.au/content/dam/bsa/downloads/about_us/BankSA-State-Monitor-August-2019.pdf

Appendix 1: regulatory environment - fuel pricing

State	Legislation/Regulations	Compliance Model	Comments		
uth Australia	Consumer and Business Services' role Fair Trading Act 1987 (SA) Part 3 A – enables Industry Codes to be enacted through regulation. http://www.austlii.edu.au/cgi-bin/viewdoc/au/legis/sa/consol_act/fta1987117/s28f.html This legislation is committed to the Attorney-General. Administratively, either Commissioner for Consumer Affairs or Small Business Commissioner is then responsible for administration of Codes depending upon the topic.	Breaching Fuel Industry Code is subject to a civil penalty.	various licenses (which you get from SafeworkSA) and fuel Consumer and Business Services (CBS) [un Under Part 3A of the Fair Trading Act, a 'F about what fuel retailers are obliged to dis Fuel retailer is defined as 'person or body https://www.legislation.sa.gov.au/LZ/C/R/ 2013/CURRENT/2013.186.UN.PDF	storage interacts with a number of govt agencies/regulatory frameworks in SA. To run a service station you need enses a get from SafeworkSA) and fuel retailers are also bound by the Fuel Industry Code, which is administered by and Business Services (CBS) [under different legislation]. It 3A of the Fair Trading Act, a 'Fuel Industry Code' was introduced through regulation in 2013. This Code talks at fuel retailers are obliged to display on their boards (e.g. they are not allowed to display their discounted price). The defined as 'person or body who carries on the business of supplying fuel for retail sale.' Tw.legislation.sa.gov.au/LZ/C/R/FAIR%20TRADING%20(FUEL%20INDUSTRY%20CODE)%20REGULATIONS%20	
	SafeworkSA's role Dangerous Substances Act 1979 (SA) Need a license to keep dangerous substances https://www.safework.sa.gov.au/resources/dangerous-substances-keep-or-sell-petroleum-products-application-licence# and a License to sell petroleum products under the Petroleum Products Regulation Act (1995) Shop Trading Hours Act 1977 (SA) – issues licenses to sell motor spirit and lubricant and sell food etc outside of regular business hours (e.g. sell 24/7 servo food etc). https://www.safework.sa.gov.au/sites/g/files/net4331/f/licence_to_sell_motor_spirit_and_lubricants.pdf Treasurer responsible for this legislation.	Licensing regime 'license to keep' costs vary depend on how much storing (from \$203-\$9431) 2 year 'license to sell' costs \$272 No fee for this license.	Amending the code under the Fair Trading of the license). Compliance could be facili under the Fair Trading Act. Code could als Note: before Industry Code can be introdu Trading Act).	g Act might be a simpler implementation tated through civil penalty connected viso be amended to make a trial? Iced – Minister must consult with relevant regimes for government (so doesn't interest in	n path (rather than making it a condition vith breaching the Code, which is allowable

Appendix 1: regulatory environment - fuel pricing (continued)

State	Legislation/Regulations	Compliance Model	Comments
	Office for Fair Trading's role		In NSW you need to a license to sell petrol/diesel with the Office for Fair Trading and
	NSW Fair Trading Act 1987 section 58 was introduced to enable FuelCheck	Penalty notices of \$550 can be issued for each offence.	you also need to register for the FuelCheck system.
Ñ	http://www.austlii.edu.au/cgi-bin/viewdoc/au/legis/nsw/consol_act/fta1987117/s58.html		These regulatory functions sit with one NSW agency - the Office for Fair Trading.
Wale			They also run the FuelCheck service. Fair Trading sits within the broader portfolio
∣ ਫ	Along with:		area of Department of Finances, Services and Innovation and the relevant legislation
 	Fair Trading (FuelCheck) Order 2016 New South Wales https://www.legislation.nsw.gov.au/regulations/2016-217.pdf		for fuel pricing sits with the Minister for Innovation and Better Regulation.
	nttps://www.tegistation.nsw.gov.au/regutations/2016-217.pdi		
-	Fair Trading Act is the responsibility of the NSW Minister for Innovation and Better		People are invited to let NSW Office of Fair Trading know if a fuel price they've seen
5	Regulation.		on the site doesn't match what's at the bowser. They can do that via an online form: https://www.cas.fairtrading.nsw.gov.au/icmspublicweb/forms/GeneralForm.html
outh			inceps.//www.cas.rairtrading.nsw.gov.ad/icmspublicweb/forms/deneratronn.ntmt
S	Biofuels Act 2007 NSW		
>	Biofuels Regulation (No 2) 2016 NSW	Licensing/registration regime	
G	Requires a fuel retailer to register.		
Ž	This legislation is also committed to the NSW Minister for Innovation and Better Regulation	Quarterly reporting requirements	
	and is administered by Fair Trading.		
	http://www.austlii.edu.au/cgi-bin/viewdoc/au/legis/nsw/consol_reg/bo2016279/s4.html	No fee for this license.	
	Consumer Protection's role	Penalty for exceeding maximum price: \$20,000;	The 'Commissioner' is the Commissioner for Consumer Protection (Department of
	WA Petroleum Products Pricing Act 1983 section 12 allows the Commissioner to set maximum	Modified penalty: \$4,000	Mines, Industry Regulation and Safety).
	wholesale price:		Maximum wholesale price is calculated based on international prices as well as
	http://www.austlii.edu.au/cgi-bin/viewdoc/au/legis/wa/consol_act/pppa1983314/s12.html		supply cost considerations (shipping, insurance, tax & excise, profit margin etc.).
<u>.</u> <u>.</u> <u>.</u> □			
T			FuelWatch currently applies to Perth Metropolitan Area and specified regional local government districts, localities & townsites – equates to 100% of metro fuel retailers
G	Section 22J enables regulations including that retailers must notify the Commissioner of price changes, and that the notified price may be enforced for a specified period	Failure to notify has prescribed penalties of \$20,000 (individual) and \$100,000 (body corporate), or modified	and approximately 80% of regional fuel retailers.
st	http://www.austlii.edu.au/cgi-bin/viewdoc/au/legis/wa/consol_act/pppa1983314/s22j.html	penalty of \$4,000	
	Treep.//www.austrinoua.au/og/ biii/viewaoo/au/rogis/wa/oonsor_aoc/pppa1500011/522j.irrint		50-50 rule allows retailers greater flexibility in their purchasing -> lower prices.
4	WA Detroloum Driging Degulations 2000 section 2 requires this notification and aposition the	Fuel retailers required to be licensed WA Dangerous Goods	Individuals are invited to report suspected breaches to FuelWatch by phone:
	WA Petroleum Pricing Regulations 2000 section 3 requires this notification and specifies the period of a day, enabling FuelWatch	Safety (Storage and handling of Non-Explosives)	https://www.fuelwatch.wa.gov.au/fuelwatch/pages/public/contentholder.
2	http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/wa/consol_reg/pppr2000423/s3.html	Regulations 2007 section 25	jspx?key=obligations.html
		http://www.austlii.edu.au/cgi-bin/viewdoc/au/legis/wa/	
<u>+</u>		consol_reg/dgsahonr2007700/s25.html	
Weste			
	WA Petroleum Retailers Rights and Liabilities Act 1982 enables fuel retailers to buy some of	Application fee \$223 for capacity < 50,000L, \$743 for	
>	their fuel (up to 50%) from an alternative supplier (50-50 Rule)	capacity >50,000L,	
	http://www8.austlii.edu.au/cgi-bin/viewdoc/au/legis/wa/consol_act/prrala1982422/s4.html	license duration 5 years	
		https://ablis.business.gov.au/service/western-australia/	
		dangerous-goods-site-licence/17035	

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