



**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**

**WEDNESDAY, 10 APRIL 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.

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## **Privilege statement**

The Assembly has authorised the recording, broadcasting and re-broadcasting of these proceedings.

All witnesses making submissions or giving evidence to committees of the Legislative Assembly for the ACT are protected by parliamentary privilege.

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While the committee prefers to hear all evidence in public, it may take evidence in-camera if requested. Confidential evidence will be recorded and kept securely. It is within the power of the committee at a later date to publish or present all or part of that evidence to the Assembly; but any decision to publish or present in-camera evidence will not be taken without consulting with the person who gave the evidence.

*Amended 20 May 2013*

**The committee met at 11.02 am.**

**NOONE, MR PATRICK JOHN**, Managing Director, Costco Wholesale Australia

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

Before we begin I remind witnesses today of the protections and obligations entailed by parliamentary privilege, and draw their attention to the pink privilege statement that is on the table. These are very important. I welcome today's first witness, Mr Patrick Noone, representing Costco. Mr Noone, could you confirm for the record that you understand the privilege implications contained within the statement?

**Mr Noone:** I do.

**THE CHAIR:** Thank you. Before we proceed to questions from the committee, do you have an opening statement?

**Mr Noone:** I have a short statement, in order to describe Costco and our business. Costco Wholesale operates an international chain of membership warehouses, mainly under the Costco Wholesale name, that carry quality, brand-name merchandise at substantially lower prices than are typically found at conventional wholesale or retail sources. The warehouse is designed to help small to medium size businesses reduce costs in purchasing for resale and for everyday business use. Individuals may also purchase for their personal needs.

In Australia, Costco opened our first warehouse in Melbourne's Docklands in 2009, followed by Auburn in Sydney in 2011, and the next day we opened, in Canberra, our third building. We introduced fuel to Canberra as part of our offer here in November 2016, and since that time we have followed our core strategy of offering our products at the best value in the market for our members. We now have 10 warehouses and seven fuel stations in Australia, with our 11th warehouse and eighth fuel station opening in Brisbane in early May.

**THE CHAIR:** Costco has probably featured really heavily in all of the commentary about fuel prices in the ACT, namely, that you are at least one of the cheapest, if not the cheapest, consistently, and that people are travelling some distances to purchase fuel from your store in Majura Park. Is there a reason that Costco does not have more sites in the ACT?

**Mr Noone:** Our warehouses generally draw about half a million people, and that is about the population of our draw area in the ACT. Our strategy is to have our fuel station on the site of a Costco warehouse, as a benefit to members, if you like. We are a membership warehouse club. We want to offer value for everything we sell. By having the fuel station on our site, it is a benefit for members to come and shop and fill up their car at the same time. Nowhere in the world do we have fuel stations that

are outside the Costco warehouse allotments, if you like.

**THE CHAIR:** I appreciate that there is nowhere in the world, but has that ever been a consideration that has come across your desk, in terms of, “We’re pretty successful in this area, maybe we should be doing some more”?

**Mr Noone:** Sure, we always think about it. Our core strategy is to offer that benefit to our members at our warehouse. I am sure from time to time we have had thoughts along those lines as a corporation, both here and overseas, but right now we are staying with the strategy of being on site only.

**MR PARTON:** This may seem like a really silly question, but can I get you to explain, from your perspective, how it is that Costco can afford to offer fuel at the retail prices that you offer when no-one around you can?

**Mr Noone:** It is not a silly question; it is a great question. Our core strategy is always to sell things at the lowest margins we can. As a company, we generally do not go above 12 to 14 per cent as a total. When we look at the fuel business, it is the same thing. We try to offer it at the lowest margins we can, to drive as many sales as we can. The more sales we drive, the more value we drive into members’ pockets, which means that when the time comes to renew your membership you have value from that membership.

That is a core strategy in everything we do, from the hot dog at the food court to hearing aids, champagne et cetera. In fuel we have the same obligation to our membership: to save people money. We sell at the lowest price that we can, we drive sales as high as we can, and we offer the best value to our membership. When you have value, and when the time comes to renew, you will think positively of that membership.

**MR PARTON:** When it comes to fixing that margin, it is dependent upon high volume sales?

**Mr Noone:** Absolutely. It is a low-cost operation. It is self-service. We do not have a hut. We have a small hut there, but we do not have a place where you go and pay. You pay at the pump. We have attendants there, generally one to two all the time, but that is all. That is our overhead. We try to keep it as simple as possible and really concentrate only on three grades of fuel, therefore three services, really. Once we do that, we can do that in high volumes and maximise our buying potential, and maximise value.

**MR PARTON:** In regard to the Costco model, I understand that you have rightly gone to great lengths to characterise Costco as very much consumer-focused, but would you describe yourselves, not just in fuel but across the board, as a disruptive retailer?

**Mr Noone:** I suppose you would have to ask others who have been disrupted. Probably—

**THE CHAIR:** Well, you are not disrupting yourself.

**Mr Noone:** Our core business has always been to drive value as a membership-based club. In that sense we look at different parts of the retail segments of the market and see where we can offer value. Around the world we have many services that we offer to Costco members. Here in Australia we try to look at where we can offer huge values and bring those services here, and fuel was one of the first ones we looked at.

We also have the optical labs in our buildings. We have hearing aid booths in there; we can sell hearing aids at great value as well. Fuel just fitted that whole concept. We can bring fuel in, use a North American model of selling fuel in high volumes with low overheads, and show great value. It just fitted into our operation here quite nicely.

**MR PARTON:** I know that you would fully understand that you had quite an effect on that geographic area in that part of Canberra. You have had quite an effect and distorted the fuel market. How would you reflect on the fact that your nearest competitor changes their price when you close?

**Mr Noone:** And they change it when we open, I think.

**MR PARTON:** Yes.

**Mr Noone:** It is a compliment to what we are doing, I suppose, in that we are trying to always do the best we can for our membership and to stay focused on that value. With what they do, I cannot answer for them.

**MR PARTON:** No.

**Mr Noone:** We try, when we open in the morning, to offer the best price we can.

**MR PARTON:** Have you seen similar distortions in other markets around the country as a consequence of your arrival?

**Mr Noone:** What you described before probably happens at every fuel station we have, pretty much, in the country. That is something to be proud of. We are offering great value and causing the market to respond. I think that that is good for all of our consumers, whether they are members or not. In the end we all benefit from competition.

**MR WALL:** I have a supplementary on the margin that you stated, Mr Noone, of 12 to 14 per cent. Is that 12 to 14 per cent of the retail price of the fuel product?

**Mr Noone:** That is our overall margin for the warehouses of the company.

**MR WALL:** The NRMA has done a comparison of operating costs and margin in the ACT at around 27 per cent for unleaded fuel and 15 per cent in Sydney. That in itself is essentially the differential between your pricing structure and everyone else in town.

**Mr Noone:** Yes, I cannot speak to those numbers.

**MR WALL:** That is okay. We will go into that with the NRMA. Do you monitor or

track the proportion of people who fill up at your fuel site who have also shopped in the warehouse on the same day?

**Mr Noone:** Yes.

**MR WALL:** What I am trying to get at is whether people come to you as a destination just to fill up on fuel or are they typically visiting the warehouse when they are in the region?

**Mr Noone:** Yes, they typically visit the warehouse. It is an all-in-one service, if you like. There are people who just come for fuel but they are members. They could be going home.

**THE CHAIR:** Do you have that breakdown?

**Mr Noone:** We do, yes.

**MR WALL:** Is that something you might be able to provide?

**Mr Noone:** I am going to have to check with my comrades.

**THE CHAIR:** You can take it on notice and get back to us—

**Mr Noone:** Okay, I will do that.

**THE CHAIR:** to get it right, yes.

**MR WALL:** If you could do that, that would be helpful. I understand the commercial sensitivity of that. We are happy to treat it accordingly.

**Mr Noone:** That is right.

**MR WALL:** But it would be insight, nonetheless.

**Mr Noone:** That would be appreciated, yes.

**MR WALL:** The other question is around the membership fee component of the Costco membership. How does that membership fee assist or drive your pricing model? I think it is \$70 for a family membership fee. How does that fee get used within the Costco model?

**Mr Noone:** That is a good question. We use it to reduce prices. It is \$60, actually; not \$70.

**MR WALL:** Sorry.

**Mr Noone:** We use it to reduce prices. Obviously, we are able to bring merchandise in and sell it at the low margins. Obviously, the membership income helps us with our profit and loss, if you like, over the whole company. It is a very important component of our business, yes.

**MR WALL:** I have a final question. We have heard from a number of witnesses who have appeared prior about a perception that they try to market the fuel they are selling as a more premium product.

**Mr Noone:** Yes.

**MR WALL:** How does the quality of fuel at Costco compare with that of your competitor across the road?

**Mr Noone:** That is a good question. We always try to drive value; so how can we add value to fuel that comes mostly from same refineries? We add a cleaning agent into the fuel. It is really only in the most premium brands that you can buy that cleaning agent in fuel. So we add it to both grades of petrol. That gives member value as well. It helps clean your engine. It is actually high quality in that respect. It gives you something extra for the fuel you are buying.

So it is a small cost to do it and it improves the quality of the goods we are offering. If the price is right, we will also improve the value to our member as well. We have done that in North America since we started. When we introduced fuel here, we were the first country outside North America to have fuel at Costco. We brought that down immediately because we saw it as great value compared to the other brands of fuel in the marketplace. We have done that all along and it has been working very well. I think it is very well received by our membership as well.

**THE CHAIR:** We have consistently received evidence about planning in the ACT and also that where sites are located has a really big impact on the number of people who go there but also on price transparency. So I have some questions about the location of your store. Forgive me that I do not know exactly what went into picking the site. Did you consider other sites in the ACT? Were you motivated by your fuel offering to be located where you are near the airport, near arterial roads?

**Mr Noone:** Yes, we built the Canberra warehouse first. Canberra was always on our target list for us to be part of this community and to have a warehouse club here. But early on the Canberra Airport was very aggressively chasing our business. So we were able to come to a conclusion with them and get a site. We took a brief look around. At the time, quite frankly, I think it would have been more difficult to build a Costco outside the airport precinct. I felt that there were a lot of restrictions that we would have to overcome. The airport site was relatively easy to build on.

Fuel was not a consideration when we opened Canberra in 2011. At that time, we only had fuel stations in the North American market, I think a couple in Canada and mostly in the United States. When we decided to invest in fuel here and we started our first fuel station in Liverpool in Sydney, it was very successful. We then explored the market in Canberra.

If you look at where fuel is in Canberra, it is really not an ideal location if you are trying to do a traditional petrol station. You want to be on a freeway, a main drag or main street. But when we put it there, it was an immediate success for us because of the value that we are offering. You are right. People travel from all over Canberra to

get there, which is terrific. They are coming there for the membership offer in the warehouse, but also the fuel offer is really a stand-alone save story in itself.

**THE CHAIR:** On a per capita basis, is the amount of fuel that you sell in Canberra comparable to what you sell in other Australian cities?

**Mr Noone:** Yes, it is in the top three fuel stations, fuel businesses, that we have.

**THE CHAIR:** How many fuel stations do you have?

**Mr Noone:** Seven, today.

**THE CHAIR:** The top three is not bad.

**Mr Noone:** Yes, they are all equal top, pretty much, yes. Sometimes number one, sometimes number three. It just depends on what is going on in the marketplace.

**THE CHAIR:** You mentioned that on having a brief look around you thought there were planning restrictions that would have made it difficult to open elsewhere. Can you recall what those restrictions were? You are not alone in mentioning planning restrictions; so we are trying to tease out what they are.

**Mr Noone:** At the time, and I am going back a few years now, Costco was not a part of the planning regime. We sell food and clothing; we sell buckets of oil; we sell coffins; and we sell TVs and things. That mix of business did not really readily fit into town planning at that time. We would have needed a spot rezoning or rezoning on the site to be eligible to be a retail site.

At that time there was bulky goods and there was supermarkets and nothing in between. In the airport precinct they already had pre-zoned our site particularly to be a big box retail site. So we just fitted quickly into that site. To look at outside the Canberra Airport precinct would have been a much more difficult process, I think.

**THE CHAIR:** We understand.

**MR PARTON:** To follow on from that, if that site had not been offered to you, if the airport were not pursuing you at the time, is it possible—perhaps likely—that there would be no Costco in Canberra?

**Mr Noone:** I think eventually we would have been here. It would have been longer. Yes, for sure, it would be a longer time frame.

**MR PARTON:** In other markets, fuel prices run at a weekly or fortnightly cycle. There is very much an up and down scenario, which we do not see here in Canberra. Do Costco outlets in other markets participate in any way in those cycles or are you just a flat—

**Mr Noone:** We always offer a value to our membership. So whatever happens in the cycle, we are always determined to have the best price on that day in the marketplace. There are cycles out there, for sure. The fuel business does go up and down every few

weeks. It changes from a two-week cycle to a three-week cycle back to one week. I am not sure if we can identify that but we always try to offer the best price in the market at that time.

**MR PARTON:** So there is a certain participation in those cycles from Costco and other markets?

**Mr Noone:** Yes. It depends how close people get to us in that fuel pricing. We want to make sure that there is some daylight between us and our competitors all the time.

**MR PARTON:** You have seven outlets around the country. I am assuming that there must be in at least one or two of those markets a fairly robust, rebel, disruptive competitor close by, the sorts of retailers we do not have here, the Speedways and whatever else they are called in Sydney. Is that the case? Do you have a courageous rebel close by in one of those other markets?

**Mr Noone:** Every market has a courageous rebel; it just depends on what is going on at the time. Some people are very competitive for a few weeks at a time and for a few more weeks they are not. It just happens on the market cycle we are in. I cannot identify any particular company that is aggressive like that.

**MR WALL:** How many members would class the Canberra Majura site as their home store?

**Mr Noone:** We keep that information pretty much as commercial in confidence, but I am happy to talk to you afterwards.

**MR WALL:** I appreciate that. You mentioned that you only collocate fuel at the moment with the warehouse component. Is there consideration of branching out in a market such as Canberra where petrol prices are considerably higher than what you are managing to retail at? Are you spotting an opportunity at regional centres around the territory?

**Mr Noone:** It does not fit with our strategy. We want to bring people to the Costco if we can. That seems to work fairly well for us at this point in time. We are going to stay with that corporate strategy here in Australia. Unless something changes with the company as a whole right now this is our strategy here.

**MR WALL:** Are customers coming to the warehouse and filling up with fuel as a convenience or are they coming for the fuel and shopping at the warehouse for convenience?

**Mr Noone:** They do both. A lot of people come and fuel up every two weeks when they come and shop. Majura Park has a big crossroads intersection with a lot going on with Ikea and the renovation of the mall a couple of years ago. So a lot more people are coming just to fuel up.

**MR WALL:** We have heard from previous witnesses that whilst apps and other consumer resources are available to identify where the cheapest prices are very few people use them. And even when they do there is a very low propensity to travel. I am

trying to get an understanding of what motivates your customers to head out there. Is it the fuel offering, the warehouse offering or both?

**Mr Noone:** Yes, it is both. It is a nice mix because if you buy fuel there you are often going to buy something else as well, or vice versa. It works for us in our strategy. People typically shop at Costco every 10 days or two weeks. It is no different in Canberra than anywhere else in the world actually. They tend to buy the same number of things and the same items when they shop; it does not matter where they are in Asia, North America, Australia or the UK. The fuel station is definitely a part of that shopping experience as well.

**MR PARTON:** Are you aware of how consistently your prices appear on the various fuel price apps?

**Mr Noone:** Yes. Part of our competitive review is that we review those every day. We always make sure that we are the best price in the marketplace. That is pretty much where we are at all the time.

**MR PARTON:** Is your price in this market or other markets always represented on those apps?

**Mr Noone:** It is a good question; I do not know. The app I look at—FuelWatch—always has it on there. Sometimes you have to drill down, but it is typically there.

**THE CHAIR:** Do you have a team actively monitoring?

**Mr Noone:** Yes, we do. We have a buying group that buys, and part of their job is to make sure that the pricing is right every day.

**MR WALL:** Do you ever find yourself retailing fuel as a loss leader just to be the most competitive in the market on a day?

**Mr Noone:** Yes. It depends on what is going on in the fuel cycle. Sometimes people get extremely aggressive and they try to drop below cost price. We always try to be the best price so that happens from time to time; not often, but it does happen.

**MR WALL:** How often would that be likely to occur in a quarter?

**Mr Noone:** A couple of times a month for sure with the seven outlets around the place.

**THE CHAIR:** It would be that often in Canberra?

**Mr Noone:** Probably not quite as often in Canberra, but from time to time it happens.

**THE CHAIR:** Would you describe the Canberra market as aggressive?

**Mr Noone:** Less aggressive than other markets I would say.

**THE CHAIR:** Clearly the demand is very high and you have made clear that the

cross-subsidy of having the warehouse with the fuel makes a lot of sense and that is why there is no stand-alone fuel station. Given your popularity—a lot of people would remark on there being 15 cars lining up for each pump—do you get feedback from consumers that they are sick of waiting or feedback generally?

**Mr Noone:** Yes. The feedback I get is from the fuel sales. The fuel sales tell me that we are in big demand and we are very successful. We are looking at expanding the fuel station in Canberra and adding more pumps to quicken the time to go through. We have already started to launch a full upgrade on our software system which will make it quite a bit quicker to pay for fuel. You will tap at the pump and go. Those are the things we are working on which are not that far away to get in place.

**THE CHAIR:** Is the Canberra market the first market where you have expanded your number of pumps?

**Mr Noone:** It will be in Australia, yes. We are typically building the new fuel stations about one-third bigger than the Canberra market. The first time we built in Canberra we did not know what was going to happen. Now the Ipswich building will have three lines of pumps instead of two. Adding another three islands in Canberra is the ideal in the future. We will continue to expand it and continue to work on that software to get more people through quicker. That is the first thing.

We hear from time to time that we are very busy there. That is certainly something we try to apologise for and say, “Look, we’re going to work on some upgrades.” But no-one is complaining about that too much; they are happy to be there and buy fuel at this point.

**THE CHAIR:** So even if you are getting that feedback people are still coming back?

**Mr Noone:** Yes.

**THE CHAIR:** In terms of the elasticity of what people are prepared to put up with, they might complain but they are still coming back?

**Mr Noone:** Yes. They are still getting a deal on that, and the pumps do move pretty quickly still. But, having said that, we are in an enviable situation obviously where we have got that business, but we need to make sure we take care of the service aspect too. We cannot just be arrogant enough to think that people can line up that long all the time. We have got to find ways to get people through quicker, and that is our number one priority at this point in time.

**THE CHAIR:** Your expansion is from two lines to three?

**Mr Noone:** Three, yes. We have two lines of pumps right now. We will add three more islands. Basically the car waiting behind will be served. And then the software upgrade should increase the capacity by about 30 per cent, to go through quicker. Those few things will make it a lot faster here in Canberra, yes, for sure.

**THE CHAIR:** I am sure people will be pleased to hear that.

**MR PARTON:** Just in the interests of trying to get our head around the typical consumer reaction to what you are offering, if someone said to you, “I’ve just joined Costco in Canberra and I am going to get out there and I am going to get my petrol there,” what are your typical bottleneck, high-traffic times? Are they just the same as every other petrol outlet or are they are they different?

**Mr Noone:** In Canberra?

**MR PARTON:** Yes.

**Mr Noone:** Saturday seems to be particularly busy and Fridays. They are the two times. And then there is the rest of the week. But Friday is a busy day for us, for sure. Friday is our peak fuel day, for sure, if you are talking about fuel.

**MR PARTON:** Yes.

**Mr Noone:** If it is about fuel, Friday is our busiest day, and Saturday and Thursday are a close second and third.

**MR PARTON:** And does that line up pretty much with the offerings in the warehouse as well?

**Mr Noone:** Yes, pretty much. Saturday in Canberra is a busier day in the warehouse than Sunday. I think in Canberra, because of the employment situation here, the weekends are very, very busy. And Sunday by hour, because we are open shorter hours, is generally a little busier than the rest of the week. But Saturday, being a little longer, is the busiest day for us.

**MR WALL:** I guess the purpose of this inquiry is ascertaining what is wrong at a local level with retail pricing of fuel. Costco is always held up as sort of the gold standard, as someone that is able to come in and offer a low price on a daily basis; so you are achieving your mission in that sense. What should we, as a local government, be looking at to encourage an expansion of Costco or more players such as you into the market? Or what do you think are some of the barriers preventing other retailers being as aggressive as you are?

**Mr Noone:** It is difficult for me to answer for the retailers, because that is their model. They are doing that; so I will leave that alone. But in terms of the ACT, if you are an athlete and you compete you are going to be faster than if you do not compete. So competition is always good for the consumer. I think I will leave my comments at that.

In terms of Costco and fuel pricing, we have the same strategy and fuel pricing we have with every other item we sell. And we try to stay true to that all the time. That for us has been very remarkable and great growth in Canberra because of those reasons. For example, hearing aids we sell for \$1,900, and they are on the marketplace for \$7,000 or \$8,000. But we still sell them for \$1,900 because that is the right thing to do for our membership, based on offer of value.

It is the same with fuel for us as well: do the same thing. We are going to offer the best value we can all the time. And I think I will leave my comments about that, about

competition, at that point.

**THE CHAIR:** A number of jurisdictions have introduced regulatory measures around price monitoring. There is FuelWatch in WA. You have not opened in Perth yet, have you?

**Mr Noone:** No. We have plans for next year, though, yes.

**THE CHAIR:** What has been the impact of these schemes on Costco in the states and in the Northern Territory? And would you recommend we do it?

**Mr Noone:** Our model works on very little regulation and it works fine. If you ask me my advice, the more regulation around pricing, the harder it is, I suppose. In terms of Western Australia, I understand what they do but I have not witnessed and have not operated in that environment; so it is hard to comment on that right now. On the east coast—

**THE CHAIR:** But it is certainly not stopping you opening there?

**Mr Noone:** That is right, and we are looking forward to opening there actually, because I think the retail offer there we can do very well with. And I think with fuel, from the pricing we have seen, we can do well as well. On the east coast, we operate in all the major cities now with fuel, and the price monitoring schemes or the apps that are out there and monitoring seem to work well enough. It seems to bring a heightened awareness to those people who use them.

I have not seen a massive change in the marketplace because those apps came in. People have business models that they operate in and I have not seen those models change a hell of a lot, and certainly we have not had to change our model at all.

**THE CHAIR:** Thank you.

**Mr Noone:** Thank you for having me. It is great.

**THE CHAIR:** Thank you. You have been very helpful. When available, a proof transcript will be forwarded to you. And you have also taken, I think, two questions on notice. Again, I am happy for you to take advice on whether you can provide that but the more information we get, the better. And we are very willing to treat it confidentially or to have a confidential chat if that is helpful to you. The transcript will be sent to you for you to—

**Mr Noone:** Including the formal questions as well?

**THE CHAIR:** Yes, we will identify them.

**Mr Noone:** Okay.

**Short suspension.**

**KHOLKUTE, MR PRASAD**, General Manager, Retail Fuel, Caltex Australia Petroleum Pty Ltd

**LOYDELL, MR TODD**, Head of Government Affairs, Caltex Australia Petroleum Pty Ltd

**THE CHAIR:** I welcome our second witnesses today, representing Caltex. Before we begin could you please confirm that you have read the pink privilege statement and understand the implications contained within it?

**Mr Kholkute:** Yes.

**THE CHAIR:** Thank you very much. Before we go to questions, do you have an opening statement?

**Mr Kholkute:** I do.

**THE CHAIR:** Please go ahead.

**Mr Kholkute:** I would like to thank the committee for providing Caltex with an opportunity to appear. I will keep this brief, to allow for questions. By way of context, I am the general manager for retail fuel at Caltex Australia. In this role I have direct responsibility for Caltex's pricing team, which is tasked with setting the pricing strategy at our controlled sites and responding to market dynamics.

Caltex has been operating in Australia since 1900 through a number of entities. Our history includes operations under brands such as Ampol and Golden Fleece, which you might remember well. In 2015 Chevron sold down their majority stake in Caltex Australia, which has resulted in Caltex now effectively being an Australian owned and operated company, with no one majority controlling interest, meaning that we are truly an Australian company.

Through our operations in Australia, we are responsible for the supply of one-third of Australia's liquid transport fuel through a well-established supply chain, from the point of sourcing crude oil and refined products through our Ampol trading office in Singapore to the delivery of fuel to our end consumers. This incorporates extensive supply infrastructure, including a refinery in Lytton, 19 seaboard terminals, 89 depots, five major pipelines, and a retail supply network of approximately 1,900 sites.

When looking at retail sites, it is important to note that Caltex owns or operates approximately 800 of those 1,900 national sites, with the balance of sites largely including independent re-sellers and other retail partners such as Woolworths, where Caltex supplies them under a supply agreement but has no input into the pricing strategy of the fuel sold at those sites.

Within the ACT, Caltex is responsible for supplying fuels and determination of prices at 10 Caltex-branded sites throughout the territory. This includes two sites which are Caltex operated and a further eight sites which are operated by commission agents. We recognise that fuel represents a significant day-to-day expense for consumers, and the frequency of purchase of fuel means that it does occupy the centre of customers'

minds.

At all times Caltex's overarching pricing strategy when determining prices in all markets is to operate competitively in the market. Prices are impacted by variables, including the international price of fuel and government taxes, which often account for up to 85 per cent of prices, as well as cost and margin associated with storage, wholesale distribution and retail prices in Australia.

We acknowledge at this point that there may be some information and specific details which I may not be able to answer given some of the commercial sensitivities, but I am happy to note that we are participating in an ICRC request. We have submitted a lot of data to them, and we look forward to the report on 30 June. We are happy to take your questions now. Thank you for the opportunity.

**THE CHAIR:** Thank you very much for appearing today and for your submission. It is very helpful. I want to start by asking about the Canberra market. I note that in the submission you said that cities like Sydney and Canberra should not be viewed as markets in their entirety but as a collection of market regions. Are you able to expand on what that means for Canberra?

**Mr Kholkute:** Each market has its subregions. Fuel prices are very much driven by the cost of doing business at each site; also the prices are relative to the competition in that local area. As such, the point we were trying to make was that it would not be right to look at Sydney as one monolithic market. Even within Sydney itself you will see different pricing landscapes. That was the point.

**THE CHAIR:** What are the subregions in Canberra? I think we know one, which is Majura Park. In your view are there other distinct subregions?

**Mr Kholkute:** From the perspective of prices and retail fuel prices, as we very well know, prices do vary even within the ACT by different areas. The prices in the airport region are different from prices in some of the other regions. From that perspective I would say that each Caltex site operates in its own micro-market with its own costs of doing business, its own input to the costs such as rental costs et cetera, and its own competitive landscape.

**THE CHAIR:** I note you also mentioned in your submission that fuel pricing decisions come down to a combination of input costs and local market dynamics. What market dynamics are particular to the ACT region?

**Mr Kholkute:** One of the biggest aspects of local market dynamics is the local competition. You are looking at how many service stations are in that area and what are the ongoing prices at the service stations in that area. We try to compete really hard—in fact we do compete hard—on gaining customers and giving them value. Those are some of the drivers of what really impact on the prices in a given area.

**THE CHAIR:** Compared to other regions is it expensive for Caltex to do business here?

**Mr Kholkute:** Given the location of Canberra, given that it is inland from some of the

seaboard, some of the costs such as distribution costs and freight costs are higher in Canberra.

**MR PARTON:** Can I ask about those costs that you have mentioned? Where does Caltex have to transport its fuel from to get it to Canberra? Does it come directly from a refinery and then a storage facility? What is the difference in the transport, the handling and the storage of petrol that eventually gets to the pump here in Canberra as compared to one of the larger metro markets?

**Mr Kholkute:** The good example would be in Sydney; near Sydney we have the Newport terminal. With respect to the fuel from the terminal to most of the sites, the distance is much lower, whereas when it goes to Canberra it has to be brought by tanker from our terminals, the majority of them in Sydney; hence the cost of distribution and freight is higher in Canberra.

**MR PARTON:** I cannot remember the number; there is a figure that we have heard in these hearings about how much that adds. I think it is about 3c a litre that is factored in there. Is that what you would understand it to be?

**Mr Kholkute:** It is something I would have to take on notice. It is commercially sensitive.

**MR PARTON:** At the conclusion of the Caltex submission it says:

Caltex Australia believes that strong levels of market competition are the most efficient method to encourage a robust and competitive fuel market ...

How does Caltex view the disruptive retailers, the Speedways and the Metros? Does Caltex view them as pests or as contributing to a robust and competitive fuel market?

**Mr Kholkute:** We welcome competition and we welcome price transparency. Different businesses have different business models. We fully recognise that we operate in a category that is highly competitive, and we believe in our product. We believe in offering value to customers in terms of a strong, safe and reliable supply of fuel and from a strong convenience offer. From that perspective, yes, we welcome competition.

**MR PARTON:** You say you welcome competition, but perhaps you say it through gritted teeth, because ultimately in markets where there is no competition and you can run your own race, you do, don't you? Without a rebel retailer that is actually forcing the tune, it allows a retailer like Caltex to charge whatever they like for petrol, doesn't it?

**Mr Kholkute:** I would not say that we charge whatever we like. At the end of the day, as I said earlier, we recognise that fuel is an important and big part of customers' annual spend. There is also a discretionary element to fuel spend. Even in price cycles in some of the other markets in a short time frame versus a long time frame, when input costs do go up and when fuel prices go up, we do see a material impact on fuel demand. That could arise from various factors such as people cutting down on their discretionary spend on fuel, people travelling less, people taking a fewer number of

trips, or they move to public transportation. Again it is a highly competitive industry with prices having a real impact on demand.

**MR PARTON:** You have a lot of outlets around the country. How many are there around the country, roughly?

**Mr Kholkute:** How many sites do we operate in the country?

**MR PARTON:** Yes.

**Mr Kholkute:** About 800 sites.

**MR PARTON:** Obviously, there are some that typically are selling much higher volumes than others.

**Mr Kholkute:** That is true. In a network of 800 sites, you are going to have variability.

**MR PARTON:** I am assuming—please correct me if I am wrong—that Canberra sites would never make their way into your top 10 per cent in terms of volume of sales. Is that correct or not?

**Mr Kholkute:** Again, it is commercially sensitive. I cannot disclose that at this moment, but I am happy to share that as part of the ICRC request, or maybe later on if that is commercially okay to share. What I can say is that it is hard for me to make a comparison at this time. I would not say that Canberra is a necessarily low volume site per se, if that helps.

**THE CHAIR:** Yes.

**Mr Kholkute:** I would like to help you with what we can share.

**THE CHAIR:** Yes, we understand. That is interesting for us to hear. I certainly support Mark asking the question because Canberra is more of a destination rather than on the way to something. Also because most of the sites are not on an arterial road, we have had feedback, not from retailers but more from organisations that have been observing the market, that they think Canberra is not necessarily that attractive. That is really why we are heading down that line of questioning.

**MR WALL:** Could you give us some insight into the factors that determine the pricing at a specific site on any given day? Obviously, in your submission you touched on the international fluctuations. But even across Canberra on any given day Caltex sites would have a price variation from site to site. What are the factors internally that then contribute to your decision-making on how to price for a period of time?

**Mr Kholkute:** You are spot on; the international prices of oil and then also the Australian dollar—the ASX rate between the Aussie dollar and the US dollar also has an impact—along with taxes. International prices and taxes together make up about 85 per cent of the component of the price that you see on the board. Then there are

various components of costs such as rental expense, utility and labour. That can vary from site to site as well.

There is also a component of how much revenue we are getting from the convenience store, because convenience store strategy, along with fuel strategy, is a core component of our offering. Then, as I said earlier, one of the major drivers of prices in our category that we operate in is competition. The competition in the local area of any given site and the prices in that local area will have an impact on our prices as well.

**MR WALL:** Is there a difference in the way that you structure your pricing between your owned and operated sites as against your own retail operated sites?

**Mr Kholkute:** No, we do not.

**MR WALL:** Does the retail operator have any influence on the price that is set or determined at one of those sites?

**Mr Kholkute:** No.

**MR WALL:** You mentioned the convenience line as being a contributing factor into the underlying pricing. In the submission you mention that the ownership of the fuel maintains Caltex's property and the retail operator receives a commission. How are the convenience lines and items divided up? Is it a similar arrangement or what control does the retail operator have on those sites over the convenience lines that are offered?

**Mr Kholkute:** When it comes to the commission agent sites, the store is managed and operated by the commission agent. Caltex gains a little bit of the royalty on the merchandise sold in the shop. But the convenience store decisions and the pricing decisions in the convenience store are made by the operator.

**MR WALL:** It is sort of the inverse to the fuel arrangement where the operator of that site carries the cost or the ownership of the stock on the floor and Caltex receives, I guess, a commission on their sales as opposed to the fuel which you own in a—

**Mr Kholkute:** I was not prepared for that line of questions. I do not want to mislead you. If you do not mind, let me confer with my colleague. If I may ask where you are coming from, maybe I will be in a position—

**MR WALL:** I guess I am just trying to understand this. For your retail on-sites, you have stated that a component of your pricing structure is the income derived from the convenience item sales. So I am assuming that a higher retail sale would mean that you could be slightly more competitive on the petrol pricing front.

**Mr Kholkute:** Yes.

**MR WALL:** I am just trying to understand who has got control and—

**Mr Kholkute:** Yes, that is a good question.

**THE CHAIR:** Yes, and making more money.

**Mr Kholkute:** That is a good question, and thanks for clarifying that. What I am saying—this does not necessarily go into day-to-day fuel pricing decisions—is that when you take a step back and look at whether a site is a viable site for us to operate, from that perspective you would look at the overall income from the site and overall cost of running the site. Some of the sites in our network have a strong QSR offer, strong shop offer, and a mix of other returns from the site can be swung towards more of shop and QSR. That would give us more opportunity to think about the fuel pricing decision in a slightly different way, versus a site that is not getting enough of its share from the shop. That is what I meant when I said that the shop income can have an impact on fuel pricing.

**MR WALL:** The convenience items that are on the forecourt in the retail operated sites or the commission sites, are they set by the retail operator or are they through a pricing agreement with Caltex as well?

**Mr Kholkute:** At the commission sites, those decisions are made by the operator.

**MR WALL:** I guess the question is this: an efficient operator that drove a larger volume of sales through convenience lines would potentially get a better fuel pricing on a continued basis compared to a site that had poor convenience sales.

**Mr Kholkute:** It is hard to—it is hard for me to—

**THE CHAIR:** Can I clarify what you mean by “better”? Do you mean higher fuel prices or lower fuel prices?

**MR WALL:** Well, more competitive—like, lower.

**THE CHAIR:** Yes.

**Mr Kholkute:** We always compete vigorously in the local area of each market to win customers for fuel.

**THE CHAIR:** That was a good line of questioning. To be cheeky, hypothetically you could have cheaper fuel prices but have fewer specials in your convenience offering, thereby negating—

**MR WALL:** I guess cross-subsiding one line to another.

**THE CHAIR:** Yes, you are cross-subsidising. We have certainly heard—I forget from whom—that even with the cheapest fuel in the ACT, even if fuel is 3c or 4c a litre cheaper, that only equates to a couple of dollars. Then if you go blow the saving on a Magnum in the convenience offering, you have really made no gain.

**Mr Kholkute:** Yes.

**THE CHAIR:** I think that is something that we are kind of focusing our attention on.

That is probably the motivation behind the questions.

**MR WALL:** I guess the motivation for that line of questioning is also the inverse. If a lot of people are buying the Magnums, are they getting a slightly cheaper pump price to start with?

**THE CHAIR:** Yes, good question. You make it clear in your submission that a history of planning restrictions in the ACT has largely resulted in a lower number of service stations per capita compared to other capital cities and that we need to explore planning regulations to identify barriers to entry. Are you able to point us to what those key planning issues or barriers in the ACT are?

**Mr Kholkute:** Yes. The ACT has always been a very planned city. If you look at the number of service stations in the ACT and compare that to the population you arrive at a conclusion where per capita there are fewer service stations in the ACT than in Sydney or Melbourne or some of the other major cities.

I do not want to misquote the numbers but for every 7,500 people in the ACT there is one service station whereas that number in Sydney and Melbourne would be almost one service station for every 5,500 people.

**MR PARTON:** What was the first number again?

**Mr Kholkute:** For every 7,500 people in the ACT there is a service station whereas in some of the other capital cities that would be a service station for every 5,500 people. I am just doing the maths on publicly available information on the number of residents versus number of service stations. I cannot say conclusively if that is a driver for the competitiveness of prices seen across different cities but it could be one of the drivers. There just are not enough service stations per capita in Canberra compared to some of the other cities.

The other aspect is the way this city is laid out. When you are driving from major arterial roads you do not see as many service stations—they are on just some of the major roads—whereas you do see that in other cities. That could be an outcome of some of the planning restrictions.

**MR PARTON:** As to the figures you have come up with for per capita averages for service stations, not as high a differential has been suggested by other witnesses, whether it was the ACCC or Informed Sources, I cannot remember. I think they came up with around 6,500 as compared to 7,500. What is interesting about the figures you presented is that you are suggesting that there are fewer service stations per capita here in the ACT. Surely that should result to some extent in higher volume sales in some outlets in the ACT.

We are continually told that one of the reasons that prices are high here is because there is not much through traffic, there is no highway traffic and there are not high volumes. Those per capita figures suggest that there would be high volumes. You have said in evidence already that some Canberra outlets would be high on that chain in terms of volume sales. We are told that the only way you can discount is if there are high volume sales. Well, we have high volume sales here.

I go back to that original point: you have suggested that Caltex Australia believes that strong levels of market competition are the most efficient method to encourage a robust and competitive fuel market, but everything you do in this market suggests otherwise. You heard the evidence from Costco—and we all know—that, as soon as they shut, the outlet next door puts their prices up. To me that does not sound like welcoming competition.

**Mr Kholkute:** I cannot speak on behalf of what some of the other players might have done as a response to Costco's pricing in this case and their store operations. As I said earlier, some of this information is commercially sensitive but as part of the ICRC we have submitted that information. That information is available at your disposal to compare some of the volumes at some of the sites and arrive at a conclusion on what is the story behind volume per site or service stations per capita.

**Mr Loydell:** I think it is okay to give the view that generally, looking at our sites, you would not say that the volumes are small. That would not be our evidence.

**Mr Kholkute:** Correct.

**Mr Loydell:** I think that that will come through clearly when the ICRC looks at those volumes. Certainly, looking at our data, we would not be putting forward an argument that small volumes is an issue.

**MR PARTON:** Reading between the lines the Caltex story is that, "We're happy to look after consumers and fuel's a big part of people's spending and we welcome competition." But I have run businesses and I sold products at the highest price that I could possibly sell them at because I wanted to make profit out of it. It is very difficult to get away from the perception that that is the core of what Caltex is doing here. You are running a business; you are trying to make as much money as you possibly can. If there were not people disrupting the market, if there were no rebels, you would be as happy as Larry.

**Mr Kholkute:** All I can do is give you an example. We have a new site opening on Cotter Road. That is testament to our belief that here is a market that is already performing, that has strong potential and that is seeing growth in population.

**MR PARTON:** There will be a big need for it.

**Mr Kholkute:** There is growth in population, and we would love to serve the communities and we would love to be closer to the customers for both their fuel needs and convenience needs.

**THE CHAIR:** Have you encountered any barriers in setting up that site?

**MR PARTON:** I am not aware of any barriers we might have seen.

**Mr Loydell:** We can find out if there were any, but it seems to be progressing.

**THE CHAIR:** I was just interested if it is hard to do business here. When was the last

time you opened a new site in the ACT? If you think it is such a good market surely you would be champing at the bit.

**Mr Kholkute:** I would like to help you. I do not want to mislead you. I do not have that information with me at the moment.

**THE CHAIR:** Could you take that on notice?

**Mr Kholkute:** Yes.

**MR WALL:** What was the process for securing the Cotter Road site?

**Mr Kholkute:** I do not look after the network and property side of the business so unfortunately I am not in a position to answer that question. But, again, I am happy to take that on notice.

**MR WALL:** Is the Weston Creek site a Woolworths-branded site or is that one of yours?

**Mr Loydell:** It is a commission agent site.

**MR WALL:** And the Cotter Road site will be Caltex owned and operated?

**Mr Kholkute:** That is correct.

**MR WALL:** In the final part of your submission you touch on some of the regulatory changes that have occurred recently in other jurisdictions as well as the ACT, particularly around the shopper docket discounts and advertising of those prices. What impact has that had from your perspective on consumer behaviour?

**Mr Kholkute:** The change on the price boards is still in the transition phase and it is too early to say if we have seen any material impact.

**MR WALL:** What has been the impact in other jurisdictions where that has come into force?

**Mr Kholkute:** The challenge of identifying an impact of one decision on fuel volume is that so many things go into the overall fuel volume—

**MR WALL:** Caltex is uniquely positioned to have an opinion or a view on the impact that that has, because not only do you have your own sites which do not offer a shopping docket discount but you are exclusively supplying the Woolworths' Caltex-branded sites which do. I would imagine that there are some trend data that you have got access to that show whether or not those kinds of regulations have an impact. If the Woolworths site's volume is increasing or maintains the status quo at the time that these policies are introduced, I dare say there is no other retailer that is in a position to see both sides of the market as clearly as Caltex do.

**Mr Kholkute:** I would like to make a point here that I do not have visibility to what is happening with Woolworths' volume. The way Caltex runs the businesses, it is almost

two separate business units—interlinked but separate business units—in which a separate business unit called fuel and infrastructure interacts with Woolworths for the volume supply. And I do not have visibility to Woolworths' volume. I am pretty sure that someone in Caltex would be able to answer that question for you.

**MR WALL:** Is that a question you are able to take on notice to see if you can find an answer for it, please?

**Mr Loydell:** I am sure we will run into difficulties with putting data out in the public domain but we can put in a line of inquiry. I get the point that you are making.

**MR WALL:** We as a committee are acutely aware of the commercial sensitivities of much of this information but it would be beneficial to help paint us a picture of the impact of this. If it can be supplied on an in-confidence basis, we are happy to get that.

**Mr Loydell:** I take it that one of the focuses that you are looking at is: what are the different business models and which one might be more efficient? There is a whole range of models out there. You have spoken about competition from disruptors or rebels, I think you called them. But competition comes not just from the independents. It comes from the whole range of different sites. In a particular area there might be two Caltex-branded sites, and one might be a Woolworths' site and one might be a Caltex-branded one. Not in the ACT but in other markets you will also find that there will be a Caltex-owned and operated one. Each of those business models has different strengths and weaknesses and ultimately that is borne out by how much people are able to compete or the profitability of that store.

In relation to your point that we are in a unique position to give you some clarity about the difference between the Woolworths' model—

**MR WALL:** It was not so much about their business structure or their model but the impact that government regulations such as signboard advertising is having, given that essentially you are supplying a line of stores that have a discount offering and a line of stores that do not.

**Mr Loydell:** We would definitely look into that.

**Mr Kholkute:** We welcomed the initiative of showing the price that is available to all customers and not only available to a segment of customers because of their shopper docket eligibility et cetera. And we are happy to participate in the new regulation on showing that board price.

**MR WALL:** It was not so much a question of the market's willingness to adhere to or adapt to the new regulation but the actual impact it has on consumer behaviour. But I get a sense that in part the pricing issues in Canberra are due to consumer behaviour. If everyone were willing to travel across town for the cheapest fuel then the site that you have got in Holt would be competing against Costco at Majura but you are not. I am trying to get a sense of how much of it is government taking actions and introducing regulation to be seen to be doing something versus actually having an impact on consumer behaviour and pricing structure.

**Mr Loydell:** When you look at different price transparency schemes that have been put in place by different jurisdictions, we are obviously participating in each of those, and I think I have seen some comments about some interest in the WA model. While that model is a decision for the ACT to take, we do think that there is merit in looking at the Queensland or New South Wales models that are not as restrictive on price movements throughout the day. That is one value judgement that we would make on those different prices.

**THE CHAIR:** If we went down the path of the WA model, would that influence Caltex's preference for continuing to look at the ACT as a market in which to open more sites?

**Mr Loydell:** Prasad might have an answer on that but I do not think materially it would make any difference.

**Mr Kholkute:** Yes.

**Mr Loydell:** The rules for the participation in the market would be the same for every operator, and people are going to need to buy fuel.

**Mr Kholkute:** It is not a function of whether there is a government-mandated price transparency rule or not or which type of price transparency model is taken. That is not really the driver of our participation in the market.

**MR WALL:** Just on that question, how frequently do you review and adjust prices across your various sites?

**Mr Kholkute:** We review competitive prices every day for every site.

**MR WALL:** The Western Australian law restricts fuel price movements inside a trading day. How common would it be that you changed the prices inside a trading day?

**Mr Kholkute:** Again, it really is a function of our different sites. It varies. There is no one answer to that. But it is not uncommon for sites to have more than one price point during the trading day.

**MR WALL:** In the ACT how many sites would tend to have a price that went up and/or down through a 24-hour period? I guess the question is: more than one movement in a day, in a 24-hour cycle?

**Mr Kholkute:** I do not know the answer to that question: what is it like for a given site in the ACT? What I can say is that it is not uncommon on the whole to have more than one price change within 24 hours, or even more than two price changes within 24 hours for many of our sites in the network. As I said earlier, it is such a competitive industry. And this is one of those industries where, if you are overpriced by even a fraction of cents, you will see a material impact on the volume of the site. Hence we compete vigorously with our competitors. We want to make sure that we are offering the best value.

**THE CHAIR:** And you genuinely do see that in the ACT? Evidence that we have been getting is that consumers do not shop around. They do not use the comparison apps. They pretty much say, “This is the closest one to my home and that is where I am going to go.” Are you genuinely seeing that material impact here?

**Mr Kholkute:** It is hard for me to make an assessment: is an ACT customer more price sensitive than the national average customer? It is really hard for me to say that. What I can say is that the ACT is no exception to the general rule that if we are not offering a competitive price we would see a material impact in the volume for the given site.

**THE CHAIR:** But is it as material as the price?

**Mr Kholkute:** It is hard for me to quantify.

**THE CHAIR:** I know you are seeing an impact but what I am trying to get to is: is the impact this, or is the impact this?

**MR WALL:** I have seen a difference between one site and another in, say, a competitive market such as Sydney where you might see significant sales volumes moving to the site that is half a cent cheaper. But does it take 2c or 3c to have the same impact in Canberra, or does half a cent have the same impact here as it would in another market?

**Mr Kholkute:** It is hard to quantify that.

**MR WALL:** Are you able to give us some insight into the proportion of sales across Caltex sites that are through a fuel card or a fleet card as opposed to credit, EFTPOS, cash transactions?

**Mr Kholkute:** I think it is something we have given as part of our ICRC submission.

**Mr Loydell:** We have not actually. If they request that information, I will give that to them. But we can say in general terms that fuel card usage is low in the ACT compared with other areas, and payment by credit card is high.

**MR WALL:** Is “credit card” credit card specific or does that also capture Visa debit-type cards? I am guessing that is processed through the Visa/Mastercard-type works.

**Mr Kholkute:** Any card.

**Mr Loydell:** I think that would capture the Visa debit.

**THE CHAIR:** If there were one thing that we should do to make the market more competitive or to make it easier for Caltex to open more sites here, what would it be?

**Mr Loydell:** If we can answer it by saying something that you have done right, the new Foodary site that we will be opening on the Cotter Road has features that fit with a business model that we are pursuing where there is a broader retail offering on the

site. It is well located on what is going to be a major road for that area. I think there have been a lot of things that have been done right with that site.

**THE CHAIR:** Just confirming that diversification is a strategy that Caltex is pursuing?

**Mr Kholkute:** Could you clarify what you mean by diversification?

**THE CHAIR:** Diversification of offering: not just fuel and convenience, but fuel, convenience and a few other things; different product offerings and differentiation.

**Mr Kholkute:** It is important for us to be a sustainable business. We have operated in this country for over 100 years and we would love to operate for 100 more years. From that perspective it is important for us to offer strong convenience, and offer a strong, consumer-led, fresh offer: food made today, gone today type of offer, coffee offer. Customers are clearly demonstrating that they want that, and that the economy is changing into, "I want it now, I want it fresh; food for now, food to go." We have been focused on revolutionising and moving our business in that direction so that we remain relevant.

**Mr Loydell:** It might be valuable to consider that there is a business strategy to bring a lot of our franchise sites in-house so that we can look at innovation on that side of the business, on the convenience retail side of the business, and be able to roll out different models much more quickly.

**MR WALL:** Of the sites that you operate in the ACT, do you own all of those sites, or are some of those sites leased from other property holders?

**Mr Loydell:** I did not collect that data for you. I will check. The majority are owned, but I am sure that there are some leased. We can take that on notice. I am sorry; I did not prepare that for you.

**MR PARTON:** Can I talk about fuel cycles that we know are happening in a number of markets? The evidence that we have had suggests that in some markets they are fortnightly, and in some markets they become three-weekly. You guys are giants in the market. Who is running these cycles? Are you running them? Why do they happen? Why do they not happen here?

**Mr Kholkute:** If the question is why fuel price cycles happen, I would love to know the answer to that question, to be honest. I am a participant in the market. I am not the market. It is really hard for me to make a claim on why the market moves in a certain way in one region or one city versus the other way. From our perspective, to the extent that our competitors are observed to have a price that has moved down from yesterday, it only makes sense for us to compete, and we participate in that pricing environment because we have no other option but to do so.

**MR PARTON:** That is a fair enough answer. I was in Melbourne on the weekend. Obviously, I am participating in this inquiry as a committee member, and we have this perception that petrol is going to be way cheaper in Melbourne. Of course, I was there on Saturday and Sunday, and it was not. Some of it seemed more expensive than what

was the case in Canberra. That leads me to a suggestion that was made by a representative of the ACCC in these hearings that sometimes we are misled here in Canberra by what is the cheapest price that is available in Melbourne and the cheapest price in Sydney, which happens to be at a certain point of that cycle, but that if you are in those cities at the high point of the cycle, it can actually be cheaper here.

**Mr Kholkute:** That can happen.

**MR PARTON:** I do not know if you have any reflections to make on that and whether you have had that same thought strike you as pertaining to this inquiry.

**Mr Loydell:** Are you meeting with the Australian Institute of Petroleum? I think they are giving evidence.

**MR PARTON:** Yes.

**Mr Loydell:** They collect data on fuel prices and they look at those questions of amplitude of fuel price cycles. Often they will find that observers who observe fuel prices will pick the low point of a cycle and the high point on another. It is a constant challenge to say, "This price cycle is a bit longer than the other one." I think that they will be in a position to give you some more observations about how that works.

Ultimately, you are looking at the long-run average. When you come to balance the books, with some of those price cycles, when they go down a long way, they are in effect discounting what the value of that fuel is, given the cost to get it there, and the upside is really recovering from that position where you have effectively lost some money. That does happen in some markets, and it is different in different regions.

AIP look at that data. They send a report out weekly about what is happening with fuel prices. They might have some observations around what those differences are in different regions and how the ACT compares. You more often find the flatter pricing in regional towns. In that way we are less like Sydney or Melbourne and more like a rural or regional town.

**THE CHAIR:** Thank you very much for appearing today, and for your submission. When available, a copy of the proof transcript will be sent to you, for you to clarify or correct anything, if you need to. You have taken quite a number of questions on notice.

**Mr Loydell:** Yes. We will go through *Hansard* and double-check each of those. Do you, as a practice, also send out a list of the questions taken on notice?

**THE CHAIR:** We can probably highlight them within the transcript for you, so that you can cross-check. We certainly do appreciate and we are very sensitive about things that are commercial-in-confidence. It does not mean that we will stop asking questions about them. The more information you can provide to us will be incredibly helpful to us. It may well be held in good faith, to the extent that you can provide that. But we do appreciate that there are probably some things that you cannot provide.

**Mr Loydell:** There is also the parallel process of the ICRC inquiry. Presumably, as the Assembly, is the interaction with that inquiry just to receive the final report? That

will have a lot of data in it, and it will deal with a lot of the commercial-in-confidence issues.

**THE CHAIR:** There is a distinction. We are an Assembly committee, so we represent the whole parliament—

**Mr Loydell:** Of course, yes.

**THE CHAIR:** whereas the government has commissioned that ICRC report. So that will go to government.

**Mr Loydell:** It may not necessarily be available to the Assembly?

**THE CHAIR:** Not necessarily. We would love to see it.

**MR WALL:** It will be up to the government to release the ICRC report, whereas our report will be published.

**THE CHAIR:** We are also due to report on 6 June, whereas ICRC is due to give their report to government—

**Mr Loydell:** I think it is 30 June.

**THE CHAIR:** on 30 June; that is right. So there is that distinction.

**Mr Loydell:** I will keep that in mind as we go through the questions that we took on notice. I will not take it as a given that it makes sense to wait for that report.

**MR WALL:** I would not assume a free flow of information between ourselves and the ICRC—

**Mr Loydell:** No, I understand that. The timing of their report, coming after yours, makes it difficult.

**THE CHAIR:** Yes.

**Mr Loydell:** A lot of consideration goes around what we can and cannot provide. A factor of that is that there is no point giving you useless information. There are options available to give you information in confidence. I think I get the intent of most of what you are after, for those questions.

**MR PARTON:** You have been really helpful.

**THE CHAIR:** Yes.

**MR PARTON:** You have probably been more helpful than I would have been in your situation.

**THE CHAIR:** Yes. You and Costco are our first fuel retailers to appear.

**Mr Kholkute:** As we said in our opening statement, we genuinely like transparency. We operate in a highly competitive industry, and transparency gives us a licence to operate, so we are happy to help.

**Mr Loydell:** These inquiries are important to us, because otherwise you end up with reputations like banks and other corporates. It is not hard for us to fall into that category. It is important for people to have confidence that it is a competitive market, that there is transparency and that people are getting a good, fair price.

**MR WALL:** The fuel price changes for a consumer on a week-to-week basis, and they do not understand why. Most other commodities that they are purchasing on a regular basis are much more stable in price. It is about shedding some light on the reasons behind why there is that volatility, sometimes 10, 12 or even 15c from week to week. The community like to know that they are getting the cheapest price on any given day, and understanding how that price is arrived at gives them that confidence.

**THE CHAIR:** All right, thank you very much. You are off the hook.

**Hearing suspended from 12.30 to 2.03 pm**

**WARREN, MS CARLITA**, General Manager, Policy and Stakeholder Relations,  
National Roads and Motorists' Association

**SETKIEWICZ, MR WAL**, Senior Policy Adviser, Economics, National Roads and  
Motorists' Association

**THE CHAIR:** I welcome today's third group of witnesses, representing the NRMA. Before we begin, can you confirm that you have read and understood the privilege implications on the pink card?

**Ms Warren:** Yes.

**Mr Setkiewicz:** I have read it already, yes.

**THE CHAIR:** Thank you. Before we ask questions, do you have an opening statement? I know you also have a presentation.

**Ms Warren:** I thought I might make an opening statement. Then we thought we might take you through the functionality of the fuel track website in New South Wales. I am not sure if you are familiar with it, but Wal can take you through that. Then over to you for questions, if that is the way you would like to operate.

**THE CHAIR:** Sure. That sounds good.

**Ms Warren:** The NRMA, as most of you would know, is probably one of the largest mutuals in Australia, representing over 2.6 million members. Here in the ACT we have approximately 150,000 members. Over time, though, the NRMA has transitioned from being just a motoring organisation. We have actually become one of the largest tourism and transport operators in Australia, providing services to over five million customers annually.

The NRMA philosophy is to try to keep people moving. That stretches well beyond roadside to include a range of services that keep our members on the road, that improve the way they live and that address the cost of living and the cost of transport. That is why we think today's inquiry is so pivotal.

We know that the motor vehicle is usually the second largest purchase in the household besides the family home or the cost of rent. We know that in the ACT the average family spends around \$17,500 a year on transport costs. Fuel makes up a proportion of that. We also know that a Sydney family, on average, each week will probably spend around \$74 on petrol, whereas in the ACT they are likely to spend \$81 or above per week.

Having said that, when we look at what are the biggest concerns for our members, the cost of living comes through quite consistently. Last year, in November, we conducted a survey of our members. The cost of living ranked in the top three issues of concern for members. It ranked behind climate change and housing affordability.

When we specifically look at member sentiment in the ACT, 67 per cent of members rated the cost of fuel as their largest transport concern. This sentiment actually rated

higher than what we saw in regional areas, including New South Wales—in Wollongong and in the Hunter region as well. This is probably one of the reasons why we spend so much time analysing fuel. It forms a large component of what Wal's job is on a daily basis.

There are probably some key observations that we can make about the ACT fuel market. One is that, on average, the cost of fuel in the ACT can be anywhere up to 30c per litre more expensive than in the other capital markets. We know that markets such as Sydney, Melbourne, Brisbane, Adelaide and Perth all experience rises and falls in the cost of fuel, but we do not see that in the ACT market. That is largely to do with fuel price transparency as well as a lack of competition in the area.

We also know that, on average, the price difference between the Sydney and Canberra markets is usually around 10c per litre. But when we then look at the surrounding regional New South Wales areas like Yass, Young and even Gundagai, that differential is usually around 2c to 5c per litre; so the ACT is still more expensive compared to those regional New South Wales areas.

In terms of what the NRMA thinks would address higher prices in the ACT, we believe that fuel price transparency, competition and looking at planning reform are the ways we need to come at this. The NRMA is unashamedly—it has been for quite some time—a supporter of fuel price transparency. Successful advocacy in New South Wales saw the implementation of FuelCheck, which we will take you through.

That was implemented in 2016. Roughly at that time we also implemented the NRMA fuel app. Two years after implementing that fuel app, we probably had 400,000 to 450,000 people download that app in order to see where the cheapest fuel prices were in the region.

In terms of what we see in the numbers, two years after the implementation Wal conducted a bit of an analysis of what we saw in price movements. The reportable difference in the regular unleaded fuel price in Sydney fell 2.2c per litre against the other capital markets. When you compare that to the Canberra market, that difference was actually up to 5.8c per litre.

In terms of what we looked at as an average family, we looked at a family who had a V6 Holden Commodore and was travelling 15,000 kilometres a year. That family could save up to \$500 per year on fuel by being able to tell the difference between the location of the cheapest fuel and the highest point in the fuel cycle.

We think that is one area, but we know that it is not the only area that contributes to higher prices in the ACT fuel market. Forty per cent of the Sydney market is actually made up of independent fuel retailers, compared to 8.6 per cent in the ACT market. When you have the likes of Costco and also Metro Petroleum, sometimes the price differential between them and the major five brands is up to 20c per litre.

For us, it is just about making sure that the ACT motorists get a fair go and that they have access to the same information that we see in New South Wales and our counterparts across the border. We think that fuel price transparency, encouraging a greater number of independent operators in the ACT market and potentially doing that

through planning reforms are probably going to be the best opportunity to do that. Those are our opening comments. I am quite happy to take questions or, if you would like, we can take you through the functionality.

**THE CHAIR:** Yes.

**Ms Warren:** I will hand over to Wal to run through the functionality of the app.

**Mr Setkiewicz:** I want to demonstrate some of the issues that we see as relevant to this inquiry. The FuelCheck system was introduced in 2016. The government mandated that all retailers above a certain volume of fuel had to register their prices with the government website. As Carlita said, we have supported fuel price transparency. As an economist I learned through university that the more information that is available to the motorist and to the member, the more they have the ability to change their behaviour in terms of where they want to buy fuel. I think that is a powerful tool. If you have all the information available to you, that is great.

There were circumstances under the previous regimes where an information gathering company called Informed Sources used to do information transfers with the majors. Obviously, the motorists did not see that information. That was one of the reasons we campaigned to have that information available to the wider public. Basically, what the FuelCheck system does is actually list all the prices across New South Wales. What I want to show you is the flavour of what is in there. I want to demonstrate that if you pick on a particular case, you need to have a look at the number of sites there. It also gives you the ability to find who the players are in that market.

I picked on Cootamundra as an example. There are four sites there in the system. You will see that in this presentation. This one is Metro Petroleum, which exists here in Fyshwick. There is another guy. I do not know who he actually is, but he is an independent. Then you have Caltex and I think that is BP there. But you can go into the system and go to various locations. You can click on Gundagai, click on Yass and click on Gunning. I know that Gunning came up in correspondence that you guys dealt with a couple weeks ago. It shows you what the market is in that area and how many independents there are. I will show you one more just to demonstrate. Please ask questions if I am going too fast for you.

**THE CHAIR:** Yes, keep going. We are not shy; we will interrupt you if we need to.

**MR WALL:** Just check that Hansard is catching your voice okay as you are walking around. You might need to stay a bit closer to the microphone when you are talking.

**Mr Setkiewicz:** I just clicked on the Albury region. It comes up with a list of service stations. The prices are basically in ascending order from the cheapest current price to the dearest. You will see the top one is Independent Albury. He is an independent, non-aligned service station. Then you have got Mobil, BP, Liberty Quickstop, which is a discounter of fuel in that market. If you scroll down, obviously you will see a list of all the service stations.

If I click on the map, it shows you where those prices are in that area. What I want to demonstrate is that where you have a number of independents, obviously you have a

lot more competition in that particular market. As I say, you can pick any particular location—Gundagai, Yass, Bega, the South Coast; wherever you want. The only one you cannot pick on is Canberra because it will show up with no prices in that market. I just wanted to give you the flavour of what is available there.

As I say, the system has been live for almost three years now. The government has made a number of small changes to it over time to improve the functionality of the system. It monitors; anyone can get a feed of information. They just have to register with the Department of Finance, Services and Innovation New South Wales. You can get the API feed and you can use it for various purposes. Obviously, the only condition they have is that you do not use it for commercial purposes. Apart from that, anyone can access it and use it.

**Ms Warren:** This data actually feeds through to our NRMA app. Pervious to launching Blue, which we did late last year, a large majority of the traffic to our app was actually to see the location of fuel in a particular area so that members could make a decision. They know they need to fill up, but where is the cheapest place in their area? They can then direct their purchase behaviour there. Over time we have seen that members derive a significant value from having that information available to them.

**MR PARTON:** Isn't it fascinating to see this as a map graphic and to see what we have said time and again in this inquiry, and you have just said it again: where there are some aggressive retailers, it will distort the market. We note that the Hume Highway is a barrier and an insulator in some ways, in that those two retailers on the other side do not feel the effect of the discounters. We did that drive to Melbourne over the last five days or so, and I was in Melbourne on a Saturday and Sunday, which I gather is always a relatively high point in the price cycle. If there is a price cycle, I cannot see why they would be selling petrol cheaply on a Sunday. I found that the prices in Melbourne on a Sunday were pretty much what we expected to find in Canberra; there was not a great deal of difference.

**Mr Setkiewicz:** Melbourne has a price cycle, just as Sydney does. It will fluctuate by 20c or 30c over some period of time.

**MR PARTON:** That is right.

**Mr Setkiewicz:** I say some period of time because we used to have conventional seven-day cycles. The highest duration cycle lasted about 81 days a couple of years ago. There is no normality in—

**MR PARTON:** Do you know off the top of your head if there is a cycle of sorts in Albury?

**Mr Setkiewicz:** From various monitoring times, occasionally there was, but it is no longer as consistent as it was before. When Sydney had the seven-day cycle, there were different behaviour patterns in some of the regional towns.

**MR PARTON:** That is quite a high differential from lowest to highest there. You are talking about 12c—

**Mr Setkiewicz:** You have 1.29, which is an independent. If I click on it, it should tell me who it is. It tells me where it is. If I click on it, it lists all the prices for the fuel that they are selling at that location at this point in time.

**THE CHAIR:** On the home page you can filter by brand. What is the rationale for that?

**Mr Setkiewicz:** For every fuel type sold, you have to report the price—for all of the grades of unleaded fuel, diesel and premium diesel. There is an icon for hydrogen. Electricity prices are not there, but you can see where there are charging stations.

**THE CHAIR:** That is helpful. That is by type of fuel. Why—

**Ms Warren:** Talking about the brands.

**Mr Setkiewicz:** The brand of fuel?

**THE CHAIR:** What is the purpose? Is it because some people just want to shop at Caltex and just want to find the cheapest Caltex?

**Mr Setkiewicz:** Obviously, people have their preferences and habits. Some people like Caltex because they have always shopped at Caltex; their parents shopped at Caltex. In this space, some are creatures of habit. We tend to shop where we are comfortable and in the way we have always done. If you are travelling across a region, you will not pick one particular location; you will obviously fill up where you can.

**THE CHAIR:** I am not suggesting there is anything behind it. Do you find, as owners of the app, that people often search or filter by brand? Is that common?

**Mr Setkiewicz:** We do not see that.

**Ms Warren:** I would have to check with our digital team in terms of what sort of traffic they see and the sort of behaviour around that component of the app. I can take that on notice.

**THE CHAIR:** If you would not mind. We are interested.

**Mr Setkiewicz:** With the government website, they obviously monitor when people log in. Some ask, “Where is your location?”

**THE CHAIR:** There are probably people in the ACT logging in right now.

**Mr Setkiewicz:** There probably are people in the ACT who go into this and have a look, as a means of purchasing fuel, especially those who are going to Queanbeyan, Yass or nearby locations out of the ACT.

**MR PARTON:** There is another thing that strikes me, in looking at that map, and having driven through there in the last few days. It has been pointed out in this inquiry by a number of people that it is about highway traffic and people that are driving

through, and that is going to create volume. With Albury, you have to get off the highway to get petrol. None of those petrol stations are just a simple, on the highway, pull up and fill up. Probably the closest of them is the place where we filled up, which is the Coles Express at the top. But you still have to get off the highway and go through a couple of roundabouts. The argument is that it is visible from the highway; you cannot see these prices from the highway.

**Mr Setkiewicz:** No, but when you are travelling on, say, the Hume Highway or the Pacific Highway, in various locations you will see signs saying, “Next stop petrol.”

**MR PARTON:** You know that there is petrol there. Obviously Albury is a large city, and you know that there is petrol there. I think there is a perception that Albury is a cheaper petrol town than some others. But the argument that people are being drawn in by signs of prices on the highway does not apply to Albury.

**Mr Setkiewicz:** That is not 100 per cent correct. In Albury I do know that there are quite a few independents that have made their presence felt in that market. That is why, on average, Albury prices will be cheaper than in other locations.

**THE CHAIR:** Let us look at Goulburn. Just off the Hume, on Hume Street, is where prices are the most expensive, fascinatingly. In town it is 126.7 and just off the Hume it is 137.9. That is interesting. We might need to spend a few days looking at some of these towns. We consistently hear—and I appreciate that it is in some of your evidence as well—that we need to have petrol stations on major roads, but that does not seem to be—

**Mr Setkiewicz:** My understanding, with the Canberra retail market, is the 60s, 70s and 80s—

**THE CHAIR:** Is there a reason why yours right now is showing a different price from mine?

**Mr Setkiewicz:** It might have changed in the last couple of seconds since you uploaded that one.

**THE CHAIR:** Maybe they are watching!

**MR PARTON:** They could be; it is live streamed.

**THE CHAIR:** Interestingly, mine—

**MR PARTON:** Are you on unleaded? No, you are on E10.

**THE CHAIR:** I am too. That is why.

**Mr Setkiewicz:** The thing that I want to stress is that the petrol market is not the same everywhere you go. Most of my fellow economists would argue that you have to look at how that thing has built up. If you are in a one service station town like Gunning, that is a market for the Gunning area. If you are in Goulburn, you have about 14 or 15 service stations, it is in a different location and it attracts more people into the service

stations there. You have to take all of these things into account. But to say that Canberra prices are higher because they do not run off the major arterial road, there is probably some degree of truth to it but it is not—

**THE CHAIR:** It is not the only story.

**Mr Setkiewicz:** the only story.

**Ms Warren:** It also has to do with the visibility and concentration of petrol stations in a roughly similar area. If people know that they are in the market or they know that they have to fill up, they can at some point roughly have a comparison of different operators who may be able to offer them a cheaper price. We find with the concentration in the ACT that there is not that visibility from the road in terms of being able to say, “Maybe I don’t look here; maybe I drive a little bit further down the road and see what the competitor is offering.”

Given that we also do not have fuel price transparency, members cannot even look it up beforehand, when they know that they are in the market for fuel, and say, “Let me make a purchase decision prior to even ending up in that location.”

**MR PARTON:** In theory, we have some price transparency, haven’t we? There are some apps that offer—

**Mr Setkiewicz:** You have Petrol Spy.

**MR PARTON:** some of the prices.

**Mr Setkiewicz:** Yes.

**THE CHAIR:** And MotorMouth.

**Mr Setkiewicz:** The thing that distinguishes between the two is that this is real-time information. Petrol Spy is not real time. It is as good as the people who use it and actually put information into it.

**Ms Warren:** Whereas this has a requirement to actually upload data, and upload data on a regular basis.

**MR WALL:** Is there any data on how many consumers are using this information, either through your own website and app or through FuelCheck?

**Ms Warren:** Yes. Our app has gone through a bit of a transition because now it is NRMA Blue. It offers a range of products and services. I can go back and ask the digital team to check how many people are actually clicking on that part of the app. I can do that for you. The New South Wales government made a few amendments and changes to the FuelCheck website and I think that they were catching numbers in terms of up to a million people using it. I would have to go back and double-check those types of numbers. We do know that it is quite frequently used.

**THE CHAIR:** What do you think has been the driver of the popularity of it? The

evidence that we have had here is that people in the ACT are not using the apps that are available.

**Ms Warren:** I think it does come down to cost of living. Fuel is generally the main gripe that our members have and the cost of fuel.

**THE CHAIR:** But they have that in the ACT.

**Ms Warren:** At present—and I was just mentioning this to Andrew—we have a survey in market in the ACT region. At present 1,000 people have responded to that. The preliminary data is that 75 per cent of members think that the prices in the ACT are significantly higher than the Sydney market and 94 per cent would support FuelCheck or a similar alternative existing in the market. Those are some of the numbers that we are getting that I am happy to share with the committee once that survey has been finalised.

**THE CHAIR:** Is that a publicly available survey?

**Ms Warren:** Not at present. The survey is still open at the moment. But we are more than—

**THE CHAIR:** It would be good to get how the survey is being crafted too.

**Ms Warren:** Yes. We are more than willing to provide that to you.

**Mr Setkiewicz:** One point on the popularity of the app or the website—and I have noticed this over time—is that when prices start to become quite high, more people are attracted to using the app and the website. When we had prices in the \$1.50, \$1.60 market we saw evidence of more people wanting to find the cheapest price because obviously the relative price was a lot higher. Basically it was because crude oil rose to almost \$US100 a barrel last October. We saw those increases in price over the second half of 2018.

The other thing I do occasionally see from some of the data that I get hold of is that, on long weekends, especially in a period, say, when you have got an Easter weekend and an Anzac Day weekend, you see people using the app a bit more. Obviously they are travelling around. There is some evidence to support the popularity of using these tools.

**THE CHAIR:** I just wonder why this is so much more popular than what is available in the ACT. Obviously we do not have this available in the ACT.

**Ms Warren:** Yes, alternatives potentially do. I think the data which is pulled from here is probably a little more robust. Some of the other apps which exist are just a catch at a particular point in time, whereas this is uploaded in the feed regularly.

**THE CHAIR:** Like how MotorMouth gives a range rather than a—

**Mr Setkiewicz:** Yes. As I mentioned, MotorMouth have what I call a dotting map. You do not see the actual price; you will see a coloured dot and a price range. It is not

100 per cent transparency compared to our model. Obviously, some of the majors have their own apps. 7-Eleven have an app where you can look at the price and if it is at the bottom of the Sydney cycle you can actually lock that price in for seven days. There are various permutations of apps that you can use.

**THE CHAIR:** I have had quite a few Canberrans tell me that they do that. They know they are going to Sydney and they check it on the 7-Eleven app and lock it in and then wait till they get to Sydney to fuel up. It is quite extraordinary behaviour. On planning issues, one of your recommendations is that we need to shake things up a little here in the ACT. What is wrong at the moment? What do we need to change with our planning regulations to encourage more competition and more independent retailers to the ACT?

**Ms Warren:** I will probably hand over to Wal, but I think one of the first things we would like to see, particularly with some of the up and coming areas where we are going to see a significant amount of population growth, is that, when we are planning for services and amenities around those areas, some consideration is given to trying to encourage independent operators and independent fuel operators into those areas.

I think historically how planning has happened is that most of the petrol stations have happened off those major corridors but have happened in suburbs and town centres where there is not actually a lot of clustering that happens, so people do not get the visibility either across the street or down the road in terms of what potential competition may be. Any way that we can encourage, through planning, independents into the market, we think, would be a good thing in terms of trying to bring those prices down. I do not know, Wal, if you want to—

**Mr Setkiewicz:** My understanding was that the Canberra petrol market developed in such a way that originally, when you had north and south Canberra, you had the various built-up areas and there were pockets of little suburbs developed and basically you had the one school, the one petrol station, the one community hall. You had to travel into that area to actually access the fuel. Obviously, on the main roads you did not see any of that fuel availability. You had to rely on local knowledge—that you knew there was a petrol station there. That was how it originally developed.

My understanding is that 20 years ago, when the supermarket retailers such as Coles Express and Caltex Woolworths started to become more dominant, they then built a network along various corridors. My understanding also is that, where there were shopping centres created, they tended to have a service station built next to the major shopping centre. That is how the Canberra market has developed over time. That is my understanding from what people who reside here have told me. I also understand that various non-aligned independents have sought to get into the Canberra market but they understand that the cost of buying land is prohibitive. Also, some of them explained to me that the leasing costs are quite high.

**THE CHAIR:** When you said “some”, who? Is this just anecdotal?

**Mr Setkiewicz:** Anecdotal, but there are obviously a number of non-aligned majors wanting to try and get a foothold in the ACT market.

**THE CHAIR:** And there were just too many barriers to entry?

**Mr Setkiewicz:** Yes. To them, it was cost prohibitive.

**MR PARTON:** But there certainly is an indication that a number of those more aggressive, smaller retailers had given some thought to Canberra.

**Mr Setkiewicz:** Yes. Metro Petroleum, which in Sydney used to be only a handful and which are now at least 80-odd sites, have got one site here in the ACT. They have also got into the Wollongong, Central Coast and Newcastle markets. My understanding is that they have got a plan to become more dominant in that space.

**THE CHAIR:** What would you recommend that we change with our planning laws? Maybe we should be offering some discounted land for some independent retailers? Is that fair?

**MR PARTON:** It is like being anti-competitive to be competitive.

**Mr Setkiewicz:** You want to create a vacuum where you can then encourage people to come in and obviously compete on price. I would use this word—if you could “incentivise” those people. Whether it is giving them certain financial arrangements, I do not know. Obviously, we would have to examine that. I would prefer to be incentivised, rather than have subsidies in place, because I think subsidies are not the answers to these questions. But it is a hard thing to point out, because you do not want to distort the market but you want to create a favourable scenario so that you can encourage independents to come in.

**MR PARTON:** In your opening statement—and I am sure it was included in the submission but it has been a while since I read it—you talked about the difference between what a Sydney family and a Canberra family spend on petrol in a week. We were talking \$74 for Sydney and \$81 for Canberra. Why is it different? Is that just about price or is it about volume? Why is it?

**Mr Setkiewicz:** The dollar figure is about the price.

**Ms Warren:** Yes.

**MR PARTON:** I am trying to drill down to something that you probably do not know the answer to. I am just trying to get my head around why there is a \$7 differential.

**Ms Warren:** I think it would probably come down to two things, and I can go away and see if I can break it down a bit further. One would be the cost but the other point is that we know that the proportion of people in the ACT that either drive for commuting or other purposes is generally a lot higher than we see in New South Wales because of access to transport. You would probably find that the differential would be a combination of both those two factors.

**MR PARTON:** It almost indicates that if petrol prices are—and all the figures suggest that they are—generally speaking, higher in Canberra than is the case in Sydney then it would actually impact individual families more heavily in Canberra

because of the fact that there is a higher spend.

**Ms Warren:** Correct.

**MR PARTON:** You mentioned also in that opening statement some of those regional markets—and even some regional markets where there are not as many outlets as, say, Cootamundra—where there are just two petrol stations or one petrol station, and that time and again we do see prices in those tiny, micro markets lower than the prices here in the ACT. We find that almost impossible to explain. How do you explain it?

**Mr Setkiewicz:** It is basically the cost of running a service station. You look at, say, a place like Gunning. I googled the station a couple of weeks ago. It is an older station that has obviously been around for a few years. The cost of doing business there, I presume, is probably a lot cheaper than doing business, say, in the Canberra fuel market, for a number of locations. That person there is able to offer a price that is commensurate with his particular operations. It is basically about the business model and what that person can charge. Obviously he still has to pay the fixed costs of getting the fuel into Gunning, the distribution costs of getting it into his service station, and then the cost of running his service station.

He may be a one-person operator there in that service station—I do not know—as compared to, say, in some of the service stations here, where you have got maybe five or 10 staff running it over a period of a week. But all those things need to be taken into account to try and provide answers as to why some of these locations have prices a lot lower than in Canberra and even in Sydney.

**MR WALL:** The NRMA operates a variety of businesses: insurance, roadside assistance, driver training and mechanical repairs. Have you considered the petrol market?

**Mr Setkiewicz:** That has come up in conversation over at least the last 10 or 15 years. You need to understand that the costs of running a service station are quite expensive and you need scale. If you want to influence the market and be a competitive operator one site is not going to help you. You need to buy maybe four, five, six or seven sites for that to happen.

The oil industry is basically what you call a monopoly. The product comes from a number of locations, so there is a cartel in that. Shipping has its own economics of how it works and there is the distribution and movement of fuel in and around the areas out of the terminal. It is quite an expensive business to run, so you need size to be a dominant player.

**MR WALL:** The thought just occurred that you are a member-based organisation. Costco appeared before us. They run a membership model for their business and they started with seven sites across the country.

**Mr Setkiewicz:** But Costco are never going to be a big operator in the Australian fuel market. They are predominantly a grocery wholesaler.

**THE CHAIR:** Yes. They made it very clear to us that they have thought about it but

that their strategy is that they attach their service station to the warehouse and they cannot have a thousand warehouses.

**MR PARTON:** But they have been doing some pretty big volumes in those individual stations.

**Mr Setkiewicz:** I would expect so, given the price differentials between them and their competitors in that area.

**MR WALL:** On pages 7 and 8, table 1 is a breakdown of the costs for regular unleaded. The fuel taxes in the ACT are 0.8c a litre higher than the Sydney prices.

**Mr Setkiewicz:** You want to know why?

**MR WALL:** Please.

**Mr Setkiewicz:** It is basically because their average price is 141.3 against—

**MR WALL:** Is it just the GST?

**Mr Setkiewicz:** That is what it is. That table is trying to demonstrate that the basic product is the same. Obviously, the fuel excise is the same wherever you are and the small difference is basically the GST because of the final price.

**MR WALL:** The difference in the retail price?

**Mr Setkiewicz:** Yes.

**MR WALL:** Is there anything else you have discovered that contributes to the higher operating and margin costs in Canberra, other than the lack of competition and the transport-type costs we have covered?

**Mr Setkiewicz:** It is basically the costs of getting the fuel into Canberra. I know previous commentators have said that the transport costs into Canberra are roughly about 2.5c to 3c a litre. I think that is probably a correct assessment. The operating costs in the Canberra market compared to some of the other markets are an issue.

**THE CHAIR:** We are getting conflicting evidence about where they are located. Surely there are similar costs for Queanbeyan and Yass and Goulburn in transport costs.

**Mr Setkiewicz:** I agree with you.

**THE CHAIR:** I appreciate that there is some difference in the cost of doing business, but Caltex were telling us that they think the ACT is quite an attractive market; they thought the volume of fuel being sold here is really quite high. We are just trying to get our heads around the evidence.

**Mr Setkiewicz:** Is that across all their fuel stations or just some of them?

**MR PARTON:** They dispelled the suggestion that volumes were low. Suggestions have been made that one of the reasons prices are so high here is that the volumes being sold are quite low. I think that is absolute rubbish.

**Mr Setkiewicz:** We cannot answer that question because we do not have access to that data.

**THE CHAIR:** They said it is going to become patent that that is not the case and that volumes are high.

**Mr Setkiewicz:** One thing I understand is that if you get more people into an area, so there is more demand for the fuel, obviously more volume can be sold and that will impact on the supply and demand conditions.

**MR PARTON:** But clearly it does not impact on the price. The suggestion earlier today was that there were 7,500 Canberrans per petrol station and 5,500 Sydneysiders per petrol station. So if you scoped that out across the entire market the volumes would be higher on average in the ACT than in Sydney. But that is not reflected in the price.

**Mr Setkiewicz:** Again, we have no access to that data, so we cannot comment on that.

**MR WALL:** You showed us the price differentials and they occur across every market, be it Albury or Canberra. Some areas have cheaper fuel and others have more expensive fuel. There is an opportunity cost in chasing cheaper fuel, both in time and in the fuel to operate the car to get somewhere not on the way to where you are going just to save a few cents a litre. What is the propensity of people to actually do that? Has the NRMA ever been able to model where the sweet spot is for someone to deviate from their usual path to chase cheaper fuel?

**Mr Setkiewicz:** I have done ad hoc calculations on the basis of the differences in price. I was asked by my media people, "If I am driving a Commodore V8, how far can I drive before it becomes uneconomical for me to travel 20, 30, 40 kilometres?" So we have done a specific exercise like that but not on the macro level.

**THE CHAIR:** But with the prices we are seeing in New South Wales even today, the difference between the cheapest and most expensive in a city or a region is only a few cents, so that equates to only a couple of dollars a week.

**Mr Setkiewicz:** It depends. I can tell you that this morning in Sydney there is an attempt to spike, so the Sydney cycle is going up. A couple of stores decided to raise their prices. Whether everyone follows obviously depends on what the market does in the next day or two. But in Sydney this morning the lowest was 128.7 and the highest was 159.9. That is a huge difference.

**Ms Warren:** I do not think we should ever discredit the pinch to the back pocket that people are feeling at the moment; we get that sentiment quite heavily.

**THE CHAIR:** That is clear to us as well. We are seeing some of these sites diversify their offerings. People potentially do not see that, although they have shopped around

and driven the extra 10 kilometres to get cheaper fuel, when they have walked inside and bought a premium priced ice cream and an \$8 bottle of water they have basically lost all that gain.

**Ms Warren:** Being able to save some money so that they can spend it on something else, whether it be discretionary or not, is of value to a lot of people and it is a lot of value to our members. Where it becomes critically important is when we see rising fuel prices over an extended period of time outside the norm of the 23 or 26-day fuel cycle. When we see it heading into the 160 mark, people will be asking us, even through media commentary, when the market is going to turn, how much higher will it get and where should they be looking to find the cheapest fuel.

The cost of fuel is of significance to people—it means the difference between buying their kids an ice cream or \$20 to \$30 here and there to spend on a meal out. It does make a difference, and even though it may seem a little inconvenient to drive five kilometres further to buy fuel, people are still willing to do it.

**Mr Setkiewicz:** Another thing that has been pointed out by people previously is that you need to look at what Canberra is doing compared to Sydney, say. When Sydney is at the top of the price cycle you will see prices with an average difference of 5c, 6c or 7c different difference between two locations. But when Sydney is at the bottom of the cycle you see that difference of 30c difference. A lot of members write to us saying, “We’ve just driven up to Sydney and we bought fuel for 32c less than when we left Canberra.”

**THE CHAIR:** They are writing to us as well.

**Mr Setkiewicz:** Yes. And we need to explain why that happens.

**MR WALL:** Consumer behaviour changes as well. When it is at the top of the cycle in those markets, they are probably putting only \$20 or \$30 in, as opposed to filling the tank.

**Mr Setkiewicz:** The savvy motorist will fill up enough to get them by for a couple of days, if they know the price is going to fall by a couple of cents.

**MR WALL:** Until the swing comes.

**Ms Warren:** Again that is where we come into play, because you will find people start to say, “When are you expecting to see movement?” and we will direct them to the app. At that price point where it is significantly higher, if they are willing to shop around, they can do that. We also follow that up with commentary on what we are potentially going to see in terms of fuel movements and when there may be some reprieve, so that they can make those purchase decisions and say, “I know I may need to fill up the tank a little bit, but if I can hold on, I will do that at the top of the market and wait until I start to see some relief in terms of those petrol prices coming down.”

**Mr Setkiewicz:** You will also find in the Sydney market that you have some savvy motorists who know that the majors will go up to that common high price at the top of the cycle. You will generally find that the independents will go up, but by about

10c or 12c less than the common price by the majors. People know over time that when the prices are spiking, if you have to buy fuel, you still go to the independents because they offer better value.

**MR WALL:** When price monitoring was introduced in New South Wales and likewise in other states—Queensland has gone down that road—

**Mr Setkiewicz:** Queensland is going through a trial period for implementation.

**MR WALL:** Apart from arming consumers with more information, was there any underlying change in retailer behaviour?

**Mr Setkiewicz:** All I can comment on is evidence that I have heard. There have been a few independents who were not on the main drag, so to speak, in the inner western area, inner metropolitan Sydney, and a couple of them made comments that they were getting more fuel sold in their locations since that scheme had come into play. People would say, “So-and-so in the back of Marrickville is 12c cheaper than one of the majors down the road.” I have heard a lot of that type of commentary from independents who could not advertise their price before.

**THE CHAIR:** With WA’s scheme, does NRMA have a view on it—the FuelWatch scheme, and locking in prices for 24 hours?

**Mr Setkiewicz:** I know the scheme has been in place since about 2004. Before we had FuelCheck, that was the only instrument that at least tried to provide some comfort to motorists that they could look at prices. Do we think it is better than FuelCheck? No, because FuelCheck is real time.

**THE CHAIR:** Is there also an issue in terms of locking in a price for 24 hours?

**Mr Setkiewicz:** Yes, that price is locked in, so there is no intra-day trading. The retailer there, once that price is set, has to hold that for 24 hours. I do know that in Sydney, Brisbane, Melbourne and possibly also in Adelaide there is a lot of competition during the day. Four or five service stations will set their price; when they open up in the morning they will do business, then some of them might notice, “Joe Bloggs down the road is selling for 2c less. I’ll try and match him.” We think that type of competition is healthy. Obviously, that does not occur in—

**THE CHAIR:** Do your members think that is healthy? Do you think people are genuinely changing their behaviour? Are they watching what is happening during the day and how prices are changing during the day?

**Mr Setkiewicz:** My understanding is that I have heard people drive to work in the morning and they see the price at a service station on the way to work; when they drive back home they notice it—

**THE CHAIR:** Not in the ACT because they are not going past any.

**Mr Setkiewicz:** No, indeed. I am talking about metropolitan Sydney. People are observing that. Sometimes people have been caught out. Sometimes the price spikes

in the afternoon and not everyone goes at the same time; there is obviously that uncertainty in terms of what the price will be later in the afternoon, when the spike is turning in the Sydney market.

**Ms Warren:** With respect to your question about whether or not they would prefer to have the price fixed versus having transparency of prices and just letting the market do what they want, we have not specifically asked our members that question.

**THE CHAIR:** How did the scheme come about? At least one witness said that they were not as big a fan of the New South Wales scheme as they were of the Queensland scheme, and that was because New South Wales just did it without consulting with industry. Do you have any comment on that?

**Mr Setkiewicz:** I was around when that happened. We have always lobbied the New South Wales government that we wanted real-time information available—

**THE CHAIR:** Yes, that is good.

**Mr Setkiewicz:** and we have pushed that barrow for quite a few years. We thought it was better that the motorists had all of that information rather than what we had until 2016, where you only had pockets of information; you could not observe changes. One of the issues that came up, on which we wanted some certainty in terms of people being able to find the information, was that price cycles varied. Sometimes you had a 14-day cycle; next time it was a 22-day cycle. People could not work out, on the basis of what had happened over the previous couple of weeks, what was going to happen next week. It was quite fluid and volatile in some circumstances. My understanding is that people wanted to see where they could find the cheapest price possible.

At the end of the day a lot of people were concerned; obviously, you cannot budget for fuel changes with the normal weekly cycle, with your household budget et cetera. A lot of people were saying, “Last week it cost me \$60 to fill up and this week it’s taken me \$80 because the price has spiked.” They were concerned about the volatility in terms of not being able to manage their budgets.

**THE CHAIR:** I guess the Canberra market is less volatile.

**Mr Setkiewicz:** Yes, you do not have that issue.

**MR WALL:** Is the biggest frustration that you find from your members the price volatility, that they cannot budget, and a lack of knowledge as to what the underlying cause for it to go from \$1.30 to \$1.50 is?

**Mr Setkiewicz:** There are a lot of people who do not understand price cycles.

**Ms Warren:** Yes. I think the biggest gripe that we find is probably the members who travel between specific regional areas or travel from regional New South Wales into the ACT. We do get a lot of comparison regarding Sydney and into the Gosford market, in terms of, “Okay, I’ve have done this trip; I’ve just come down to Sydney and the prices are 15c to 20c different. How come that happens?”

The explanation, in terms of trying to get them to understand, is that they are different markets, that they operate on two different price cycles, and the reasons why they move. There is an incredible amount of frustration around that, because there is this feeling of, “How come they get it better than I do?” We do find that you get that play-off, particularly in terms of when you have people that are distinctly moving between two markets and who are actually watching the prices. They do find some frustration with that.

**THE CHAIR:** Do we need to play a bigger role in getting people to better understand that the markets are simply different; that because we are an inland city, there are natural input costs that are much greater?

**Mr Setkiewicz:** I think more understanding is better than less.

**THE CHAIR:** How do we do that, though? Take out an ad?

**Mr Setkiewicz:** Basically, it becomes—

**THE CHAIR:** I am sure they will be really impressed.

**Mr Setkiewicz:** No, it is not what you would call a sexy thing to do. Education always helps. Obviously, there are ways of doing it. I do not know if there is any right way to communicate that.

**Ms Warren:** A lot of the work that we try to do, through the media or even our social media team and some of the documents that we put out, is try to give some sort of indication of how the fuel market works and why there are differences. Again, sometimes it is quite a difficult issue to communicate when all that people want to see is that they have access to exactly the same prices as somebody else within the state.

**MR PARTON:** Yes. That is what they want, isn't it?

**MR WALL:** Yes.

**Ms Warren:** Unfortunately, given the way that the market works, we are not going to see that across the board.

**THE CHAIR:** In many ways, be careful what you wish for, considering what is happening in Sydney.

**Ms Warren:** Yes, correct.

**Mr Setkiewicz:** The other thing to point out is that you have five capital cities that operate under a price cycle, but the price cycle is not the same in terms of length or behaviour. There are nuances. South Australia is a particular case. Obviously, Western Australia is another case. There are similarities between Brisbane, Sydney and Melbourne. They have retailers; they have a good concentration, more so in Sydney and Melbourne than in Brisbane.

Then in Canberra, Hobart and Darwin you have a completely different scenario where

the prices do not follow any cyclical pattern. They are smaller markets and they have their own nuances as well. You mentioned Canberra. Canberra is probably the odd one. It is an inland city, which probably does have an impact on prices and the development of that market over time.

**THE CHAIR:** Price cycles here are foreign to us. In many ways, that is good and bad. I certainly appreciate the evidence we have heard so far. When things are low in a price cycle, there are many benefits. But there are also periods when it is very high. I would like your understanding. I have been using the FuelCheck website to look at what is happening in Sydney.

**Mr Setkiewicz:** It is good that you are using it.

**THE CHAIR:** I am, yes. Seriously, I cannot even fathom what is going on. You are exactly right. There are prices as low as 1.27.9 and then 1.59.9. But there are two BP sites that are three streets away from each other and there is a 24c difference.

**Mr Setkiewicz:** I think you will find at the moment that there is a spike starting to occur. Not all the service stations go up at the same time. There are some that go; others hang on for another 24 hours. That could be it. Where exactly in Sydney is that, just out of curiosity?

**THE CHAIR:** Vaucluse.

**Mr Setkiewicz:** That is in the eastern suburbs of Sydney. You will see these types of things present as the cycle is turning, even in one suburb where you have four or five service stations—

**THE CHAIR:** But why would two service stations of the same company—

**MR PARTON:** Because they have not gone with the spike yet. If you are in Vaucluse and watching the live coverage of this hearing, get petrol now.

**THE CHAIR:** That is right, on Old South Head Road.

**Mr Setkiewicz:** That second service station will increase its price to that same level. Whether it does it this afternoon, tomorrow morning or tomorrow afternoon, I do not know.

**THE CHAIR:** Yes, and why are they spiking?

**MR PARTON:** Because that is the cycle.

**Mr Setkiewicz:** That is the cycle, yes.

**MR PARTON:** It is actually indicative of the fact that some are behind the ball with the change. It is actually—

**Mr Setkiewicz:** But not everyone goes up at the same time.

**MR PARTON:** That is right. It is indicative of non-collusion, isn't it? It is indicative of a genuine market that is actually changing bit by bit.

**Mr Setkiewicz:** Understand the cycle: at the top of the cycle is when service stations potentially make the most amount of money compared to the wholesale prices. When you fall to the bottom of the cycle, they are not making any money. In some cases they are actually losing money because the price goes below the wholesale price. You need to look at the average margin over the cycle.

**MR WALL:** But I guess that they are playing the price volatility of the international exchange rate, the differential of the market gate price on the day versus what they paid for what is in their tanks and the price they are selling. So there is—

**Mr Setkiewicz:** Yes, it is a matter of timing as to when they get the fuel and what price they got it for. The terminal gate crude prices change. Normally there is a lag effect. What happens in the world—say, in the Singapore market—takes a little while to filter through, but when it filters through—

**MR WALL:** It filters through to refineries, essentially

**Mr Setkiewicz:** Yes.

**THE CHAIR:** Fascinating. We have two days of travelling together. We will keep the app open all day and try to understand it.

**Ms Warren:** Enjoy. If there any other questions that you would like to ask to give an understanding of how the price cycle works and how it moves, we are more than happy to have a second shot at giving you some of that information. We are more than happy to do that.

**THE CHAIR:** Thank you, that is very generous. Given the time, we will close our questions for the day.

**Mr Setkiewicz:** I have been monitoring fuel prices in this space since about 2010; so I have a fair bit of knowledge as to what has happened. I cannot really explain why things have happened—

**THE CHAIR:** Yes, historically. That is great. That is very generous. You will in the coming days get a proof transcript of what was said here. It probably will read interestingly given that it will not have all the images to go with it. That will provide you with an opportunity to correct or clarify anything. I think you have taken a few questions on notice. You will be having a chat with your data team.

**Ms Warren:** Yes, mainly around the use of our app but also the survey that we currently have in the market. We will feed through the responses of that to you as well.

**THE CHAIR:** Yes, if we could see the survey questions as well, that would be helpful.

**Ms Warren:** That is no problem at all.

**THE CHAIR:** Thank you very much for appearing

**Ms Warren:** Thank you very much for your time. We appreciate it.

**Short suspension.**

**CARPENTER, MS ROWENA ROBYN**, Director, RCJC Transport Pty Ltd

**THE CHAIR:** Thank you very much for appearing today. You should have previously received a copy of the privilege statement. It is that pink document. For the record could you confirm that you have understood the implications contained within it.

**Ms Carpenter:** I have.

**THE CHAIR:** Before we proceed to questions, thank you very much for putting in a pretty comprehensive response to our survey. Do you have an opening statement?

**Ms Carpenter:** I do.

**THE CHAIR:** Go right ahead.

**Ms Carpenter:** I am rather nervous.

**THE CHAIR:** Take your time.

**Ms Carpenter:** Firstly I would like to thank MLA Tara Cheyne and the ACT Legislative Assembly for holding this inquiry into fuel pricing in the ACT. Many of the people I speak to, like me, are fed up with ever increasing price hikes and the cost of living in the ACT, especially fuel. It is clear that the people of Canberra want something done about the price of fuel, and this inquiry is a good start. I can only hope it results in a favourable outcome for the people of Canberra.

Firstly, a little background information about me and my circumstances that have driven me to be so passionate about fighting for fair fuel prices in Canberra: my husband and I commenced operation of our owner-driver freight transport company in 2015. We run a single prime mover between Canberra, Melbourne, Sydney and many regional towns in between. Travelling between cities and towns so much highlights the massive differences in fuel pricing between capital cities, regional townships and Canberra.

One thing stands out very clearly: we are paying too much for fuel in Canberra. Some examples include our current price for diesel—I am mostly talking about diesel because that is what we use most—in Charnwood, which is my local fuel outlet, is \$1.54.9 at Coles Shell. In Goulburn the current price is \$1.39.9; in Yass it is \$1.45.9. I have got quite a few but you do not need to hear them. I am sure you have seen all the prices; so I will not worry about rattling them all off. But the lowest I found was in Liverpool, \$1.37.9.

Canberra's diesel prices are consistently between 15c and 25c a litre more than other cities or regional towns. Submissions from the ACCC, Viva Energy, Caltex, 7-Eleven stated that this is because it costs more to transport the fuel from its direct facilities to Canberra. If this is the case, why does it sometimes cost up to 25c per litre less in regional areas surrounding Canberra than in Canberra itself when these regional towns are only 30 minutes away?

In an online message between me and Tara I questioned her about the fuel prices in the ACT and what the government was doing to ease the financial pressure. As a result this inquiry came about.

**THE CHAIR:** This was before this inquiry, just for members' benefit. This was last year.

**Ms Carpenter:** Yes, just before. The response was that she discussed it with the minister for consumer affairs and the short answer was that petrol companies have determined that Canberra is a place where they can extract a greater price.

One of these issues is a lack of competition. My opinion, only, is that I see this as price gouging. And I feel that the ACCC should be doing something to stop it. I would like to ask why Canberra does not have fuel cycles like other capital cities. I have lived in Canberra for most of my life and this has not always been the case. I would like to know why this changed.

I am frustrated and despondent about constantly being depicted as a high-income earner because I live in Canberra. I am currently working two jobs in conjunction with financial and directorship roles with RCJC Transport. After paying for fuel, GST, insurance, financial repayments on vehicles and maintenance costs, income tax and the remaining business expenses, our combined weekly income from RCJC Transport is just over \$1,000 a week. From this income we still have the same living expenses as every other family: our mortgage, utility, food, clothing, school fees et cetera.

The financial impact on our family and budget is becoming too great and we have stopped paying our land rates and going out for meals. I have been buying food from the local charity supermarket and, since late last year, purchasing clothes from second-hand clothing stores.

As you are aware, from last week my husband is not fit to drive our truck for the next two months as he has undergone major surgery to remove a tumour which, thankfully, is benign. We are lodging financial hardship applications with all our financial institutions and lending facilities and doing our best to avoid bankruptcy.

I have collated some data covering a period from January 2018 to the end of March this year in relation to fuel consumption and cost comparisons for keeping our truck running. As you could expect, the amount of fuel fluctuates with the amount of income derived. Therefore, the more the wheels turn, the higher the income, the more fuel is required. The fuel from one month can range between 4,000 litres and over 7,000 litres. The overall cost difference for 7,000 litres of fuel at today's prices can be as much as \$1,200 more, that is the difference between buying fuel at Sydney or Goulburn prices, because they are very compatible, or buying the same amount of fuel at Canberra. It is approximately \$1,200 a month more.

As a director, I have done everything possible to reduce the cost of fuel on our business. We currently purchase fuel whenever possible from the company we subcontract to who purchases fuel at bulk prices. This is currently \$1.25 per litre. Yet

the fuel we are purchasing from Caltex, for which we receive a very small 4c a litre discount with our Caltex card, is around \$1.55.

I would like to know why the fuel companies are willing to sell some fuel at \$1.25 but the rest of the Canberra population pays 25c to 30c a litre more. I think it is reflected in a high profit margin added on to the pump price. I also understand that it also has a lot to do with volume. The subcontractor we purchase from purchases high volume and the pump is only selling small amounts to each individual purchaser.

The service stations at Charnwood, Melba, Holt, Hawker and Belconnen all advertised the same diesel prices, \$1.54.9 per litre, with the exception of Caltex Holt which was \$1.52.2. The only fuel stations to choose from in the Belconnen area are Shell, Caltex and 7-Eleven. There is only one BP in Macquarie and no independents.

This, combined with Coles Shell fixed prices, should be evidence enough of a lack of competition and, I think, price fixing and collusion in Belconnen. Take a drive to Fyshwick or Tuggeranong and there is a variety of prices where consumers can shop around.

Viva Energy, who supply fuel to Coles, stated in their submission that the price of fuel is typically set by the operator of the service station, the retail pump prices often move regularly to reflect changes in wholesale prices and that due to a highly dynamic market there are often variances in retail pump prices from site to site and from market to market. I heard a lot of that discussion with the NRMA.

I would like to know why this is the case, why the majority of Coles Shell service stations across the ACT are charging exactly the same price for diesel fuel and why has the price been fixed for some months. I do not know if you have noticed that. I certainly have.

Possible solutions include increased competition; release more land sites open only to independent fuel companies so that there is incentive for them to come into the market; lobby the federal government, with the other states and territories, to reduce the excise; place a restriction on the number of sites one single fuel company can own or operate in the Canberra region—and I do not know if that is even doable; for example, Coles Shell has the highest number of fuel sites in Canberra—impose a cap on this number; and allow independent operators to enter the market and increase competition.

I hope I have adequately demonstrated to the select committee how small business owners and the residents of Canberra are suffering from the ongoing, increasing costs of living, and the impact of increasing fuel prices only adds more pressure to the family and business budget. I appreciate the select committee holding this inquiry and hope that a resolution can be found to benefit those who need it most.

**THE CHAIR:** Thank you very much for your comprehensive submission and for appearing today. Particularly given the range of circumstances that you have outlined, we are very appreciative that you are here today. Indeed you are the first community person that we have heard from.

Your situation, Ms Carpenter, is a little different from your average Canberran in some ways because your small business is so reliant on fuel. I do not think you qualify for my analogy in terms of a few cents a litre not making much of a difference. For you, clearly it is over \$1,000 in some instances. You mentioned where your mover travels to. Does the company make use of existing apps like Petrol Spy or MotorMouth to make a decision when moving between regions on where to purchase fuel?

**Ms Carpenter:** That is something my husband would have to answer, but I think probably not. He is the only driver. A lot of the time, because you have to balance your work diary and your travel hours with your stops, your breaks and resting periods, he tries to couple rest breaks with fuel stops. We have a Caltex fuel card and we have a United fuel card. Caltex was just too expensive. We are trying to move away from Caltex entirely and just use United. Most of the time those are the only places he fills up and the rest of the fuel is from our depot, the company we subcontract to. He tries to estimate, on the basis of where he is about to drive to, how much fuel he thinks he might need. He is pretty good at it now.

**THE CHAIR:** I bet he would be.

**Ms Carpenter:** He usually gets quite close, yes. That could be 600 litres, 800 litres or thereabouts for a trip to Melbourne and back. He might need to do a little top-up, say, at Caltex in Yass—less than 100 litres. So he is minimising as much as possible the amount of fuel that we have to purchase at the highest rate. I would say we are making the most effort to obtain cheaper prices.

**MR PARTON:** It is a massive juggle, by the sound of it.

**Ms Carpenter:** Yes.

**MR PARTON:** It has to be meticulously planned.

**Ms Carpenter:** When you are driving a truck for extended hours, you have to plan, anyway. I do not know if you have ever seen a worker diary for truck driving. It is complicated. It is about trying to balance it out so that you get enough rest. Finding somewhere to stop is difficult enough, and somewhere that has the facilities. Sometimes when you pull up they are out of food, so you move on to the next one, but that means the price of petrol might be higher there. You have to find some sort of balance. I think he is doing pretty well. We talk a lot, obviously, about how to manage these sorts of expenses, and in making sure that he is using the most fuel from the bulk purchase from our company supplier and not buying too much on the road.

**THE CHAIR:** That is quite a bit of pressure on him, in some ways, isn't it, in terms of supporting the broader family?

**Ms Carpenter:** Yes.

**THE CHAIR:** If he has not planned perfectly—

**Ms Carpenter:** It just costs us more.

**THE CHAIR:** It is costing you more and impacting you—

**Ms Carpenter:** And that is more pressure.

**THE CHAIR:** week to week, month to month, and it impacts on your lifestyle, essentially.

**Ms Carpenter:** Yes, absolutely.

**MR WALL:** It sounds, from the numbers that you gave, that the difference between buying at that bulk rate versus the consumer rate is the difference between making an income or not, in a month.

**Ms Carpenter:** Yes, probably. When I said our take home, between us, that is joint income. That is what we make after expenses.

**MR WALL:** An extra \$1,500 a month in fuel is more than a week's pay gone.

**Ms Carpenter:** Huge.

**THE CHAIR:** Yes, wiping it out.

**Ms Carpenter:** And the prices now are lower than they were back in October. October was when I was jumping up and down about it with you—

**THE CHAIR:** I recall.

**Ms Carpenter:** because even our wholesale price that we were buying it for from our supplier was \$1.50 a litre. Prices at the pump were at \$1.70. I do not know if you remember that.

**MR WALL:** Yes, I drive a diesel; I notice it.

**Ms Carpenter:** Yes. I was pulling my hair out at that point in time because you can't not work, and you can't not buy fuel. You just have to do whatever you can.

**THE CHAIR:** Yes, that is right.

**Ms Carpenter:** That is all you can do. You minimise expenses in other areas. Obviously, your fuel has to come first, because that is what keeps everything going. It is a priority of expenses.

**THE CHAIR:** This is sensitive and personal, and only respond to the extent you are comfortable. The NRMA was saying before that fuel prices, even for an average person, do affect their discretionary spend, and whether they can go out or not. From what you were saying before, it is not even discretionary income for you; there have been serious impacts on your day-to-day life. I guess that is my point: it is day to day; it is not about, "Can we go out to dinner or not?" It is actually, "What are we having for dinner tonight that we can afford?"

**Ms Carpenter:** Yes. Things come up, as they do, such as family events. We have been asked to go out to dinner tonight and I would like to go. The first thing my husband says to me is, “Can we afford it?” “No, probably not.” But should we always have to miss out? That comes down to me doing very tight budgets.

**THE CHAIR:** I bet.

**Ms Carpenter:** Yes, I am pretty much all over it where money is concerned.

**THE CHAIR:** You might get contracted out.

**Ms Carpenter:** It is a hard balance. My daughter was at me this morning, “Mum I don’t have any pants; can we go shopping? “With what money?” And this was for school. I can only pick up so much from a charity store because they do not stock uniforms, not pants, anyway. You can often get jumpers or shirts. Target sells the plain ones with no logos or anything on them for five bucks. That is not a big drama; it is when you have to buy a lot of them. She has a tendency to leave a lot of her stuff at school and not bring it home, so even that creates tension.

**THE CHAIR:** Typical teenager.

**MR WALL:** I have one of those.

**Ms Carpenter:** Money is always a contentious issue. But when you have so much pressure from other areas, it makes it even more difficult.

**MR WALL:** You heard the NRMA’s evidence, and you touched on the pricing cycle in your opening statement. At the peak of the Sydney price cycle, when prices are at their highest, Canberra prices are below, but when the Sydney cycle bottoms out, from the cheapest petrol to the average price in Canberra, there is quite a discrepancy. I do not think that there is any question that prices in Canberra, as a rule, are generally higher than they are elsewhere. From a business perspective, does the price fluctuation make it easier or would stable prices make it easier in the operation of a business?

**Ms Carpenter:** That is a really hard question to answer. I read in one of the submissions that there are benefits and deficits in price cycles. One benefit obviously is that you have a consistent price, a fairly steady market, and that gives you the ability to budget better. The amount of fuel that we purchase varies quite significantly, depending on where the truck has to go, how many days in the week we are able to get work and things like that.

The only way I could answer that would be to say that I would have to do it over a period of time and do a comparison. The prices that we get currently, that we purchase now through our bulk supplier, have their own cycles. In a week the price could still vary by about 5c a litre. At the beginning of the week we might be paying \$1.25 and by the end of the week it could be up to \$1.31 or \$1.30.

**MR WALL:** And in a busy week you would be filling up two, three times.

**Ms Carpenter:** He fills up two, three times a week. If he is doing Sydney, he actually does it more frequently. It is still cheaper for us to buy from our bulk in Canberra than it is to buy in Sydney. So he will get 600 litres and he will drive to Sydney and back and then fill up again. Then the next day if he is doing Sydney and back, he will do the same thing. It really depends on where it is that he is driving as to—

**MR WALL:** It is the long range trips like to Melbourne—

**Ms Carpenter:** To Melbourne he will do 800 litres or more, yes.

**MR WALL:** or to some regional centres along the way.

**Ms Carpenter:** Yes. We have a small—it is not a price cycle as such, but it does go up and down within a week. Sometimes, like in October or late last year, it just keeps going up and up and up and up. Our supplier could see the impact it was having on our costs. There is some sort of a levy that is imposed on them. I imagine it is like a distribution levy or something like that. They have actually removed it for us. I can see it on our invoicing. He worked at trying to take that off so that we were not paying that on top of the cost of fuel to try to help—

**MR WALL:** I guess it would give you a bit of breathing space.

**Ms Carpenter:** Yes, a little bit. It was not a lot, but anything helps when it is that much.

**MR WALL:** Every bit helps.

**Ms Carpenter:** Yes, I do not know. I am really quite divided when I read in the submissions about there being pros and cons to both, yes.

**MR WALL:** I put the question because if you know what your costs are going to be with reasonable certainty month in, month out—

**Ms Carpenter:** It is a lot easier to budget for.

**MR WALL:** it is a bit easier, but—

**Ms Carpenter:** Yes, I would have to say that I definitely have to agree with that one. That is one of my biggest whinges. Our income fluctuates and then our fuel fluctuates. I do not know what is going to happen from week to week; so yes.

**MR WALL:** Transport is not my background in business. Are you able to give an insight for the committee of what proportion of your costs petrol or diesel would be in operating the truck?

**Ms Carpenter:** Yes, this is why I have put this stuff together. I thought you might ask—

**MR WALL:** You have come well prepared, thank you.

**Ms Carpenter:** something like that. I have not got percentages. I am not terribly good at working out what a percentage of a cost is.

**MR WALL:** That is okay.

**Ms Carpenter:** I will use one particular month, for example. Our revenue for a month may be around the \$23,000 mark. Our fuel expense for that month would be around \$13,700. I was trying to work out the figure last night; it is around 30 per cent. Fuel is 25 to 35 per cent of our overall income cost. Registration is \$1,834 a quarter. We have to pay road tolls, which are nearly \$550 a month. We have repairs and maintenance, which is just over \$1,300 a month.

In respect of tyres, we only have a truck. If we had a trailer as well you could triple this cost, if not more. We budget for around \$220 a month. Sometimes it can be higher. It just depends on which tyres you need and how many of them you need at any one given time. But I have done this across the whole year and worked out that it is around \$220 a month.

**MR WALL:** In respect of those headline figures, it was \$23,000 a month in revenue, which is income?

**Ms Carpenter:** In revenue.

**MR WALL:** Money the company brought in?

**Ms Carpenter:** Yes.

**MR WALL:** And \$13,000 went out in fuel.

**Ms Carpenter:** Nearly \$14,000, yes.

**MR WALL:** Yes, that is over half.

**Ms Carpenter:** Yes, absolutely.

**MR WALL:** It is a huge cost.

**Ms Carpenter:** I was trying to dial it down last night. I was breaking it down into smaller portions. That is where I got the 25 to 35 per cent. But, yes, based on that, that is half.

**MR WALL:** What control do you have over the rate that you charge for haulage?

**Ms Carpenter:** None; absolutely none.

**MR WALL:** Is that set by a contract with the other company?

**Ms Carpenter:** Yes, we have no contract. There was no written contract. It was all verbal. I have asked for a written contract and we have not got one. I am not in a

position to be able to push for one, because it might just result in us not getting any work.

**MR WALL:** Yes.

**Ms Carpenter:** Sorry, I have had a mind blank.

**MR PARTON:** No, you are good.

**Ms Carpenter:** It was about the contract for our rate.

**MR WALL:** Yes.

**Ms Carpenter:** When we started it was \$1.50 per kilometre. This is where it differs if you are an employee or a subcontractor.

**MR WALL:** An owner driver, yes.

**Ms Carpenter:** Yes. If you are an employee of a company, when you are paid you are usually paid per hour and then you have to make sure you take your rests. When you are paid as a subcontractor, you are paid per kilometre. It does not matter how long it takes you to do that job. We could be sitting in traffic. The biggest problem we have at the moment—don't worry; I will not go getting on my soapbox about this one—is that we can sit at the depot for six hours waiting to be loaded or unloaded and we are not being paid a cent. Mind you, the truck is not moving; so we are not using any fuel either, but there is still an expense.

**MR PARTON:** Time is money.

**MR WALL:** The opportunity cost is—

**Ms Carpenter:** Exactly, time is money.

**MR WALL:** You are not on your way back for the next load.

**Ms Carpenter:** Yes. We did approach the company, I think it was early last year or mid last year. It was mid last year. We tried to renegotiate on the rate. They gave us a 7c per kilometre increase. It is the same thing. If we go and ask for more, we just risk losing the work.

**MR WALL:** And the margins in that industry are pretty tight and competitive.

**Ms Carpenter:** Before we went into this business, I did all my figures; I did my research; I went to my accountant and said, "This is what we are considering doing. Can you look over it and tell me what you think? Should we do this, should we not?" She said then that we had only a 12 per cent profit margin. I think our costs now, compared to what they were estimated, are higher. So I dare say that the profit margin—I have not sat down and worked it out—is probably a lot smaller.

**MR WALL:** You have enough going on without another horror story by the sound of

it.

**Ms Carpenter:** Yes. As I said, at the moment I am doing everything I can to try to avoid bankruptcy. But one on my list of things to do is to call my accountant, make an appointment and ask, “Do we look at voluntary administration at this point?”

**MR WALL:** Yes.

**Ms Carpenter:** For one, as I said, what we thought was a cancerous tumour turned out not to be. However, after two months off work, we are in big strife. We are trying to sell the truck but, given the age of the vehicle, it has been listed already for a good six weeks. I have had one phone call. I have dropped the price. I am doing everything I can to sell it, but there is only so much you can do.

**MR WALL:** No doubt there are repayments on that whilst it is sitting in the driveway.

**Ms Carpenter:** Yes. It is still—well, that is why we are going for hardship. I have contacted all the financial providers. I have put the situation out there. I have said, “This is what is happening.” The biggest problem is the insurance. We have cancelled as much insurance as we can. Clearly, you cannot have a \$60,000 truck sitting in a driveway with no insurance. There is only so much insurance you can cancel.

**THE CHAIR:** That is risky for you to do, regardless.

**Ms Carpenter:** Of course, but we have to do something, because the insurance company’s insurance premium for a year is \$16,000. That is pretty high.

**MR PARTON:** That is massive. You used the words “price gouging”. I have used the term before when we are talking around this space. But the further we get into this inquiry, I still wonder whether we are actually talking about price gouging or whether we are talking about a market that does not do what you would like it to do. We have a number of operators here who, like you, are business people. From the outside looking in, it looks as though they have determined that they can probably charge that amount for this product and get away with it; so why not do it? The market is not doing what we would like it to do and it is not doing what other markets are doing.

**Ms Carpenter:** I would agree with that. I also agree with what you were talking about in respect of education. Like I said, I have learnt a lot from my reading. I know that there is more I can learn. But I still feel that it is due to a lack of competition, that there are service stations out there that are charging more than they really need to to cover their costs, because they can. As Tara said in her response, they feel that they can derive a higher profit from Canberra. I think the idea is that people in Canberra have a higher average income. I am just saying that across the board. Obviously, there are people higher and lower but they say that the average Canberran income is around \$80,000 a year. It is just not.

**MR WALL:** Yes, if you are below that, it is harder. It is really tough.

**Ms Carpenter:** Yes. If you are sitting in that ballpark, that is fine. But as soon as you are not, yes, it is difficult. Price gouging: I used Coles Shell as an example. I have

been watching their prices very closely because Charnwood is the local one. I would much rather buy locally than I would have to go somewhere else to buy fuel, especially when I am nearly empty and I have been waiting for prices to come down and they have not come down.

But the majority of the petrol stations around us are Coles Shell. So I am sort of stuck in that market and they are all exactly the same. I feel that they are being kept higher. I know that there has been a bit of a thing between Viva and Coles and the supplying. I know there is a little bit of underlying information there. Yes, I think the profit margin is possibly too high, because they can. That is from what I can see. But I agree, they are a business, just like I am one.

**MR PARTON:** Then we get to the question of what on earth can governments and regulators do about that. If this business is operating as a business and it has just determined that it can get that level of price from this particular product in this market, how do you distort that? That is one of the big things we are trying to arrive at with this inquiry.

I do not know if you were here when we were talking to the NRMA about offering some sort of incentive to independent retailers to get them into the market, but the comment was made that it is uncompetitive behaviour from government to create competitive behaviour. If we go to some retailers and say, “Hey, you know what? We’ll offer you this if you come into the market.” is that fair to the bigger operators who at the moment are letting us down?

**Ms Carpenter:** It is a hard one. I also read in their submissions that a couple of fuel companies did not feel that it was appropriate for government to be intervening in the market and that it can have more of a negative effect than a positive one. I also read the information from the WA inquiry that there was a mixed reaction: in some respects it worked but in some respects it did not.

I think that it is great to be able to hear from them about their experiences. They are probably still learning too, even though they have had it in for quite some time.

I understand that excise and GST are not set by the Canberra government. I am not sure the other states feel that prices are too high in the other states; I am gathering that they think they are. So the state and territory governments that were on board could get together and lobby the federal government on behalf of their populations to drop the fuel excise. When price cycles first started a few years ago the price of fuel went up very high—I think it was to do with OPEC—and the federal government lowered excise. As we know, excise goes up every six months.

**THE CHAIR:** I do not mind that as a suggestion. But unless there were change in the Canberra market itself every jurisdiction would go down a little bit and when you travel to Goulburn, Yass, West Wyalong, Broulee wherever—

**MR WALL:** Five cents a litre off the price nationally still sees that same differential.

**Ms Carpenter:** Yes.

**THE CHAIR:** It is still a benefit but you would still be outraged when you travelled elsewhere.

**Ms Carpenter:** It is going to be the same; it has just brought it all down.

**THE CHAIR:** Yes, so I think we need a multifaceted approach.

**Ms Carpenter:** I agree. I guess the thought had not occurred to me until I heard the NRMA when they were speaking that education is probably really important.

**THE CHAIR:** Yes. We are all on a learning journey. Mr Wall and I were having a casual conversation remarking on how much we have learned about how these things operate, including issues such as fuel excise, how Canberra does not have a price cycle and the costs of fuel transport. The NRMA was saying that having a better understanding of whether something should be happening helps people appreciate why they are paying a little bit more. Just knowing that gives people more confidence in the system.

**Ms Carpenter:** Transparency as well.

**THE CHAIR:** That is right. How do we educate people and share all our collective knowledge?

**Ms Carpenter:** It is hard.

**THE CHAIR:** We are not going to put all our *Hansard* transcripts into a book and stand at the servos handing them out to people. So how do we share this knowledge that every Canberran deserves to know?

**Ms Carpenter:** There are a couple of factors in there and one is media. The media has a lot to answer for in terms of what the public is led to believe and what information they give or do not give people. This may not be restricted to Canberra but it is like us and them—“They’re out to derive more money from us. They’re charging us more than they should be because they’re a business and they want to make more money.” When you are shopping for groceries you can find something cheaper somewhere else, but in the Canberra market you cannot completely do that. I think that is where that war between us and them comes from.

In terms of education, I can give to you part of my research for putting together what I wrote. It gave me information on how the pump price of fuel is calculated taking into account your wholesale margin, your retail margin, your shipping costs, the terminal gate price, taxes, all of that stuff. How that is factored in and calculated is different for petrol than it is for diesel, very slightly, but different.

I do not know in what form that could be done. Perhaps community forums where you invite people by asking: do you want to know more about ACT petrol prices, what is going on in your market, what is driving up the price and why? It is getting the people who actively want to know.

I will use Coles at Charnwood as an example, the Shell station. The NRMA was

saying that people do not change their shopping habits at all for fuel; they will still do whatever they are going to do regardless of the price. That is certainly the case for some drivers at Shell. Every time I drive past I think, “Why on earth are you there when you could go further down the road where it is at least 5 cents a litre cheaper?” You are not going to get really cheap but you are still going to get something. Those people are not going to change their habits and they are not going to be interested in going to forums to learn what is going on.

**MR PARTON:** They still complain; they just do not do anything about it.

**Ms Carpenter:** Yes, because you cannot keep everybody happy no matter what you do.

**THE CHAIR:** Yes, but convenience is a real factor for people.

**Ms Carpenter:** Absolutely.

**THE CHAIR:** We are increasingly time poor; we have a lot of pressures and things on our mind. I am that person whose fuel light is always on and I have to find the closest station.

**Ms Carpenter:** That is really bad for your car.

**THE CHAIR:** I know it is incredibly bad for my car. In terms of convenience, do you ever travel to Costco or Metro? They are a long way from Charnwood.

**Ms Carpenter:** No. I travel to Tuggeranong for work. There is a United in Tuggeranong and if I am not at full or still not below three-quarters I will still put fuel in it because I am there and it is worth it.

I do not go to Costco. Occasionally I will drive past the Woolworths Caltex at Fyshwick, but that is pretty rare. I have been to Fyshwick on a weekend and there is a fuel station on the road that Harvey Norman is on.

**MR WALL:** The Metro is on Barrier Street.

**Ms Carpenter:** Yes, and there is another fuel station a little bit further down—I do not know if it is a Mobil—and they compete with prices. There are cars sitting there right out the driveway and down the street waiting for fuel. Obviously I do not know where they are from or how far they have travelled to get there. I worked out—I wish I had written it down to bring with me—that if I have to travel an extra 27 kilometres to Tuggeranong to get cheap fuel and then drive back what is the point?

It used to be every fortnight but now it is a little bit more sporadic that my daughter goes to see her father who lives in Sydney. Our meeting point is at Sutton Forrest so I will fill up my fuel tank in Goulburn. The Metro station there is always cheap. I will fill up my tank there and go up and back or whatever I need to do and then I will do the same on the Sunday when I pick her up. It is only because I am passing through, but I know that tank of fuel is then going to last me a fortnight and I have paid a lot less for it there and I had to do the trip anyway. So as much as possible I try to make

the most of shopping around. I use Petrol Spy where possible.

**MR WALL:** You would be supportive then of a scheme similar to the New South Wales FuelCheck where it is mandated that all prices have to be reported in real time so you know that the information you are getting is timely?

**Ms Carpenter:** Yes.

**THE CHAIR:** Do you think prices should be locked for 24 hours?

**Ms Carpenter:** I do not know about that one. I was reading that and listening to what you were talking about with NRMA. Yes, I agree with that to a certain end. I also read that they have had problems where there is that period where the prices are locked in and there is this void time where consumers do not know what the price is going to be. Did you read that? Did you see that in there?

**THE CHAIR:** Yes. You do not know what it is going to be tomorrow. They set a time but it does not become live.

**Ms Carpenter:** Yes.

**THE CHAIR:** When they set it they do not announce it. It does not become live until the next day. We will find out on Friday.

**Ms Carpenter:** Yes. And I thought maybe you should extend it longer than 24 hours but then that is just restricting their business turnover and whatever too much and it is becoming too heavy handed I think.

**MR WALL:** It is almost like you having to go one way but not the other; set your ceiling and then come down.

**Ms Carpenter:** Yes. When I first drafted this I actually said, "I think you should cap their profit margins," and I went, "No, that is not going to work."

**MR WALL:** Before you know it they will do it to you.

**Ms Carpenter:** Yes, exactly. If I was a business and I was told, "You can't have any more than x percent profit margin," are you for real? We will go against that the whole—

**THE CHAIR:** It is a live option. But I think we are all approaching some options more cautiously than others.

**Ms Carpenter:** Yes.

**THE CHAIR:** This is really helpful feedback. You are a great example because you are doing everything right. You are checking out prices, you are observing, you are—

**Ms Carpenter:** Budgeting.

**THE CHAIR:** You are making the right decisions.

**MR PARTON:** But it is still smashing you.

**Ms Carpenter:** Yes.

**THE CHAIR:** You are not buying pies at the servo anyway and undoing whatever gain you are making.

**Ms Carpenter:** I rarely buy and—to that point—if I do it is usually when I am on the road and I need a bottle of water because I have forgotten to pack more than one. They have got a special if you buy three you pay \$7. I will buy three no matter how many bottles I need. Because you are buying more you are paying less.

**MR WALL:** Over the long run it is better than buying three individually.

**Ms Carpenter:** It will get drunk, because it is water. Yes.

**THE CHAIR:** It is helpful to hear. I think there is a perception that Canberrans will travel to Costco, no matter what. But we heard from Costco this morning and we are trying to get the data from them about how many people are going to Costco just for fuel. At least it seemed they were implying that it is not as common as we think that people are going there. They might be going for fuel but then they are still shopping there as well.

**Ms Carpenter:** They have got another purpose.

**THE CHAIR:** That is right, or they think of another purpose while they are there. I think it really does negate it when a lot of areas in Canberra are a long way from Costco.

**Ms Carpenter:** That also leads into something else that was in one of the submissions. They said, “With Canberra being removed from the highway, it is a destination not a drive through point. And that affects to some degree pricing.” I do not necessarily agree with that, because you can go to other towns that are off the highway and their prices are still lower than they are in Canberra.

**THE CHAIR:** Goulburn is a great example, right now.

**Ms Carpenter:** If you go to the fuel station that is just off the highway you will pay 25c a litre more than if you are just driving through Goulburn.

**THE CHAIR:** That is right.

**MR WALL:** Before you came in we actually had a look at the Goulburn fuel prices, and the cheapest one was in the CBD as opposed to on the highway.

**Ms Carpenter:** Yes. You have got to educate yourself and you have got to be willing. You do not have to go out of your way to do it but I think you have to put more thought and a little more planning into what you are going to do. Those people who

have a higher disposable income are not going to be worried about that. They are not going to change their habits, because it does not matter.

**MR WALL:** They can afford to travel.

**Ms Carpenter:** Yes, they can afford it.

**MR PARTON:** I think more of them would if they understood the actual price differential that we are dealing with. They showed us some of these markets and again there were instances where the cheaper petrol was not right on the highway but you actually had to know where to go to get it.

**Ms Carpenter:** Yes. It is a lot of food for thought, isn't it? It is one of those issues that everybody wants you to do something about. But what do you do about it?

**THE CHAIR:** We are genuinely trying. I hope that is clear.

**Ms Carpenter:** Yes.

**MR WALL:** The thing we are looking for is the change that can happen that has a material difference rather than just the perception of things being better.

**Ms Carpenter:** Yes.

**MR WALL:** That is where WA gets into that space: maybe it has not changed things that much but people believe that government has done something.

**Ms Carpenter:** Yes. That is why it is about holding an inquiry and showing that you are actually interested and that you can see the effect. That is why I went to you in the first place. It was only through a roundabout way that it happened. I have to admit I did not believe you, when you came back and said, "Actually, the Chief Minister does see that it has a great impact financially on people in Canberra and he does care," and those sort of things. I was thinking, "Yeah, right." But you provided it to me in a document and that backed up everything that was being said.

**THE CHAIR:** Wait until you read the government's submission.

**Ms Carpenter:** Okay. That is also what people need. It is certainly what I needed—to see that they are listening. Especially with your election coming up very soon—is there another election?

**THE CHAIR:** Not ours.

**MR WALL:** October next year is ours. We have a bit of time.

**Ms Carpenter:** Okay, the federal one. They tend to think that politicians, wherever they are, federal or state, do not pay a lot of attention to what is going on that matters to them until it is election time. Do you know what I am trying to say?

**MR WALL:** Yes.

**Ms Carpenter:** I am not necessarily saying that that is the truth; that is just the view, right or wrong; probably wrong.

**MR WALL:** There are only 25 of us locally and there are the best part of 400,000 people in Canberra. Not everyone can know us and know who we are and what we are about. You only see what you see in the media.

**Ms Carpenter:** Again media will only tell you what they want to show you. I know that can be very distorted sometimes.

**MR PARTON:** I know some people from the media; don't worry about that—shockers.

**MR WALL:** We all have the same challenges, to different degrees and in different areas. I do not think anyone puts their hand up for this job and does not want to make the place a little bit better.

**Ms Carpenter:** Yes.

**MR WALL:** We sometimes disagree on how to do that, but—

**Ms Carpenter:** Yes, of course.

**MR WALL:** the sole purpose is to make it easier.

**Ms Carpenter:** Yes.

**THE CHAIR:** We very much appreciate that you probably had to take some time off work to come here. Is there anything else that you want to add before we wrap up?

**Ms Carpenter:** I do not think so.

**MR PARTON:** You have covered it really well.

**MR WALL:** Yes, thank you very much for coming.

**Ms Carpenter:** As I said I hope that I can get my views and opinions across. When I have spoken to a few people about it, I was quite shocked that you approached me. That was because I did my online submission and I said I would be willing to appear in front of the panel, so I realise how that came about. I have never done anything like this. When I told my colleagues that this was what I was doing this afternoon, they said, "Good on you, because we need somebody from the community who represents our views." They were really pleased to hear that. I saw the small submissions written by a few others. There was a single mother who is trying to run a business. There were other small submissions that were made.

That was my goal, as a consumer and as a business owner: to tell you about the cost and the pressure that are increasing because of these prices. It is not just fuel; it is everything. As I said I will put my hand up. I have not paid rates in the past three

quarters because I just cannot afford it. I will get to it eventually. When there is money there, it will be paid.

**MR WALL:** You have to prioritise what is urgent and critical and what has a long tolerance.

**Ms Carpenter:** Exactly. It is all of the expenses that are on the rise. It is everywhere; it is across the board. I do not think that income is increasing at the same rate as expenses. I have to wonder whether there will be a breaking point. I feel that that “recession” word has to come at some point, and we all just come tumbling back down again. It was the same with the global financial crisis a number of years ago, in the States all revolving around credit. Too many of us Australia-wide are living too much on credit. It is a disaster waiting to happen.

**MR WALL:** We have had it very good for a very long time.

**Ms Carpenter:** Too long, I think. It makes me feel quite uneasy. That will rock everybody all over again, and we do not need it. There is nothing you can do about it, though. Try to stop using credit and pay cash. All of this, as much as possible, I try to do through cash. I am not doing very well at it at the moment, but it is what it is.

**MR WALL:** At least you can sleep easy at night, knowing there is not another bill sitting there.

**Ms Carpenter:** Yes. It will still be there tomorrow, and this is only temporary. It is not going to last for a lifetime, and there will be a way out. That will appear, somehow, somewhere. That is my style of thinking.

**MR WALL:** It is the right attitude.

**THE CHAIR:** That is right. Thank you very much for appearing today. I know it was a bit new, and probably a bit daunting.

**Ms Carpenter:** Yes.

**THE CHAIR:** I hope that you have had a good experience.

**Ms Carpenter:** Yes, it has been lovely to meet you.

**THE CHAIR:** You might tell others. Committees are kind of built on the evidence that we hear, and if we are not getting the right cross-section of evidence, we can only report on that. Mr Parton will remember the very first inquiry that we did, when we got a handful of submissions, and we could only write about that. I think we were all a bit disappointed about that. I am very grateful to people like you who have taken the time to contribute, particularly given the number of personal circumstances affecting your life at the moment.

**Ms Carpenter:** I hope it helps.

**THE CHAIR:** It has helped enormously. We are very appreciative. I do not think you

took any questions on notice. Our secretary will send you a copy of the proof transcript in the coming days. It usually takes between five and seven days to produce. You can read it and if there is an error or something that you want to clarify, you are very welcome to do that. Otherwise you are now off the hook.

**Ms Carpenter:** Thank you.

**The committee adjourned at 4.04 pm.**