



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY**

**SELECT COMMITTEE ON FUEL PRICING**

(Reference: [Inquiry into fuel pricing in the ACT](#))

**Members:**

**MS T CHEYNE (Chair)**  
**MR M PARTON (Deputy Chair)**  
**MR A WALL**

**TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**THURSDAY, 14 MARCH 2019**

**Secretary to the committee:**  
**Mr A Snedden (Ph: 620 50199)**

**By authority of the Legislative Assembly for the Australian Capital Territory**

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

**WITNESSES**

**FERRIS, MR NICK**, Commercial Manager, Asia Pacific, Informed Sources..... **1**  
**HUTH, MR CHRIS**, Regional Manager, Asia Pacific, Informed Sources..... **1**

## **Privilege statement**

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*Amended 20 May 2013*

**The committee met at 1.02 pm.**

**FERRIS, MR NICK**, Commercial Manager, Asia Pacific, Informed Sources

**HUTH, MR CHRIS**, Regional Manager, Asia Pacific, Informed Sources

**THE CHAIR:** I declare open this first public hearing of the Select Committee on Fuel Pricing inquiry into the matters referred to it by the Legislative Assembly on 14 February 2019. These proceedings are public, are being recorded by Hansard for transcription purposes and are being webstreamed and broadcast live.

Before we begin, I remind witnesses of the protections and obligations that parliamentary privilege entails and draw your attention to the pink privilege statement set out on the table. Could you confirm that you have read that?

**Mr Huth:** Yes, I have.

**Mr Ferris:** Yes.

**THE CHAIR:** Thank you very much. We welcome today our first witnesses, the representatives of Informed Sources, Mr Nick Ferris and Mr Chris Huth. Thank you for appearing today, for travelling some distance to appear and for your excellent submission, which was very clear and which has set out a lot of issues that we are looking forward to exploring today. I particularly liked figures 15 and 16, which show that, in the ACT, it is not all in our heads. There are some issues, and it is great to have that data. Before we begin, do you have an opening statement?

**Mr Ferris:** We do have an opening statement.

**THE CHAIR:** Please go ahead.

**Mr Ferris:** I would like to thank the ACT government for the opportunity to participate in this hearing. Informed Sources has made a detailed submission to the inquiry containing a substantial amount of data and in-depth discussion of pricing issues.

Informed Sources is an independent fuel price monitoring service that has been operating for 31 years. We collect, package and report fuel prices, across Australia and internationally, by making our fuel pricing data available to fuel retailers, government agencies and third parties such as motoring clubs. We also make the data directly available to motorists through our fully owned subsidiary, MotorMouth.

Petrol prices in the ACT are higher than in many other parts of Australia. The main reason is the scarcity of aggressive independent retailers like Costco and Metro. These brands have forced down prices in one area of the ACT and forced local rivals to reduce their prices. Comprehensive fuel pricing information has been available to ACT motorists for some time, so motorists already know where the best deals are. I was at Costco Majura last week and cars were lined up 10 deep, waiting to fill up.

There is competitive intensity near the airport, led by Costco's aggressive price

positioning. Metro leads the way in Fyshwick. The problem is that there is very little difference in the price in most parts of the ACT, so pricing information is of little use unless you are willing to travel to the area near the airport or Fyshwick.

The MotorMouth app publishes real-time fuel prices for about 90 per cent of the ACT. Competitors like GasBuddy and PetrolSpy also publish comprehensive fuel prices. Despite the existing wide availability of free, comprehensive and timely fuel price information, one possible solution that will likely be put forward by some to solve the ACT's high fuel prices is regulated fuel price transparency.

Where governments have implemented fuel price transparency policies, usually under pressure from the motoring clubs, it has done nothing to reduce fuel prices. In fact, in every Australian jurisdiction where governments have implemented regulated fuel price reporting, fuel prices have increased.

There are also overseas examples of this outcome. Informed Sources research shows that Sydney fuel prices have risen 2.3c per litre since FuelCheck was implemented, and Darwin fuel prices have risen more than 5c per litre since MyFuelNT was implemented. There are sound economic arguments that regulated fuel price transparency may be anti-competitive by facilitating coordinated pricing conduct among retailers.

In our view, there are some policy levers that the government can pull to put downward pressure on fuel prices. Firstly, set aside prime land for additional petrol stations to attract new retailers to the market. Secondly, provide subsidies and assistance to independent retailers, and particularly discounters. Thirdly, review and modify planning and development processes. Finally, encourage the use of fuel price apps.

The use of fuel price apps will not lower fuel prices but it will, hopefully, go some way towards changing people's purchasing behaviour by outlining the potential savings they could make by shopping around for the best deal. We would welcome any questions from and dialogue with the committee now.

**THE CHAIR:** Thank you very much. This is probably the bit that I am trying to wrap my head around the most: you make it very clear that there is a lot of available data, through your company and other companies, but that the evidence also shows, from your usage data, that people are not necessarily proactively shopping around. It seems that there is probably an option here that we could be making people more aware of these apps. There has been some effort over the last few months as this has gained more prominence in the media.

I note that your submission also stresses that, for the last year, prices have not been that dramatically different in most parts of the ACT, as you pointed out, and that, where they are, it is not necessarily economical to travel. I represent the north-west of Canberra and these guys represent the south. Potentially, depending on exactly where you are, it is quite a distance to travel to get to Fyshwick or the airport. If it is not actually economical to travel, how does knowing about this price data actually help?

**Mr Ferris:** It is a really good question. It is difficult because you are absolutely right

in saying it is one thing to have access to fuel pricing information, but the ACT, as the data suggests, does not have a great spread of prices amongst it. If you compare the ACT or Canberra with Sydney, for example, Sydney has a much wider spread of fuel prices. The potential benefit to Sydney motorists is, firstly, that they can access fuel price information easily; and, secondly, the greater spread and variation between service station prices means that motorists can quite easily access potential savings.

Here in the ACT, there is certainly a cluster around the airport and around Fyshwick where prices are lower than in other parts of the ACT. It is uneconomical to travel, obviously, large distances to save 5c or 10c per litre, because you have the operating costs as well as the person's time in travelling. I agree; certainly, it is difficult.

Obviously, having access to fuel pricing information can better inform ACT motorists of where the cheapest sites are. If they are wanting to access the cheaper prices, given little variation, they are best to try to time their fill. Perhaps if they are travelling towards the airport or towards Fyshwick for other reasons, that may be the time to review those apps and websites in the marketplace.

**THE CHAIR:** So the government could be pulling some policy levers and, if there were more aggressive independent retailers in the ACT, it probably should not be chucking them at the airport and Fyshwick; they should be spread around town. That, in conjunction with the price data that is available, might actually result in some difference. Is that a reasonable inference?

**Mr Ferris:** Yes, absolutely. That is fairly pronounced in our submission. One of our views is that in the ACT there is a scarcity of independents and, in particular, aggressive independents. If the ACT government is able to pull policy levers that would encourage aggressive independents to other pockets of the ACT, not in the area of the airport but in other areas outside that airport precinct where there are not already aggressive independents, that would assist in providing greater disparity in prices throughout the ACT.

**Mr Huth:** Your point is actually the crux of this entire issue. Because of the infrastructural challenges that you have in Canberra and the ACT, it is not a technology solution. It is not a matter of making people aware of the fact that there is very little price spread across these sites.

**THE CHAIR:** That is probably just going to annoy them.

**Mr Huth:** That is right. It is only once you can fix those infrastructural issues and give people some options—and, even then, can you actually get them to use the tools available to make use of those options? Until that underlying issue is resolved, as you say, it will probably just become a frustration, more so than an assistance.

**THE CHAIR:** I note that you said in your submission, quite boldly, that the ACCC chairman had potentially got it wrong with respect to Coles Express having 15 sites, when he said that is the main reason that we do not have competition in the ACT. Given that that has been a widely reported statement—and I think he is appearing next week—are you able to elaborate on that for us so that we can tease that out with him as well?

**Mr Ferris:** Absolutely. Coles Express is a major player in the market here. In the ACT there are 58 service stations. Coles Express operates 15 of those 58. They are the largest branded retailer here in the ACT. How they price is definitely going to have an impact on the market.

We have covered the data in the submission. We include the Canberra average. Alongside that we include the Canberra average excluding Coles Express. You can see that there is certainly variation between the two, but that variation is not huge. We are talking about a 2c per litre difference. Whilst I believe Coles Express certainly influences the average price in the ACT—there is no question—I do not think it is the only reason why ACT fuel prices are amongst the highest in the country.

**THE CHAIR:** Is there anywhere else in the country where there is this sort of concentration from one company? Fifteen out of 58 is reasonably significant.

**Mr Ferris:** I would probably have to take that one on notice. Off the top of my head, I am not 100 per cent sure.

**THE CHAIR:** That would be great if you could.

**Mr Huth:** I think that the point there is that if you look at their price position against that average—

**THE CHAIR:** It is not that bad.

**Mr Huth:** They are not hugely above the average. I do not think it is a fair analysis to have that difference as one of the fundamental reasons as to the significantly larger gap between, say, Canberra prices and Sydney prices, because they are only responsible for a couple of cents, where we are often talking 20c.

**THE CHAIR:** Should we be concerned? The head of the ACCC said that. Why would he say that if it is not right?

**Mr Ferris:** I think, probably to be fair, we can take that on notice as well and make sure of the greater context of that statement. Coles Express, I think, has been somewhat of a target for commentary on petrol prices nationally for a little while now. Coles Express has had a pricing position that has been above the market in a lot of places. If Coles Express were to change their pricing strategy—and certainly Informed Sources—

**THE CHAIR:** That is the indication, right?

**Mr Ferris:** At Informed Sources we do not have intimate knowledge of the pricing strategies of these companies. We can only make comment based on our observation of behaviour in the market. Certainly, with the changes that have occurred in the way Coles Express sites are going to be priced by Viva, I think Viva have made it quite clear what their approach is. I think they have stated that they are looking to be more competitive; they are looking to drive more volume.

**THE CHAIR:** Is that this month, Viva?

**Mr Ferris:** That has occurred.

**THE CHAIR:** It has occurred?

**Mr Ferris:** It occurred from early this month. But if you look at what the Canberra pricing landscape looks like, you would think that to drive volume they are not going to need to drop their price by 20c a litre and bring themselves into line with Sydney; they are going to drop their price by a few cents and bring themselves into line with the rest of the Canberra prices. I guess that is the distinction we are trying to make.

Again, this is why I just want to be cautious in taking on Rod's statement, which is that, yes, they are certainly not helping because they are dearer than the rest of the sites in Melbourne, but are they the fundamental cause for a 20c price difference between a Canberra price and a Sydney price? I do not think you can hold Coles Express solely responsible for that.

But, given the volume of sites they have—15 sites—if they had only eight sites and you had another three or four Metros who were spread throughout the greater Canberra area, who were not only independent chains but, as Nick said earlier, aggressive discounters, then I think you would see a very different landscape in Canberra petrol pricing.

**MR PARTON:** I want to thank you guys for the submission because it is wonderfully detailed, and I certainly learnt some things that I did not already know, which is good. That is what it is all about. What I want to ask first up, to help me appreciate some aspects of your submission, is: how do you make money? I am wondering if you can briefly explain the business model of Informed Sources, because this is an exceptional submission, you guys have flown down here and you are a well-financed operation.

**Mr Huth:** I will answer as best I can, knowing that this is a public hearing and without trying to give too much away about our business model. Informed Sources has been in business since 1987. We commenced business because our owner and managing director saw an opportunity. There were a lot of people looking at each other's petrol prices, and each and every one of them was doing the same job, effectively. Doing it as a single agency, doing it once and being able to sell that piece of information to multiple parties was much more efficient from a process point of view to the clients that were out there doing it themselves. That was how this business started 31 years ago.

Over 30 years we have evolved fairly heavily with technology, meaning that we can do things faster, better and more comprehensively, and as a consequence of our business model we have major oil retailers as customers. We collate a lot of competitive pricing information and we make those services available to those petrol retailers. At the base, the fundamentals of our business model, that is what we do. We provide competitive data solutions to petrol retailers as one aspect of our business. We have other strings to that bow as well. But in this space that is the crux of it.

**MR PARTON:** In essence, and I hope I am not drifting into space which is not really

to be discussed in this sort of forum, Coles and their petrol arm, now Viva, are clients of yours?

**Mr Huth:** Yes, they are.

**MR PARTON:** One of the things that did not stack up in at least the initial summary of the submission of yours was that you suggest that the price differential between the ACT and other comparable markets is virtually all in the retail margin and that the capital and operating costs are greater here in the ACT. I note that further into the submission you certainly go to lengths to say, “There are many things that we do not know because we do not have the information.” But certainly the suggestion is that the price differential between Canberra and other markets is virtually all in the retail margin; capital and operating costs are greater here in the ACT.

But you then suggest that the solution is to facilitate the entry of new independent sites. My first thought there is: if these new independent sites are operating under the same conditions as the incumbent retailers, how would they be able to discount? If the only things that are actually forcing the price are the capital and operating costs, any retailer that comes into the market is going to have the same cost. Why would it make a change?

**Mr Huth:** I think that is a good question. I think this is where you see a lot of difference. Certainly, Nick, I am more than happy for you to jump in, given that you have spent quite a bit of time looking at different sites around Canberra. I think you look at the different operating models. Again, this is purely from observation because we are not privy to the costs, of, say, a BP. They have got a Wild Bean Cafe for coffee; they have got a great convenience offer; they have bright, shiny sites; they are a destination site as opposed to just a petrol site; they have got to have multiple staff on site because they have got to make coffees; and they have got to meet the needs of these extra offers that they have put on the forecourt.

Their operating costs would be higher than someone like a Metro, which seems to be a case of: “We are here to sell fuel; we are here to sell it cheap. Our sites might not be as shiny but you are going to get a great deal.” It would have the appearance of reducing that operating cost and staffing cost et cetera. I think the offer that they put forward at their site is a very different offer and therefore it gives them the availability of difference in the way they operate and they can offer their fuel at a better price.

**Mr Ferris:** I also think an element here in the ACT—it has been my observation—is that the overwhelming majority of service stations are located in not particularly busy areas. There are a lot of service stations in the back of suburbia. One of the fundamentals with operating service stations is obviously being able to sell volumes. That is why you will typically find that, in a lot of locations, service stations are on fairly busy arterial roads. That does not appear to be the case here in the ACT.

Potentially those service stations that are operating here in the ACT may be losing volume to more transient motorists—vehicles or trucks transiting through the ACT. Potentially their volumes are going to be lower than they otherwise would be if they were located on busier, more arterial oriented roads.

**MR PARTON:** You think that that is potentially a long-term planning decision that has come back to haunt us somewhat?

**Mr Ferris:** I think so. My understanding, rightly or wrongly, is that the ACT government made a call some time ago to not allow the planning of service stations in those more visible areas. I think that, potentially, it is having an impact, because what it is doing is obviously, with the service stations that are here in the market, keeping their volumes lower than they otherwise would be if they were located on the busier roads.

**Mr Huth:** Just further on the convenience thing: have a look at the industry as a whole and have a look at brands. I picked BP before because it just came to mind. If you have a look across the board—I do not know if you have got Foodary. Is there Foodary down here?

**Mr Ferris:** Maybe one or two.

**Mr Huth:** Caltex have got a new offer called Foodary and this is where they have now, on their forecourts, fresh food-type offers and fresh-made sandwiches. They are going a lot more heavily into that healthier, fresher, convenience food offering. As I said, BP started some time ago with that Wild Bean offer, getting great coffee on board. You do not have them down here, but in Brisbane you have got companies like Puma who have now got—what are they called?—7th Street, which is again a convenience offer, a cafe offer, as part of the forecourt. They seem to be diversifying more and more into making it a full convenience offer, as opposed to just a fuel offer.

I think that is where we are traditionally seeing, coming back to that point earlier, these aggressive discounters. They are all about fuel, selling fuel. That is what they are basing it on: selling fuel. “How can we do it with minimal overhead and get the fuel out there?” Again, it does seem to be that with some of those major brands we are seeing a real shift towards a much greater convenience offer.

**MR WALL:** Thanks for making the trip down to appear today. I have heard a number of points through this submission. One that has already been touched on is that the lack of independent operators across the ACT, rather than just the couple we have in the centralised spine, probably has the biggest bearing on petrol prices. The government, in previous incarnations, has tried to attract independent operators into the marketplace, but getting them to stick has been the challenge.

One of the more recent changes has been to the United sites. Fyshwick is the one I am most familiar with, which is now branded as Caltex. What are the challenges? Attracting an independent retailer is easy. The government can make direct sales of land to them; there are levers that can be pulled that get them in the door. But what is causing them to leave the marketplace? That is the bigger issue, rather than just getting them here. Once they are here, how do we keep them?

**Mr Huth:** I am happy to offer some comment, though it is purely speculative.

**MR WALL:** I understand that this is outside your scope.

**Mr Huth:** That is right. I think it comes down to the community a bit. We have not commented on term of reference No 3 because it is not our area of expertise. When you look at community impact, I do not know enough about Canberra and Canberra residents, but I guess you would look at it and think that it is a big government city, a big public service city.

It would be interesting to know—and I am not sure if the government has access to this sort of information—things like the volume of fuel sold in Canberra that might be sold, for instance, on fleet cards. If you have a large volume of fuel sold on fleet cards, you are not going to have that volume driven to independents. Those sorts of things become pretty important in getting those independents to stick. You are not going to change people's behaviour, to go to an independent, if they have a Caltex or a BP fuel card in their car.

The other part of it is that you have people that are in their groove. This comes back to a statement that Nick made at the beginning—I think it might have been discussed—about the use and uptake of apps and getting people to actually change their behaviour. First, make them aware of the data. But then actually getting them to change their behaviour is incredibly difficult. One of the references we made in our proposal—I think we pulled it off an ACAPMA report—was that 60 per cent of people buy their fuel from the same service station every time.

**THE CHAIR:** Yes, more or less.

**Mr Huth:** Even though those people might like to complain about the price of petrol and there might be a service station around the corner that is cheaper, they do not want to change. They like their service station; they like the attendant; they like the cleanliness of the site; it is easy to get in and out of. They do not want to change their habit.

**MR WALL:** Creatures of habit.

**Mr Huth:** So even if they do not have a fuel card, how do you get people to change their habit? This site arrives; it is a Metro site. Fuel is cheap, but the toilets are not quite as clean as the Caltex around the corner.

**THE CHAIR:** It is not as bright and friendly.

**Mr Huth:** That is right. How do you get them to change their behaviour? Then, additionally, one of the things, if you can gain access to it, is understanding the volume sold on a fleet card. I think Canberra is a bit different from that point of view. If you understand that captured volume on fleet cards then all day and all night—coming back to your point—you might have a problem getting those independents to stick. They just cannot attract the volume because it is captured volume.

**THE CHAIR:** If it is not government who has that data, who would it be? Who could we ask? We have powers.

**Mr Huth:** I think the only way you would get that would be potentially from petrol retailers, and I am not sure what your powers of discovery are like on that front.

**THE CHAIR:** We could test them.

**Mr Huth:** I am not sure where you could get that statistic from.

**THE CHAIR:** I think you have really touched on something.

**Mr Huth:** It could very well tell you whether you are on a hiding to nowhere pretty quickly. If 70 per cent of the volume in Canberra is on fleet cards, you may as well shut the door.

**MR PARTON:** Surely it would not be that high.

**Mr Huth:** I do not suspect it would be.

**MR PARTON:** But it could be 20 per cent.

**Mr Huth:** And if that 20 per cent is twice the volume of Sydney then you already have this captured volume that becomes a problem because you are never going to shift it.

**MR WALL:** I wanted to touch on something else in this line of questioning which is in a similar vein. In your submission, you touch on the Canberra market being smaller than other state jurisdictions. But how does Canberra compare to other regional cities—the Sunshine Coast, the Gold Coast and Newcastle, which are slightly larger or slightly smaller population centres that are more comparable to the ACT than the other states—given that it is a city-state configuration here, the distance is much less and there are a lot of other factors?

**Mr Huth:** I think you are quite right; Canberra is much more like a large regional town than one of the other capitals. You have the geography issue. You have this captured market. It is a small market. I think you are quite right to draw some similarities to some of those other regionals.

**Mr Ferris:** When you ask how the ACT compares, do you mean on price?

**MR WALL:** On both the price count and the mix of retailers. In your breakdown you show that the ACT has the lowest minor brand or independent presence, at nine per cent. Next after us would be Western Australia, at 22; then they climb up to the Northern Territory, at 57.

**THE CHAIR:** Could we see that on a city basis rather than a state basis, because we are weird?

**MR WALL:** If you cannot give it anecdotally, maybe you can just have a look at a couple of those regional cities.

**Mr Ferris:** Off the top of my head, I do not know the brand breakdown in those other locations like the Sunshine Coast, Wollongong or Newcastle. What I can say is that the percentage of independents and minor branded sites here in Canberra or the ACT,

at nine per cent, is very low. There would be few locations with a lower proportion of minor branded and independent sites. In the submission we have done some price comparisons with those other locations and concluded that on price the ACT is amongst the highest of those locations.

**MR PARTON:** You are saying that, with our 58 service stations, we are a small market. When you use that argument out on the street here, people turn around and say, “Well, Boorowa is a somewhat smaller market; Wagga is a somewhat smaller market. Why is there such a price differential?” Without wanting to put words into your mouth, how much of a role does it play that we are not on the way to anything, that there is not a great deal of through traffic?

**Mr Ferris:** It is difficult. Every market is different. Every market has different dynamics. Some of those other locations that you have mentioned may have independents that are aggressive, and that will bring the entire market down. I do not know them firsthand. Certainly there could be factors within those markets that keep their prices lower than Canberra, whether it is competitive intensity or the operating costs of individual retailers within those markets. We cover this in some detail—

**THE CHAIR:** Could it be the cost of the land?

**Mr Ferris:** It could be the cost of the land; it could be general capital costs. Different service stations have different operating models. You might have a mum and dad operating a service station and they are quite happy to work for a lower wage because it is their business, whereas other service stations in a market may be operated by companies and they have to employ staff at award rates, and their costs may well be higher. There are so many variables that go into an individual retailer’s operating structure.

**MR PARTON:** There are. The other interesting point, and you guys have both touched on it here, is independents, and aggressive independents. I understand that it would be possible in theory for the government to move levers to try to encourage independents into the market. It is possible to legislate towards that sort of outcome. But you cannot legislate for them to be aggressive, can you? You cannot legislate retail courage. If we get independents into the market, although that is probably heading in the right direction, what if they just fall into line with everybody else?

**Mr Huth:** That is a very good point. It is hard to try to give some comfort on that. You are right; that is the problem.

**MR PARTON:** Ultimately, they are just trying to make money and—

**Mr Huth:** Absolutely.

**MR PARTON:** it is harder to pick a fight with the majors. If you can come in and find a niche and find a price at the same level as them—

**Mr Huth:** That is right, and this is where—

**MR WALL:** Make 19c instead of 20c per litre margin.

**Mr Huth:** That is right.

**MR WALL:** You are still doing well and you are discounting.

**Mr Huth:** This is where we might call on some of the anecdotal and actual observations that we have made in other parts of the world. Homing in on one of the points that was mentioned earlier, if you look at the numbers in the Northern Territory, we say there are 57 per cent independents, which is a massively high number, but if you look at the brands that those are across, typically it is the independent ownership of major branded sites. You might still have a BP, a Caltex or a United site, but they are independently owned, so they fall into that independent category.

But you are quite right. You then have these independently run but aggressive retailers that you see in Sydney, like Metro fuel, Speedway and Budget. There are a number of brands. When we make the differentiation, we look at the independents that might be an independently owned, branded site, who tend to not necessarily be as aggressive as these independent brands—

**MR PARTON:** That is their actual business model.

**Mr Huth:** That is correct.

**MR PARTON:** That is what they do.

**Mr Huth:** That is correct. I take Mr Wall's point about seeing people fit, being in synch. If we look at the Darwin market, Darwin is one of these markets where they did regulate the fuel price transparency. To use it as an example—and we have a chart in here that demonstrates it—there was one really aggressive independent in Darwin, and we are talking really aggressive. One of the problems was that, once everything was regulated and all of a sudden he could see all of this pricing, he was really aggressive for about three or four weeks, then, all of a sudden, he went, “Why am I giving all of this money away?” He is still cheap, but instead of being—

**Mr Ferris:** 10c a litre cheaper, he is 4c a litre cheaper.

**Mr Huth:** Three, four or two. It is one of the problems. I am not trying to change the argument back to transparency, but there are all of these levers and when you put them in place—and in what order—you have to look at what are some of the potential unintended consequences. You do start to put that mix together and go, “We're getting an independent in but all of a sudden he's saying, ‘Hang on; I don't need to be quite that cheap. I can make some more money.’” If you can get those brands for whom, as you quite rightly point out, that is their business model—their business model is to sell volume; they sell fuel—they will get people coming from all over the place.

We have seen it in Queensland. Queensland is also a state that lacks independents, when you look at it by way of comparison with Sydney and Melbourne. We have seen Metro. We have probably mentioned Metro a bit because that seems to be their business model, from our observation. We have had Metro come into Ipswich, which

is to the west of Brisbane, and they have created these little sinkholes. They come in, they aggressively discount, and everyone around them goes, “Crikey! I’ve got to discount as well because otherwise I’m going to lose volume.” They change behaviour of the other brands around them. We see it down here in Canberra with Costco. We see it in Brisbane with Costco. Costco creates a sinkhole where people around them just have to compete.

**MR PARTON:** But it is not a large geographic—

**Mr Huth:** The one advantage you have in Canberra is that, because you do not have the large geography, you can get a few in the right locations. The mix is: you get a few that are aggressive discounters that are prepared to discount and you get them in the right place. The effect of geography, given that you have the smaller geography, can be quite dramatic. The potential for it to work is huge. The execution of it is the tricky part.

**MR PARTON:** Is it safe to say, though, that on a national basis, despite the rise in the population of Australia, the sales volumes of fuel are not actually going up much? It is not the perfect time to be launching into making a squillion bucks out of selling petrol?

**Mr Huth:** I think that is dead right. The introduction of new sites does not generate volume; it just moves volume. You have to have an offer that is going to actively take volume away from other people.

If we look, generally speaking, at where the whole industry is going, I think this is why we are seeing the diversification of brands into other areas. If there is a 10-year, a 20-year or a 30-year plan, while fuel will remain important for some time, it cannot be the be-all and end-all for your strategy a few decades out. You have to become a destination site.

It will get to a point where people are not going to be on your forecourt for five minutes to fill a tank; they are going to be on your forecourt for 30 minutes to charge their car. How do you keep people there? How do you get the same share of their wallet? What other product have you got to offer them? Why are they going to come to you, as opposed to someone else? The whole point of being at a destination is changing. You are right: it does not help that competitiveness of the fuel product, unfortunately.

**THE CHAIR:** I have so many supplementaries. Going back 12 or so minutes ago to what Mr Wall was saying, I think we pointed out that that comparison table of costs in similar cities like Geelong and Wollongong would be very helpful. If you happen to somehow have city data for those cities where you have done those costs on how many independent retailers they have, that would be another useful comparison for us.

There would be a question for us to raise if they all only had nine per cent independent retailers like us but we were still the highest or the second highest, with Hobart. If it turns out they have 30 per cent independent retailers then that points us in a much clearer direction. If you could take that on notice; even if the answer is, “No, too hard; we’ve got other things to do,” that is fine. If you could try—

**Mr Ferris:** We are certainly happy to have a look.

**THE CHAIR:** That would be hugely helpful. Following on from Mr Parton's line of questioning, you said very clearly in the submission that one of the unintended consequences is that we could put in all of these policy levers; we then have a few independents come in, gain a massive market share and then up their prices. You also mentioned in your opening statement having subsidies and assistance. I think you mentioned, particularly, discounts to encourage new entrants—this sort of market intervention. What does that look like and is it too big a risk?

**Mr Ferris:** Nothing is a dead certainty. I do not think it would hurt to put those things in place, because the independents or aggressive independents would either take them on board or they would not. I do not think it is going to cost the ACT government anything in the short term if no-one takes it up. I do not think it would hurt; that is my view. I think it is worth trying. Obviously, if those independents can make a business case out of establishing a service station in the ACT and make it work, they would.

**THE CHAIR:** What would be a government discount as part of a market intervention?

**Mr Ferris:** Not so much a government discount but more incentivise independent retailers. That could be through some sort of subsidy. I do not know exactly what the costs are to establish a new service station here in the ACT. I am sure you would have a better feel for that than we do. But if there is a way in which you can provide some sort of incentive financially for independent retailers to establish themselves here in the ACT, that would certainly go some way towards encouraging those independent operators to establish service stations in the marketplace.

**MR WALL:** The ACT government is probably uniquely placed in that space because it controls not only the zoning but the land release and the taxation schedules for that land. Things like rates concessions would be—

**MR PARTON:** Easier than in Victoria.

**MR WALL:** the sorts of things that would probably be attractive because it is not just a capital reduction; it is an ongoing overhead that can be reduced.

**Mr Huth:** Yes. Taking up a few of the points that have been raised—I apologise; I cannot remember who raised each one—

**THE CHAIR:** They are becoming more free flowing.

**Mr Huth:** Going to some of the challenges that we have identified, there have been planning challenges put in place in regard to where these service stations are located. If we come back to a few of the things that may be challenges for getting some of the independents to stick, an observation would be that the reason independents do what they do is that they are aggressive discounters, it has to be a volume game, they try to keep their operating costs low and they want to get through as much volume as they possibly can, to cover the overheads that they carry. I take Mr Parton's point before

about Canberra being not necessarily a transit city. You are not getting people transiting through.

**MR PARTON:** We are at the end of the cul-de-sac.

**Mr Huth:** That is it. It is more of a destination. You do not have the people coming through. You are coming here for a reason, unlike some of those other regional areas where you do have people moving through. If you have people moving through, you then have sites on those major arterials. You do have a real opportunity to capture volume if your price point is right, and then you will stick.

We have these three separate things. You have your independent. They are going to price competitively, but to do that they need volume. To get volume they probably need to be on an arterial. In regard to that arterial, is that an arterial that is a local arterial or is it an arterial because you are on the way to somewhere? Those are the kinds of things that I think would—

**THE CHAIR:** Have you seen our arterials?

**Mr Huth:** To be honest, I actually use Canberra as a transit, because I come through this way if I go to Jindabyne or somewhere like that. But you skirt the outside of it. It is remarkable that you do not see a lot of service stations from—

**THE CHAIR:** Have you travelled from the city to Tuggeranong?

**Mr Huth:** No, I have not.

**MR WALL:** There is one service station.

**Mr Huth:** That is what I mean. If you make a path—

**THE CHAIR:** We travel through rural areas and nature parks to get to major town centres. I think that is one of the difficulties in some areas. For me in Belconnen, in particular, it is a difficulty. In some areas it is a nature park.

**Mr Huth:** That comes back to our point: if you make a parcel of land available on some of these arterials, they are going to be attractive because there will be volume. You would think that if you can get an aggressive discounter who can sell volume and therefore still cover his overhead, it will be an attractive parcel of land because there will be volume there. Would they discount?

Then the question is: what are the other unintended consequences of that? Is that going to be in a place that is going to have significant enough gravity to make other sites around it want to discount, because they would need to discount to then get people to come off the arterial to go to them? It might actually have a really good effect. They might have to be even more aggressive because now, if they want to maintain that volume, they have to be better than the volume provider on that arterial or else people simply will not leave the arterial. It might have the opposite effect and, all of a sudden, those sites are now completely starved; this site becomes a mega site and you then start to lose sites around the place. It becomes a really tricky balance.

**MR WALL:** That has been the experience in some of the established suburbs—around the Woden and Weston Creek area, in the southern part of Canberra. Initially, in their development, every local shop had a service station. Weston Creek is a classic example. It is a catchment of about seven suburbs, and there is one service station, at the major shopping precinct. All of the suburban ones have fallen by the wayside. It has had exactly that impact. The one destination site starved out the others.

**Mr Huth:** That is right, and it becomes a destination site. That is exactly right.

**THE CHAIR:** I have another follow-on from our other line of questioning. Mr Parton referred to Boorowa. I appreciate that it is more of a travel-through destination. You are appearing first, so I want to give you a chance to respond to this. I think we will be hearing from the Australasian Convenience and Petroleum Marketers Association. Their chief executive spoke to the ABC this morning. He said that Canberrans are not being ripped off and that one of the factors for the high fuel price is the fact that fuel needs to be transported from the Sydney market down to the Canberra market. Is that correct? Boorowa is a fair way from Sydney as well, and much smaller. Maybe it is getting that transit volume, but do you think it is not as simple as that, and that there are other factors like you were alluding to before? It could be the capital cost, land cost, rates costs.

**Mr Ferris:** Absolutely. Transportation is certainly a factor. There are a number of factors as to why the ACT fuel prices are a little higher than in some other parts of the country. Transportation, anecdotally, is about 3c per litre.

**MR PARTON:** Yes, that is what your submission said: 3c.

**Mr Huth:** We also made a comment that we have kind of made a stab at that, haven't we? To try to make our submission as complete as possible, we have certainly had a look and, where we have made some guesses at these things, we have tried to make that clear. Certainly, organisations like ACAPMA do have a far better understanding of those freight costs, operational costs and other costs that come out of that gross retail margin. They are in a much better place to comment on that, because I think that is what they do.

**THE CHAIR:** This might be the area where you are more of an expert, though, in terms of your data capture. I believe Mr McKenzie said that the fuel price in Canberra tends to be influenced by when the Sydney price cycle is at its deepest cut.

**Mr Huth:** I would have to take that on notice. I am not sure I understand what that means.

**Mr Ferris:** Yes. I am not sure either. Certainly, in our experience, from observing the average Canberra price, the average Canberra price lags behind the Sydney terminal gate price. There is about a three-week lag on the terminal gate price. Like Chris, I am not entirely sure.

**THE CHAIR:** I am reading from a summary rather than the actual transcript from this morning. I might put that to you on notice, if that is okay.

**Mr Ferris:** Yes, sure.

**MR PARTON:** I might get us back to the wonderful table that you guys provided on page 3. It gives a comparison of a number of things between the ACT and the Sydney market. I heard the same interview that Ms Cheyne referred to on the ABC this morning. The suggestion from that retail organisation is that no-one is actually making money here; no-one is gouging profits. I do not understand how the indicative retail margin is 5c per litre in Sydney and 21c per litre here. I understand that in your submission you have gone to great lengths to say, “We don’t know what the other costs are and we can’t get that information.” Sure, there may be higher costs in the ACT, but you cannot tell me that it costs four times—four times—as much to sell petrol in Canberra as it does in Sydney. Doesn’t that strike you as a high differential?

**Mr Huth:** I think it does. At the same time, without knowing volume statistics, which we do not have, I do not know whether that is a reasonable margin or not.

**MR PARTON:** But we do know, and you have pointed out in your submission, the petrol stations per capita in Sydney and in Canberra, and there is only about a thousand-person difference. I think it is 6,000 and 7,000. So we know that, in theory, on that basis, the volumes across the market must be similar. And great distances are driven by people in the ACT if we are visiting somewhere else. I just do not understand how that indicative retail margin could be four times as great.

**Mr Huth:** I take your question and understand where you are coming from. On the per capita we have given some comparisons—traffic in Sydney; do people on average fill more or less—but, without knowing those volumes and without knowing the operating costs that are being spread over those volumes, there is no question that the differences look significant but whether they are appropriate is something that is hard to comment on.

**MR PARTON:** We are sort of hypothesising and guessing on a lot of stuff here. But when you talked about volumes you mentioned that there is an accessibility problem with a number of our outlets that are hidden away in the suburbs. I dare say that there would be a massive difference between volumes in some of these really inaccessible suburban sites and Majura Park and even the Monaro Highway at Hume; the difference in volume there would be astronomical. But for the most part it still does not seem to play a major role in price differential in the ACT, does it? Aside from those that are affected by Costco and Metro, volume does not seem to play a role.

**Mr Huth:** Sure.

**MR PARTON:** One of the big things for people who have been busting for us to do this inquiry is that they just do not understand. I know you guys are not retailers, but you watch the market really closely. Do you understand it?

**Mr Huth:** The answer to that question is probably no. Probably where you get the most insight into those things is where organisations like the ACCC have done their deep dives, where they can start to really drill in on what some of those costs are, where those costs get rolled into. It is not until you see under the covers of someone’s

operation that you start to understand the appropriateness of those sorts of margins. I certainly can understand the questioning. From my point of view and from an Informed Sources point of view, I do not think we are well positioned to go into depth on those areas.

**MR PARTON:** Fair enough.

**MR WALL:** In section 4 of your submission you have done some analysis of the spread of petrol prices in the ACT. The petrol price spread has increased as players such as Costco and Metro have entered the market. The graph shows a massive jump in the spread of the maximum to minimum price in 2015, which is when Costco and Metro were both established. That margin has shrunk. Has your analysis picked up whether it is a case of other retailers across the ACT reacting? Or is it a case of the discount imperative being reduced by those operators? It is only a small change over the last four years, a 4c or 5c per litre difference in the differential. But is it coming from one end over the other or both ends?

**Mr Ferris:** It is a fair point. What we would need to do to fully answer that correctly is further analysis on the maximum and the minimum prices against, probably, a benchmark like terminal gate price to understand whether the maximum price is coming down against a benchmark price like TGP or whether the minimum price is coming up, perhaps, against TGP. Off the cuff, I am not entirely sure. But that is something we are certainly happy to take on notice.

**MR WALL:** The way that graph is trending is that it is heading back to where it was at the 2013-14 mark, albeit gradually. But if that is something you can look at, that would be greatly appreciated. I have another question, which is unrelated. You touched earlier in your submission on the perception of the quality of fuels that people are buying, and you mentioned that a few refiners or importers have exited the market. Where do the independent retailers like a Metro or a Costco typically acquire their fuel? Is that something that you have had sight of or knowledge of?

**Mr Huth:** I am not privy to where they purchase their fuel from at a wholesale level, no.

**MR WALL:** I imagine that ultimately it is going to come back from one of the majors at some point.

**Mr Ferris:** It is quite possible. Generally speaking, the majority of fuel within Australia comes from a relatively small number of wholesalers. But I am not sure specifically which wholesaler they purchase their fuel from.

**THE CHAIR:** You canvassed FuelWatch a bit in your submission and you have touched on it today. At this stage we are intending to go and check it out and have a chat to WA. Are you able to talk us through why exactly it does not work, from your perspective, given that there are other views in the community that it does?

**Mr Huth:** We have touched on the issue of fuel price transparency. With FuelWatch we have two aspects to this scheme. We have the fuel price transparency aspect and then we have the regulatory aspect with regard to the locked-in price. We have not

done deep economic analysis on this, because others have, so obviously we reflect on the economic analysis of other people.

From our observation, we see cycles in other metropolitan areas which seem to be as a result of competitive behaviours. As a consequence, those cycles do react to competition in the market. They do react to factors in the market. We have seen cycles in other capital cities go from one week to two weeks, four weeks, six weeks, four weeks, three weeks, five weeks. It does depend on the activity in the market as to where things happen. Sometimes they stay low for a lot longer. Sometimes when they peak, they peak quickly. Sometimes when they peak, they peak more gradually because there are a few people that sit lower in the market. While people generally do not understand price cycles, probably because they do not want to dig into what those factors are that generate them, you can actually plot the cycles as a result of that competitive behaviour in a marketplace.

Those cycles we tend to see probably go a little bit higher than they do in Perth. They also tend to go quite a bit lower than they do in Perth. The cycle in Perth seems to be a bit manufactured. It seems to be a bit regular. Because you have no flexibility, if you get it wrong, to change things, because you are locked in, people tend to play it very safe. When you play it safe, you are not prepared to go too high but you are also not prepared to go too low, because you cannot change things: “We know how it worked last week, so we’ll just do the same thing again this week.”

**THE CHAIR:** So all that aggression, either way, is removed.

**Mr Huth:** That is right. So it is safe. This is starting to get into the economic stuff, which Nick is probably better to talk to than I am. But because people are playing it safe, because they have visibility of everything, because they know we are going to do the same thing this week as we did last week, the economic analysis that we are tapping into has told us that that has significantly increased retail margins. Looking at it purely from the point of view of the result to the consumer and what they are going to pay on average, the economic analysis tells us that people are now paying more in Perth on average than they would be if that scheme was not in place.

**THE CHAIR:** And other jurisdictions outside Australia that have put in place similar mechanisms?

**Mr Ferris:** I am not aware of anyone who has put in place a mechanism whereby you need to lock your price in for 24 hours. Certainly there have been other jurisdictions outside Australia that have implemented regulated fuel price transparency, but none to my knowledge that have had a 24-hour lock-in.

**MR PARTON:** Yes. That FuelWatch program in Western Australia would, I am assuming, in that jurisdiction impact quite heavily on MotorMouth, for argument’s sake. Could you respond to the observation that it is probably not all that difficult to understand that a company that operates a service like MotorMouth does not really want a government-run fuel monitoring service set up?

**Mr Huth:** We still operate in all jurisdictions where there is regulated fuel pricing. Certainly it changes our business model. But for data gatherers there is lots of work

that can be done in markets where fuel price transparency exists. As I say, it changes our model from what we would have done prior to that being in place, but we still operate in all those areas.

**Mr Ferris:** If you are looking into the Western Australian FuelWatch model, I encourage you to look at a study that was undertaken a few years ago by two Australian academics. One is David Byrne. I think he operates out of the University of Melbourne. The other one is Nicolas de Roos, who I think is from the University of Sydney. They did an enormous amount of econometric modelling around WA FuelWatch and the impact that that scheme has had on fuel prices. We cover this in some detail in our submission. What they found from their analysis—and I will read this out from our submission—was:

New analysis of retailers in Perth over a period of five years ... shows [FuelWatch] inflated the price motorists are paying to fill up their tanks, and retailers are making 50% higher profit margins as a result ...

That is FuelWatch. That just goes to support what Chris was saying earlier: that anecdotally, and also through some good academic research, FuelWatch has been seen to have a negative impact in terms of fuel prices for motorists in the Western Australian marketplace.

**MR PARTON:** I am not sure if you guys are aware that the major retailer that is next door to Costco instantly ups its prices as soon as Costco closes. One of the interesting effects that it would have if it were brought into this market—albeit a small effect of that change—would be that they could not do that. But obviously you would want to see a greater effect than that for it to be an effective policy. I do not know.

**MR WALL:** On FuelWatch, you highlight in your submission that the regulation of price reporting models that are in operation in a number of states has largely been advocated for by the motoring associations. If the outcome is that it actually reduces competition and prices tend to be higher—a subjective measure of the terminal gate price differential is, I guess, what you are basing that price difference on—why are they so keen to push for government intervention in the fuel market? Is it a case of their just needing to be seen to be doing something to justify their existence to their members, or is there something more to it?

**Mr Huth:** Certainly, having had experience with motoring organisations in the past on fuel pricing, fuel pricing is a very big lever for these guys. Their member base drive cars, and having ready access to fuel pricing information is, from our observation, a massive assistance to their vertical marketing exercises. The fact that they can give commentary on fuel prices, the fact that they have fuel pricing resources available on their websites, helps to drive traffic to their websites, where they then get the opportunity to upsell—not upsell; that is the wrong terminology.

**MR WALL:** Cross-sell.

**Mr Huth:** Cross-sell is the better term, yes—cross-sell into insurance policies, holidays or whatever the case may be. These days when you buy a new car you get a roadside assistance package with your car. For motoring clubs, their traditional

business models are changing. Fuel is a good magnet for them. It gets them visibility in media and those sorts of things. To have access to that information is useful. In markets where that information is not government mandated, they buy it commercially.

**MR WALL:** From someone such as you?

**Mr Huth:** Absolutely, and we are not the only show in town from that point of view. But in a government-regulated market, that information becomes available for free. I will leave it at that.

**MR WALL:** You said that in the Queensland model you have been the successful tenderer. What is that contract worth? That would be publicly available information if we went looking for it but—

**Mr Ferris:** I would prefer to err on the side of caution and not comment on that one, if you do not mind, because we would want to check whether it is publicly something we can discuss.

**MR WALL:** Government procurement contracts can be searched for.

**Mr Ferris:** Yes.

**MR WALL:** Okay. I will go for it the other way.

**THE CHAIR:** I guess where this line of questioning is heading is that it does seem that there is a fine line in terms of promoting greater transparency, which I think a lot of these regulatory schemes try to do, and what you try to do, and the consequences of collusion, stronger oligopoly and higher prices. How do we navigate that line in terms of transparency? I know you said in your submission, and I do not get this:

Best practice would be to ensure consumers have sufficient information to make well-informed purchasing decisions [from] ... a wide variety of data sources ... while allowing more aggressive retailers to “fly under the radar” of larger rivals.

How is that even possible?

**Mr Huth:** That is a good question. We have seen this in behaviours all over the place. We will run through this. As a result of some actions the ACCC took a few years back, one of the things that came out was an undertaking that Informed Sources has with the ACCC to make available to consumers information that we collate in our commercial contracts with petrol retailers. We have to make that information available to consumers. This was to try to address an information imbalance issue that the ACCC perceived might have been in existence. During that time—

**THE CHAIR:** And that is what resulted in MotorMouth?

**Mr Huth:** Motor Mouth was already in existence. It was a different service to what it is now. We have tweaked that service to make some additional data more regularly available. What it is today is near real-time information for every petrol station that

we have in our commercial systems. Previously, I think we used to make the data available twice a day. So changes were made as a result of that undertaking.

One of the key aspects of that undertaking was the no free-riding clause. We had a number of commercial retailers who were using our service and a number of commercial retailers who were not using our service. In making data available to consumers, a section of that undertaking made it available for us to ensure that no retailer that was not a party to the system could get a leg up and get access to all this free data that they could then use for their own commercial purposes. So we put techniques and methods in place within MotorMouth to ensure that we could get consumers the level of data they needed to make informed decisions but without giving too much data away so that other commercial entities could not make use of it in their tactical pricing solutions.

In our submission we comment on the behaviour of consumers. Looking at our own tools, at MotorMouth, we have a website and we have an app. On the app you can reveal site-specific prices: you can drill down and see what the price is at a service station. On the website it gives you a band; it does not tell you what the price of that site is. In jurisdictions where the government has mandated price reporting, you can see an individual site price. In jurisdictions where that has not been mandated, it is a banded price, so you will see that the price is between here and here. The reason we have done that on the website is that it is openly available information that anyone can get access to, with no restriction.

**THE CHAIR:** Including retailers?

**Mr Huth:** Including retailers. Within the band, there is uncertainty from a retailer's point of view. They look at that and say, "I know the price is between \$1.19 and \$1.24, but I don't know what the price is."

**THE CHAIR:** Are all of your bands 5c?

**Mr Huth:** Yes. On the app, where we can identify a user—we make them identify themselves; they are uniquely identified by their mobile phone number—we limit the number of price reveals that they can have to 30. The maximum number of prices they can see in a week is 30 prices at a site—

**Mr Ferris:** Which is more than adequate for a consumer, for a motorist.

**THE CHAIR:** Is that 30 a site, or 30—

**Mr Huth:** No, it is 30 prices. That might be checking the same site three times a day, seven days a week—

**THE CHAIR:** And then travelling to Victoria and checking on the way—

**Mr Huth:** And checking over there. But it is limited as to the number of prices they can see.

**MR PARTON:** So that is why it says here, for me, "18 price reveals left"?

**Mr Huth:** You can do 18 more prices between now and Sunday night, and on Monday you will get 30 reveals back. The reason we have done that is to limit the release of that data.

On the website you are not seeing site-specific prices. On the app you can see site-specific prices. Regarding our users of the app, I think I can say this and it can be public without giving too much away. Going into some of our statistics on usage of the app, typically users that are revealing prices are revealing two or three prices a week. Coming back to some of the things we said previously, they all shop at the same site or the same couple of sites. You immediately see bandings on the map. If it is red then it is expensive. If it is bright green it is cheap. You can already identify where the cheap sites are. Then they might look at those cheap sites on the way home and say, “What’s that one? What’s that one? Of those two, that one’s cheaper. I’ll go to that one.” So people who are choosing to reveal prices are revealing two or three prices a week.

The rest of the people are just looking for the colour of the dots: “Am I in a cheap area or am I in an expensive area?” They are looking at a graph that tells them—this is not so important in Canberra, because you do not have price cycles, but it certainly is in places like Melbourne, Sydney and Brisbane—“Where am I in the cycle? I might save 2c a litre by going to the site next door, but if I’m buying at the top of the cycle, compared to the bottom of the cycle, I might be saving 20c or 25c per litre.” They do not want to change their habit. They want to buy at the same petrol station they always buy at. So what they really want to know is, “Where am I in the cycle? Am I going to top up or am I going to fill up? If there are a couple of choices on my trip home, I’ll reveal those couple of prices.”

So it is providing sufficient information to consumers to give them the information they need to make an informed decision about where to buy. But it restricts the amount of information that commercial entities can get out of that, and therefore it eliminates some of the unintended consequences you get in a fully regulated, full-transparency scheme. Hopefully that goes some way to explaining what we are providing.

**THE CHAIR:** It does. My cheeky question was going to be: are you basically FuelWatch? Are you potentially driving prices up by being transparent?

**Mr Huth:** I can certainly say to you that we have had those conversations with jurisdictions that have implemented these systems.

**THE CHAIR:** Has the ACCC had that conversation with you?

**Mr Huth:** We have to have these conversations with the ACCC all the time about what we are doing in our undertaking, how we are complying with it and those sorts of things. Looking at the jurisdictions that go to these regulated schemes, I applaud the ACT government for the way they are handling it, in the same way the Victorian government did and the Queensland government did. In jurisdictions like New South Wales and the Northern Territory, there was no consultation. They did not seem to try to understand what any of this might mean, and they have put these schemes in place.

The Victorian government ran their inquiry. They adopted the recommendations from that inquiry. Queensland did the same thing. They went through an industry consultancy process. They did the inquiry. They had a look at it, and the way in which they implemented it was different in a number of ways. One, they used an external party rather than building it themselves. Two, they introduced it as a trial, as we said in our submission, because they were aware of what had gone on around them. They have put this in place but they have the ability over the next two years to see how this rolls out, and one of two things can happen at the end of that trial period.

We do go through this consultative process. When we talk to these people we say, “Look, if you introduce a system that gives you this fuel price transparency but avoids these unintended consequences of effectively providing more pricing to everyone, including all the retailers, that is probably the gold standard.” But it is a difficult thing to do. If you are putting this scheme in place and you are calling it fuel price transparency, if it is not completely transparent then what are we doing? It is hard for people to get their minds around.

**MR PARTON:** It is hard to play poker if everyone can see your cards, is it not?

**Mr Huth:** You are dead right. This is what we have seen time and again. I will give you some observations that we have talked about but probably not in as much detail. We did audits in New South Wales, after the FuelCheck scheme was put in place, on some of the independent brands. Some of the misreporting we saw, we could not get our heads around. We were saying, “Why would people do that?” The misreporting we are talking about is people that are clearly in breach of legislation. They are supposed to be reporting to the government what their price is on the price board. The price they were reporting to government was consistently 10c a litre higher than what they were selling for on the forecourt. Why would you want to be telling the public you are 10c a litre higher than you actually are?

On our assessment of this situation, the reason they did that was that they knew that the uptake of people using apps was low; the higher percentage of people who buy at their site are the ones who drive past their site. If someone who drives past their site has seen that the price is 149.9 but then they drive past and see that it is actually 139.9, they say, “You beauty.” They race in and buy the petrol and they are happy because it is lower than they expected it to be. But the fundamental reason that they were not putting their price up was that they knew that as soon as everyone else knew they were \$1.39 they would match them and they would lose their competitive advantage.

**Mr Ferris:** One of the issues with regulated schemes is that they have been established to benefit consumers but the reality is that retailers themselves are using them a lot as well. As Chris mentioned, what was happening in these instances was that these retailers were putting their prices at 10c a litre higher than what they were actually selling at because they knew that their competitors were constantly monitoring what the FuelCheck website and app were doing.

**Mr Huth:** If you look at what happens there and what the consequences of that are, obviously they are in breach. So at some point they will get seen in an audit. In some sort of compliance activity they will get found and they will get notices and all those

sorts of things, I am sure. But they took this risk to not lose their competitive advantage by letting retailers know what price they were, because they knew that people driving past could still see their pole sign and that that was the main driver to that site.

What is the potential outcome of that occurring? If they have to report their price and they get matched, other people come down around them. When other people drop their price and come down around them, their volume starts to disappear—and their volume is what allows them to sell at that price, because they are splitting their overhead over a lot more litres. So they have got choices. They probably cannot go any lower; they are already selling at a low price because they are counting on volume. So all of a sudden, to cover their overhead on less volume, they can no longer discount as deeply as they used to. All of a sudden their prices start to have to come up to cover their overheads on less volume.

**MR PARTON:** Why, when I get on your app, is there no Costco price?

**Mr Ferris:** Would you be looking at unleaded or E10 prices? I believe Costco advertises E10 prices. I am 99.9 per cent sure that we have the Costco price on our app but it will be E10. There is a dual fuel type that you can select on MotorMouth which is unleaded and E10.

**MR PARTON:** I will try that. There we go: E10.

**THE CHAIR:** I have a related question. I cannot recall whether you canvassed this with regard to Mr Parton's first line of questioning. Of the 58 retailers in Canberra, which is not many companies, how many companies are customers of yours? If that is commercial-in-confidence I can appreciate that, but if it is something you can answer it might be useful. If you need to, check whether you can say that.

**Mr Huth:** Can we check what we can say and take that on notice?

**THE CHAIR:** Yes, absolutely.

**MR WALL:** Going back to FuelWatch and those types of programs, I will fess up and say I have not looked into them in great depth, past the mechanics of how they work. How are they perceived on the ground? What do the consumers in those jurisdictions think of those mechanics?

**Mr Huth:** Again, I will answer anecdotally if I can.

**MR WALL:** I am happy with that at this stage.

**Mr Huth:** I believe that Perth motorists are happy, happy, happy.

**MR WALL:** Part of my thinking is that there are daily fluctuations or even hourly fluctuations in fuel prices at the stations across the country outside those regulated spaces. There is probably an element of frustration in a motorist, even someone who, say, does not leave Canberra, to drive past one station where it is at \$1.49 today and \$1.35 tomorrow; it is up and down. If at the end of the day the result is that the

consumer might be paying more but it takes the peaks and the troughs out of the market, they feel as though it works out better. Is there a perception with that sort of thing that it is the fluctuations that drive people crazy more than the actual price itself?

**Mr Huth:** In Perth they still have those fluctuations. But, yes, I guess they have got this visibility. Even though they are probably paying more for their fuel than they should be, I think there is this perception. As I say, this is anecdotal and I could be 180 degrees incorrect on this, but I have heard that Perth motorists think it is a great system, irrespective of the fact that they are paying more for their fuel than they probably should be.

I think one of the greatest frustrations for motorists typically does come about through the cycle, because they do not understand the cycle. They do not understand the fluctuations. They do not understand that it actually provides more benefit for them in retail fuel than if it did not exist. Canberra, Hobart and Darwin are good examples of that. There is no cycle, and your price is typically towards where the upper ends of our peaks are.

I am going to go out on a limb here and say that if not before the weekend then probably early next week Canberra may have one of the cheapest averages in the country for a short period of time. The reason I say that is that Adelaide has just peaked, so you have a cheaper average price than Adelaide today. And it looks like other markets—Brisbane, Sydney, Melbourne—are about to go to the peak of their cycle. Those peaks are about \$1.50 a litre at the moment. At the peak of the cycle you will probably find that Canberra might be a couple of cents cheaper than the rest of the capital cities momentarily.

**MR WALL:** That does not suit our narrative.

**THE CHAIR:** But it will be newsworthy.

**Mr Huth:** That will happen for a period of a few days as those cycles start to come down.

**THE CHAIR:** Hopefully this is front page of the *Canberra Times*.

**MR WALL:** You are talking to three politicians who are on the inquiry that has set about reducing fuel prices. We will probably all tip our hats and say, “You’re welcome.”

**Mr Huth:** That is right. This is the narrative you want, I guess. The bad news is that for the next three weeks you will be back on top again.

**THE CHAIR:** All right, Canberra, prepare yourselves.

**Mr Huth:** This is where these cycles actually do provide benefit to motorists. If you do not have these cycles, typically people land at a kind of ambient level, which is probably more than you need to be paying. But it is safe. It sits there and just sort of ticks along and everyone is kind of immune to it. They have got consistency and

regularity but they do not—

**MR WALL:** But it takes the frustration out of it, I guess, because there is a 1c or a 2c change in the price on a daily basis and you think, “Oh well; it’s much the same as it was yesterday.

**Mr Huth:** I cannot disagree with that. I think people do not understand cycles. The cycles frustrate, albeit they are getting a better deal for their fuel. Again, I think this is where some of the recommendations that we have seen in other jurisdictions about making people aware of fuel pricing, making people aware of apps and making people just more aware of what is going on around them, to try to help them understand, are good initiatives. Putting all of that aside, if we come back to Canberra particularly, because you are in this position where you do not have price cycles, you do not have a lot of variation.

**Mr Ferris:** It is fundamentally a very different market to Western Australia.

**Mr Huth:** It is so different that, with all of these schemes, if you tell people what the price is, they are going to look at it and go, “Well, I know that’s the price,” and you cannot tell them to buy at the bottom of the cycle or the peak of cycle because there is no cycle. There is no competitive intensity in Canberra that makes some of the benefit from those schemes flow through.

**MR WALL:** Does price sensitivity play a big part? We have already highlighted that most people do not check the apps and will not deviate from their regular routines. Canberra has the highest average income of any jurisdiction in the country. Do you think there is just an element of retailers or consumers just saying, “Well, it is what it is and I can stump up for it”?

**Mr Ferris:** Anecdotally you would have to think that if you have a market where people have a higher disposable income and they are less price sensitive, they are probably not going to shop around to try to save a few cents a litre.

**MR WALL:** Yes, and the retailers would be well aware of that.

**MR PARTON:** Yes. You touched earlier on the fact that so many of our outlets are hidden away in suburbs and made the suggestion that if they were in better locations the volume would increase. But you are still talking about 6,000 consumers per retail outlet wherever they are. There is only that pie to go around. So if you put all of them on major arterials, the overall volume is not going to go up, because people are still driving the same distance, are they not?

**Mr Huth:** That is right.

**Mr Ferris:** But you may attract more of the transient customers who currently do not fill up in the ACT.

**MR PARTON:** I guess so. But where are they on the way to? Aside from joining Chris up at the snow, I do not know where they are going to.

**MR WALL:** Do not fill up on the Monaro Highway during snow season.

**THE CHAIR:** Maybe it is more reason for Canberra to be a tourism destination in itself.

**MR PARTON:** There we go.

**THE CHAIR:** I have one last question. The answer might be that there is nothing. We have canvassed a lot of potential solutions today. That has been enormously helpful, so thank you. A lot of those are within the jurisdiction of the government, rather than people's everyday behaviour in Canberra, at the very least, regrettably.

What is the low-hanging fruit or something that can feasibly be done in the short term, whether it is by government or consumers? Is there anything that could just be done like “snap”, now, that would start to make some difference to people? For example, could we all boycott everywhere except Costco and just camp there for five days? Is there something that would disrupt things so dramatically or something that could make a day-to-day difference to people in the short term if they changed their behaviour?

**Mr Ferris:** We did have a boycotting solution in Queensland towards the end of last year. I think it was in around September or October last year, and to my knowledge it made absolutely no change whatsoever. So, based on that experience, I think that would not work. In terms of low-hanging fruit, the issue here in the ACT is complex. I think that to genuinely try to put downward pressure on fuel prices will involve commitment from the government. In our submission we have outlined some ideas that we think would assist. Those ideas that we have outlined in our submission are not necessarily quick fixes by any stretch of the imagination.

**THE CHAIR:** That is the overall impression I have got today. It is all going to take time, and people are hurting now.

**Mr Huth:** Can I ask a question back? Not being a local, I will plead ignorance. What is the commentary in the ACT on fuel prices now? Obviously if there was no commentary we would not be sitting here. So there has got to be some commentary. But is there daily commentary?

**THE CHAIR:** I can give you two answers to that and my colleagues can expand. As part of this, we have tried to make it easier for the everyday consumer with a survey. We have had over 200 responses to that in a bit over a week, which is pretty good going for a small jurisdiction. It does range. Some people think fuel prices should go up, for reasons which I think are obvious from that point of view. But generally it has been that this is putting pressure on people and if they are not changing their behaviours it is not because they would not like to; it is because they are time poor or cannot be bothered—whatever. But people are noticing. Mr Wall and I appeared before some school students this morning in a little “meet the members” session and talked about this inquiry. He said, “How many of your parents have commented about fuel prices in the past few months?” I think almost every kid put their hand up.

**MR WALL:** Almost every kid put their hand up, so parents are whingeing about it in

the car.

**THE CHAIR:** These are not year 12s; these are year 4.

**MR WALL:** They were year 4 kids.

**THE CHAIR:** So if that is permeating the consciousness of year 4 students, I think it is a reasonably good touchstone that it is front of mind for Canberrans.

**MR WALL:** I think it hit peak coverage locally over the Christmas period, for two reasons, anecdotally. A lot of Canberrans travel, so they are seeing Sydney or Melbourne prices and coming back here a day later and going, “Why is there such a big difference?” It was in the 20c realm. Also there is the slow news cycle over January because, in a government town, largely things grind to a halt. It is probably a common thread in what is being covered across the country.

There has been low wage growth, the cost of living continues to increase, and then you add to that a huge discrepancy compared to other capitals. I think that is where it just hit fever pitch, with people saying, “We’re hurting. We’re hurting everywhere, but this one’s really obvious and it shouldn’t be,” because there is not a 20c per litre justification in the average consumer’s mind for a price differential from here to 300 kilometres up the road.

**Mr Huth:** That is the sort of political commentary. Is there commentary in the press? I know there are challenges with regard to the geography, the locations of these sites. But are there people who talk about the fact that Metro is 10c a litre cheaper or that Costco is cheaper?

**MR PARTON:** Yes, very much so. It is a long, ongoing conversation, this one. It has been going on for years.

**MR WALL:** Most stations in the morning news or in drive time will give an update and say, “Petrol in the ACT: the cheapest sites are here and here. Avoid this site and this site because they’re really high.” That gets weighed in on on a few stations.

**MR PARTON:** But, as you know, based on your assessment of the market here, not much changes. You could prerecord that grab for a month and just run the same one, could you not?

**Mr Huth:** Sure.

**MR PARTON:** It is not really going to change.

**Mr Huth:** Coming back to the question of the low-hanging fruit, if there is already that commentary, is everyone aware of the fact that you have to pay \$60 a year to be a Costco member if you are going to shop at Costco but there are Metro Fuels and the surrounding sites that are discounting?

**MR PARTON:** I think most people are, even though most of them are hidden away. So I do not know—

**MR WALL:** Even if you did not know, if you drove past Metro on any given day and saw the line out the driveway, it would make you ask, “Why is everyone lining up?”

**Mr Huth:** Metro is an interesting example, because that is obviously a site where an independent has come in, they are at that price and so far they look like they are going to stick because they are getting the traffic.

**MR PARTON:** They are getting volume, yes. I do not know what else—you could build a speedway at the Arboretum.

**MR WALL:** There is probably a Canberra factor to it as well. We love our cars and if we cannot park at the door, we will not park; we will keep driving—that sort of thing. To pull up at a Metro and say, “I have to wait 10 minutes before I can get to the bowser,” for some people it is going to be a case of: “I’m too time poor. I’ll drive down the road and pay more. I’ll just pull up and fill up and keep going, because I’m running late now.” I think that is another battle with the low cost: that there is a time factor still, even if they are in the area. That is the trade-off.

**Mr Huth:** The reason for mentioning that was just that, if people were not aware of it, obviously you could make them aware.

**THE CHAIR:** That is something you have said in your submission: making information as widely available as possible.

**Mr Huth:** You can tell people that there is information there.

**THE CHAIR:** Put it on billboards.

**MR PARTON:** But not too widely available.

**Mr Huth:** You can tell them that there is MotorMouth, there is GasBuddy and there is Petrol Spy. There is a lot of information already in the market. But if they are already aware that, “Yes, there’s information there but we know the two cheap areas are two places we’re never going to go,” then it does not really help. That is the problem.

**THE CHAIR:** Yes, and that goes back to the earlier commentary. People just get annoyed. They are time poor and they want things to be convenient, and for good reason. I cannot really blame them.

**Mr Huth:** Sure. The only reason I said it is that there are a lot of jurisdictions where people say, “But we just don’t have the information,” and I think it is because they are unaware of just how information rich the environment already is. But when you have this infrastructural problem—it does not matter how rich the information is; the cheaper prices do not exist—it does not help, unfortunately. So, sorry, we have not really been of much assistance on that last question.

**THE CHAIR:** That is all right. I needed to ask it just in case. We will leave it there. Thank you very much for appearing and for being so candid—and potentially being even more candid, depending on what you come back to us with. When available, a

proof transcript will be forwarded to you to provide an opportunity to check it and suggest any corrections, substantive or otherwise. You took some questions on notice during this hearing. Once the transcript is properly published and sent to you, then it is usually a five-day turnaround to get some responses to us, if that is possible. Our committee secretary will be able to forward that to you and liaise with you.

**The committee adjourned at 2.42 pm.**