



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

**NATIONAL FUELWATCH
(EMPOWERING CONSUMERS) BILL 2008**

Second Reading

SPEECH

Thursday, 29 May 2008

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Questioner
Speaker Bowen, Chris, MP

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Question No.

Mr BOWEN (Prospect—Minister for Competition Policy and Consumer Affairs, and Assistant Treasurer) (5.41 pm)—I move:

That this bill be now read a second time.

Introduction and overview

Mr Deputy Speaker, it is with great pleasure that I rise to introduce this bill to create a national Fuelwatch scheme.

The creation of a national Fuelwatch scheme will finally put power back into the hands of Australian motorists.

Mr Deputy Speaker, this bill will introduce a national Fuelwatch (Fuelwatch) scheme to address the existing retail fuel price transparency imbalance between retailers and consumers. It will empower consumers in, and improve the operation of, the retail petrol market.

The stated object of the National Fuelwatch (Empowering Consumers) Bill is to provide intraday price stability and decrease search costs for consumers. The act contains a number of provisions to enable the effective and efficient operation of Fuelwatch and to provide consumers with greater information at the bowser.

Background to the bill

Mr Deputy Speaker, for too long the motorists of Australia have been disadvantaged in their purchasing decisions by the actions of petrol retailers.

For too long the motorists of Australia have lacked the tools necessary to make informed choices as to where to buy the cheapest fuel on any given day.

Mr Deputy Speaker, for too long the big petrol retailers have held all the cards.

Mr Deputy Speaker, no longer.

Today, the government introduces a bill to assist motorists in buying the cheapest petrol, at the cheapest petrol stations, at the cheapest times.

Fuelwatch will give motorists highly detailed and up-to-date information about local petrol prices to help motorists avoid being ripped off.

No longer will motorists drive past a petrol station in the morning and notice a price, only to return in the afternoon to find a 10c per litre jump in the price of petrol that afternoon or that evening.

Rather than guessing the best time and the best place to buy petrol, consumers will know where and when to buy the cheapest petrol in town.

Mr Deputy Speaker, on 15 June 2007, the former government agreed to the holding of a price inquiry by the Australian Competition and Consumer Commission (the ACCC) into the price of unleaded petrol, pursuant to section 95H (subsection 2) of part VIIA of the Trade Practices Act.

On 18 December 2008, the ACCC released its report *Petrol Prices and Australian Consumers: report of the ACCC inquiry into the price of unleaded petrol*. In this report, the ACCC concluded that there was an imbalance in price transparency between buyers and sellers in Australia. It identified three options for addressing the retail price information imbalance, including the introduction of a Fuelwatch scheme.

While the ACCC identified three options to address the relative imbalance in price transparency, the only viable option to address both the price information imbalance and price volatility in the form of intraday movements is the adoption of increased pricing information and price commitment rules in the form of Fuelwatch.

On 15 April 2008, the Prime Minister and I announced the establishment of Fuelwatch to empower consumers and encourage transparency in the fuel market.

Fuelwatch is proposed to commence nationally on the 15 December 2008.

Provisions of the bill

Fuelwatch will apply to petrol retailers that offer motor fuel for retail sale. Fuels covered by this scheme are those defined as suitable for use in an internal combustion engine. As the government has already announced, this would include unleaded petrol, premium unleaded petrol, LPG, diesel, 98 RON and biodiesel blends.

Fuelwatch will apply to metropolitan and major rural and regional areas. The legislation provides for this initial coverage to be specified by regulation.

Furthermore, to ensure that other regional and rural areas have the opportunity to become part of Fuelwatch, the bill enables the minister to make further declarations, to expand or adjust the coverage of the scheme as required.

In making the declaration, the bill provides that the minister must have regard to: the size of the locality; its population; the number of vehicles in the locality; the number of service stations; the ownership and operating arrangements for service stations; and submissions made by the relevant local government body.

This will ensure that Fuelwatch can increase price transparency, wherever it is needed in Australia.

The crux of the Fuelwatch scheme is the requirement for petrol retailers to notify the ACCC of their intended price for the next day.

This must be done by 2 pm on the immediately preceding day. Commencing from 6 am the following day, petrol retailers are required to maintain this notified price for a 24-hour period.

However, if a petrol retailer has not changed their price from the previous day, they will not be required to notify the ACCC of their price. The bill deems this price to be their notified price automatically.

For its part, the ACCC will be required to publish notified prices from petrol retailers on a dedicated website. This information will be publicly available each day by 4 pm. The bill enables the ACCC to approve other methods of publication of this price information.

Civil penalties will apply if a petrol retailer notifies the ACCC of a price, but does not sell fuel at all times during the fixed price period; or if a petrol retailer notifies the ACCC of its price for fuel, but sells that fuel at another price.

The requirement to sell the fuel at, and not above or below, the notified price is crucial to the design of the Fuelwatch scheme. Without it, retailers could simply notify a price well above their intended retail price, and subvert the purpose of the scheme in providing greater transparency.

The bill provides the ACCC with the ability to give a person an infringement notice, if it breaches key provisions of the bill. The ACCC has the discretion not to issue an infringement notice. The infringement notice regime provides the ACCC with sufficient flexibility to make a proportionate response in relation to breaches of the bill.

In relation to compliance costs, which were mentioned in the House today, the cabinet regulation impact statement, which I have tabled as part of the explanatory memorandum, was considered by the cabinet. In considering the regulation impact statement and the implementation costs involved in FuelWatch in the proposal, cabinet took a decision that the implementation cost should be nil. The reason for this was on the basis that information technology systems would need to be installed at each service station, based on the experience in Western Australia.

Instead of this, and to eliminate implementation costs, no software will be required. Service stations will be able to notify prices via a website or a toll-free number. As the explanatory memorandum notes, there will be no ongoing compliance costs because no software will need to be maintained.

A very large number of service stations subscribe to the Informed Sources website, which involves a considerable subscription cost which will no longer be relevant.

Those who do not subscribe to the website will, in most cases, spend some time each day checking a competitor's price movements, which, of course, will no longer be necessary either.

Conclusion

At a time of record world oil prices it is incumbent upon the government to do everything in its power to assist motorists.

It is not a time for stunts or economically irresponsible gimmicks.

It is a time to introduce real initiatives to empower consumers and drive transparency.

This is a reform designed to give motorists a fair go that they have missed out on for so long.

Up until now motorists have been disadvantaged. They have not been able to access information on where to get cheap petrol—and if they do have access to some price service the information is out of date by the time they get to the station because the price may have changed.

Just like the woman who emailed me over Easter to complain that the price of petrol had jumped 15c while she was waiting in the queue.

Mr Speaker, at present the oil companies have all the information and motorists have none.

At present petrol retailers subscribe to a website known as Informed Sources, where they share information every 15 minutes on their own and their competitors' prices.

The ACCC inquiry into petrol prices had this to say about Informed Sources: 'The direct exchange of price information between suppliers is conducive to anti-competitive coordination.'

Fuelwatch is designed to redress this imbalance.

With Fuelwatch, companies are obliged to sell at their best possible price or else risk being out of the market for a 24-hour period with a price which is higher than their competitors' prices.

This means motorists benefit.

Retailers must put forward the best possible price if they are to retain business.

Motorists will be able to conveniently find the cheapest petrol via the Fuelwatch website, or by SMS or email alerts.

Just as over 30,000 Western Australian motorists do receive an email every day from WA FuelWatch. In Western Australia the FuelWatch website gets approximately 200,000 hits per month, proving how highly valued this system is as a consumer tool.

Mr Speaker, FuelWatch has been in operation successfully in Western Australia for seven years and the benefits to motorists are clear.

The ACCC inquiry had this to say about the operation of FuelWatch in Western Australia: 'The publication of petrol prices on the FuelWatch website and reporting of prices in the media have increased price transparency for consumers in the market for petrol in Western Australia.'

One of the key tenets of a well-functioning market is the ability of all participants to have access to transparent information—or, as economists would say, perfect information.

This is at the heart of Fuelwatch.

Under Fuelwatch, motorists will be able to map out their route to and from work or for any other journey and see where the cheapest petrol is that day and the next day.

Motorists will be able to decide when and where to buy petrol based on perfect, real-time information.

This means, Mr Speaker, that the days of driving past a petrol station in the morning and noticing a different price in the afternoon will be gone under Fuelwatch.

Price savvy motorists will stand to be some of the biggest winners from the introduction of Fuelwatch.

That is because they like to shop around for a bargain and with Fuelwatch they will be able to do exactly that.

Mr Speaker, on any given day there is on average a 15c per litre difference between the cheapest and most expensive fuel in a city. Sometimes it can be as high as 30c per litre. This means that price sensitive motorists will know exactly where they can save 15c and will make their purchasing decisions accordingly.

Fuelwatch will empower motorists by giving them access to greater transparency on petrol prices.

The econometric analyses undertaken by the ACCC also indicate that Fuelwatch can have a positive effect on prices at the bowser as well. I take the opportunity of tabling the ACCC's comprehensive econometric analysis, as was considered by the cabinet and the expenditure review committee of the cabinet, as they were briefed on.

The ACCC report found that 'the main finding from this econometric analysis is that the average of the price margin reduced by a statistically significant amount for Perth relative to the eastern capitals in the time since the introduction of FuelWatch'.

The ACCC report concluded that comparing relative price levels between Perth and the eastern states before and after the introduction of FuelWatch, prices in Perth were around 1.9c per litre less on average for the period from January 2001 to June 2007 than for the period from August 1998 to December 2000. Using the low points of the weekly price cycle rather than the simple weekly average, the price difference was around 0.9c per litre on average.

And the ACCC also found in relation to the low points of the price cycle 'The results are also robust using the low points of the week's prices'. Also a benefit to price sensitive motorists. This was confirmed in the further analysis that the ACCC conducted, which was provided to the cabinet.

FuelWatch is one the most empowering tools for consumers ever debated in this House.

It will provide the transparency and reductions in intra-day price volatility that motorists have been crying out for.

It will redress the imbalance that the big oil retailers currently enjoy over motorists.

It will allow consumers to take purchasing decisions into their own hands.

And it will assist motorists in buying the cheapest petrol, at the cheapest petrol stations, at the cheapest times.

I commend this bill to the House. It is an important bill. It has been supported by the rigorous analysis of the ACCC, as the cabinet was briefed on. This is an important bill which the House should adopt if they wish to put the interests of motorists first.

Debate (on motion by **Mr Coulton**) adjourned.