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

TUESDAY, 30 APRIL 2019

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

By authority of the Legislative Assembly for the Australian Capital Territory

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WITNESSES

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Amended 20 May 2013

The committee met at 11.34 am.

LING, MR BENJAMIN DENNIS, Founder, ACT Fuel Watch

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

Before we begin questions I remind witnesses of the protections and obligations entailed by parliamentary privilege and draw attention to the pink privilege statement which is set out for witnesses and which, I believe, has been sent to Mr Ling. These are important. We welcome today our first witness, Benjamin Ling, who will provide evidence via phone link. Mr Ling, could you confirm for the record that you understand the privilege implication of the statement sent to you?

Mr Ling: I understand.

THE CHAIR: Do you have an opening statement

Mr Ling: I am happy to be here.

THE CHAIR: That is probably the best opening statement we have had. Are you able to start by explaining what ACT Fuel Watch was and why you and your co-founder decided to set it up back in, I believe, 2015?

Mr Ling: The fundamentals were that there was a strong community voice around the disparity in petrol pricing in the ACT as a lump sum, if you like, and it was for, probably more or less, curiosity first and foremost. I had noticed the substantial disparity between areas of the ACT. I work in unrelated fields in data and it is an interest of mine; so I was paying attention.

There was a lot of political rhetoric at that stage in time around the household budget and there were some statements made by Tony Abbott at the time regarding how much influence on budgeting could be had at a state or a government level, and the metrics that were being mentioned, at least in the public domain, to me appeared to have little impact or largely be basically a lot of hot air.

I do not know when the idea came to me as such but, looking at a metric that was tangible and measurable and in my opinion, in my estimate, could be influenced by way of the transparency and publication, we could probably have a gradual impact on the budgets of the average ACT family by looking at fuel pricing rather than anything else I could put my mind to at that stage. Firstly we used Facebook as a mode of community contact to engage and to open the discussion up to a wide forum. And in the forum, conversation took place around the dialogue of disparity and further cemented my opinion or cemented the visuals that the pricing disparities were substantial between one area and the other.

Noting that Costco had opened up as a membership-based outlet and the immediately neighbouring petrol station would fluctuate in price per day—in some instances substantially over 25c, I think without having numbers at hand, over 30c in the one day—

THE CHAIR: Depending if Costco was open or not?

Mr Ling: Depending on whether Costco was open. To focus on that point specifically, whilst Costco was open the price would match. When Costco closed, because it was a 24-hour petrol station next door, the price would fluctuate back to whatever predetermined price they had on the board before Costco had opened that day. In essence—and I am looking at this entirely from my recollection of what had been taken down—the price at 9 am, or just prior to Costco opening, would be $1.37 and then as Costco opened it would drop to $1.24. I am talking about unleaded petrol. As you know, there are different fuel prices there but we will stick with the unleaded fuel price, if that is okay. That made it very obvious.

At that stage I thought, if we had a voice here—at that moment and for the preceding weeks the Facebook page was growing at a new member every couple of seconds and the contribution was into the thousands a day of conversational dialogue or input from the audience—we decided to formally track the prices. We were able to get consumer feedback on prices at localities and add that to a spreadsheet, and that was where it started at the beginning.

Then we were contacted by another fuel monitoring outfit, namely Petrol Spy, who assisted us moving forward by correlating the numbers at different locations, the different prices for different petrol types, the different fuel types at those locations.

THE CHAIR: I will stop you there. Just for clarity, to start with the catalyst for the Facebook page seemed to be that the station next to Costco was behaving in a way which was not good enough for the ACT public and the Facebook page started off as people sharing their experiences and what they were seeing around town but ended up starting to merge into people almost crowdsourcing data across the ACT, is that right?

Mr Ling: Yes, that is very precisely put, thank you.

THE CHAIR: And what was Petrol Spy's role?

Mr Ling: Petrol Spy is a user-reported petrol price monitor and it covers basically Australia. They had existing metrics and historical metrics on the prices of petrol available.

THE CHAIR: And they reached out to you?

Mr Ling: Yes, they did. Just out of interest, they have got a lot of coverage or a lot of conversation going on, which we do not normally see. They had noticed an uptick in their user base in the ACT and joined the dots and just called out the conversations they had.

THE CHAIR: Were they assisting you in what you were doing in your work or were they reaching out to you just out of interest?

Mr Ling: It was out of interest at the time, yes. They did offer assistance at a later date, yes.

THE CHAIR: Keep going. What happened next?

Mr Ling: Then the group grew to just around 20,000 members and it was an open group. There were lots of other contributions and non-group members. And we formalised the process of reporting the prices, just out of transparency, and we promoted the idea that shopping selectively would enable ACT residents to save and thus have the outcome of affecting their household budgets quite substantially.

Ultimately the people who are concerned about fuel prices are the ones who should be. The lower socioeconomic income earners are the ones who focused on this and, by them maybe referencing the group, they were able to identify where they would save some money. I think there were statements read. We were calculating just on the numbers that were available to us—and I would like to apologise in advance; I am not completely across whether these are absolutely accurate—but we were working on metrics that were available to us that the average ACT household, which is normally a mum and a dad and a teenager or a mum and a dad and a child living at home or adult living at home, which has several cars, was able to save approximately $30 per fill. Extrapolated out over a year, this would be over a thousand dollars in savings, assuming that they were driving an average Australian car, which I think was a Toyota Camry that we were using as the benchmark.

THE CHAIR: Can you talk us through how it worked on a day-to-day basis? Every morning were there select people on the Facebook page who, as part of their task, reported to you as they drove past their Caltex or their Coles station and told you what the price was, for you to collate and distribute or—

Mr Ling: Yes, that is correct. If I rang a fuel station to ask for the price though, it is against their policy. It seems to be broadly against the policy of different brands and providers.

THE CHAIR: We have had that experience ourselves. We have tried.

Mr Ling: I do not even know how to appropriately express this. Through some degree of charm I was able to entice or gather contributions from some providers off the record that they would assist by listing the detail of their petrol prices they had at various locations. We were sitting beside a keyboard with a spreadsheet and we would start every morning and just update the prices as they were made available to us through the page—and at that stage we requested that Petrol Spy assist by providing us the information directly that they had pre-gathered from their user base—and we were able to freely make that available to our Facebook group.

MR PARTON: In respect of the price information that came to you crowdsourced, was it always accurate or were there some problems with some of that data?

Mr Ling: Yes, of course there were problems. Absolutely there were problems, but largely it was accurate. It did involve us literally driving to petrol stations or involve me driving to petrol stations to put my eyes on it. In any sort of data collation, you want it to be as accurate as possible and it was largely accurate, yes. I think the community wanted to get behind it.

We would notice anomalies. For instance, and I am not quoting a specific example here, from memory someone would say that the price is now $1.04 for United and that the price at Melba is currently $1.14.9. Then five minutes later we would get a new update on 91 at Melba and it was 87c. That was being published directly. So we put in systems where we could say that we needed three updates before we could consider it factual, just to stop me having to drive to petrol stations.

Petrol Spy also had some algorithms in place where they would say that the last confirmed price was $1.14.9. Until it had been updated three times, it would not publicly update anything. We were able to feed that directly to a website. People could go to a website we created called actfuelwatch.com.au, which no longer exists. However, we were able to drive people from Facebook to what we considered to be a more reliable source of truth on fuel pricing at the various locations across the ACT.

MR PARTON: You did good, didn't you?

Mr Ling: I do not know how to answer that. I think that—

THE CHAIR: So what happened?

Mr Ling: it definitely had an impact but—

THE CHAIR: Why does it not exist now? It was kind of almost a six-month project. I remember that you were featured quite a lot in the media. I think I recall the Chief Minister endorsing what you were doing. Why do the website and the Facebook page not exist now? What was your decision to stop doing it?

Mr Ling: The page was published on or about 4 January 2015. I believe that the last update was two years ago today. So it was from 2015 to roughly March 2017 or April 2017. Yes, Andrew Barr was helpful in his commentary around ACT fuel watch. We did not ask for any form of help. The reason it closed was that as individuals we had lives, children and jobs. It was completely and utterly funded in time and energy by ourselves. We received no commercial benefit, no physical benefit, no discounts, no coupons, no petrol vouchers, no bribery, no anything. It was a labour of love. That can only last so long before the general commitments of life would impact my time so that I had to relinquish it.

THE CHAIR: Yes. You are clearly still very passionate about it but in terms of the realities of two people kind of interfering with their own careers and lives—

Mr Ling: The reason I have just been myself largely is because Rohan Aldridge, who was the co-founder, if you like, is a wonderful guy but he has his own business with his operating concerns there. Largely, I think that the stamina to continue contributing—some of the posts and some of the engagements were substantially long as well. They take time. It was not just a matter of coming and pasting the prices or watching them update.

We did manage to automate large chunks of this, which is sort of my skill set, external to anything to do with petrol in the ACT. But it was a maintenance issue. In engineering language, there was a technical app that we were creating, which meant that for everything that we automated, we would need to review it and maintain it. So that builds up to a point that is not feasible to handle as individuals or even the pair of us.

MR WALL: You have given us some insight into some of the resources that were involved. I am sure the discussion would have been had about a way to monetise it or to make it a viable project going forward that was not purely a labour of love.

Mr Ling: No, there was never any intention to monetise the outcome.

MR WALL: Okay.

Mr Ling: But there were discussions around whether we could make it self-sustaining and the answer was no. Petrol Spy, as a product, as a monetised application, was available on Android, iOS and websites. I do not know the status of its success. They are still there. I have not spoken with the creators of Petrol Spy for some time professionally, but I know that that was an uphill battle for them at a commercial level and it was not something that I was prepared to entertain in terms of bothering to monetise it. We have had several attempts to purchase the digital assets and the subscription user base of ACT fuel watch, but I guess that it just was not my intention to capitalise on the user base.

But the outcome would have been the same. In terms of trying to monetise it to a point of profit or monetise it to a point of self-sustainability, the conversations that would need to be undertaken are the same. It is basically the same message: people would contribute. It would become commercially messy. Also, we had an obligation to the people who were contributing. We did not want to profit off their contribution.

MR WALL: No, rightly so. As a sidestep, your platform was crowdsourced data predominantly. We as a committee have had a look at schemes in other jurisdictions, for example, FuelCheck in New South Wales and the system that is in operation in Western Australia. I guess that that is mandated reporting. Do you have a view on—

Mr Ling: Yes, I do.

MR WALL: how government should weigh into the market in this space and whether a crowdsource model versus mandated reporting would be a better option?

Mr Ling: A couple of statements on that: if you look at WA, you will see that it is not subject to anywhere near the fluctuations in the other states. Basically, intentionally or otherwise, it is a form of collusion. The petrol stations know that if they forecast the night before, there is no way they need to be able to discount or compete the next day. That sets the price for 24 hours or 48 hours, whatever the period of time is.

That means that if the terminal gate price drops substantially, they can—I think abuse the privilege is not quite the right term—take advantage of the fact that there will be a

24-hour margin where they can entertain higher fuel prices and that they do not have to change that. The public is aware of that; so consumer behaviour changes around that.

If we look at the fluctuations in ACT prices, they were made available for consumers to collectively shop based on their visibility. They can see that one station on one corner and another station on another corner were different. They could, in effect, change the pricing. When it would be suggested on our page that people skip—boycott—one fuel outlet on a Friday, it meant that we could iron out the seasonal or the weekly trends of the price going up, whereas if you compare that to the WA model, it would not make a difference. They suffer the same fuel prices the whole week through. In essence, they did not get a huge peak over the weekend but they were probably paying more Monday through Friday.

If we look at instances of trying to broadcast or make transparent the fuel pricing in New South Wales and Victoria, it had a similar-ish outcome in the sense that it ironed out the fluctuations. Of course, the fluctuations or, if you like, the momentary arbitrage that sort of provided the benefit to consumers was lost.

But the overriding pattern to all of this—this will sound ironic coming from me given my passion to see how it is impacting at a monetary level for a family, particularly a struggling family—would be that petrol stations have the right—they are a commercial entities. They have a pathway to profit. I do not think that it would be an abstract idea to remove their ability to profit where they were able to based on demands and trends in consumer behaviour.

I think that a petrol station adjusting their price by 20-something cents to remain competitive in business hours versus outside of business hours was—I do not want to say anti-competitive; it was just really taking consumers for a ride, particularly when consumers were dependent on filling up with petrol on their way to work or on their way home and miss out on the opportunity to achieve those savings because they were strictly unable to attend a petrol station at a certain time on a certain day.

I felt that that was unfair. But, of course, that is sort of the theory of the conversation. The transparency was fantastic. I think that if somehow that could be instilled into some sort of legislation, that would be fantastic. But I think I am potentially asking a lot given the metrics and the availability that we have to affect change.

Just to add further to this conversation, on one of the days I was contacted by members of the Australian Federal Police to help around traffic concerns that built up in and around Majura. These were caused by people travelling there because they knew that they were able to save between $30 and $70 a tank, depending on the make or vehicle. For people with a Prado that has a double tank or similar, it is 120 litres, versus the average car. As a result, they had traffic issues that completely swamped the entire airport jurisdiction, the whole of Majura. So people were definitely entertained by the idea of making that saving. Anyone who says that people would not be motivated to save $20, $30 or $50 was underestimating the budgetary strain at a household level.

MR WALL: What sort of daily traffic or engagement were you getting with the site when it was up and running?

Mr Ling: I am scrolling through the Facebook page which we still retain but it is not visible publicly. We had screen-capped the Facebook metrics and—I cannot find it—from memory it was 180,000 impressions would not be an exaggeration.

MR WALL: They are not unique impressions, though; so someone that visited maybe four times a day.

Mr Ling: Well, you get the idea. We were using Facebook metrics there. I am not completely across the way they go if you are a revisit. I think actfuelwatch.com.au had substantially less than that but it was in the thousands.

THE CHAIR: You mentioned that there was a bit of crowd sourcing going on and Petrol Spy was really helpful. But what proportion of this was your own effort versus crowd sourcing? The reason I am asking is that it has been suggested to us that apps and even websites are on the way out and there might not be a need for a fuel watch scheme or system because people are just messaging each other these days. I want to get a sense of you whether you think that is viable, but also based on your own experience.

Mr Ling: That is a big conversation. One part of that is consumer behaviour versus social behaviour, social accessibility, visibility and transparency. The other part of that is viability. I do not think apps and websites are on the way out; I still work in that field of technology globally. I would think consumer behaviour is based much more around transparency and consumer experience now. Trust is a big part of purchasing, particularly when it comes to fuel pricing because it is untrusted territory. People think the petrol stations are in it for themselves.

The largest going factor of price of petrol at a petrol station is not the petrol; I just want to be clear on that. It is the petrol station wanting to attract people inside the shop. When you purchase fuel in other countries, you can largely pay at the bowser—in America and the UK. You can pay by credit card at the bowser so you do not need to exit through the gift shop, for lack of better description.

So the pathway for the petrol stations and suppliers for profit is mitigated by two events: number one, the volume of people buying petrol in the United Kingdom or America is substantially higher than regional areas in Australia or even metropolitan areas in Australia so they can make a profit at the pump. It is largely governed by demand: it might be time of day, it might be time of week, it might be the season, for example, Christmas holidays, Easter, summer.

Australia seems to have taken this attitude that the price at the pump is strictly there to attract people to buy overpriced milk, which of course leads into other hotly debated topics like the price of milk and how they impact at a level. I think that that had been overlooked. When the conversation comes to fuel pricing, people think it strictly relates to fuel. But the terminal gate price of unleaded petrol today I think is $1.36.8, and according to Petrol Spy at the moment the average price of petrol across Sydney $1.37. So there appears to be almost no margin of profit today. I know that that does not equate on a day-to-day basis with an overlap of supply over a period of days, but there is really not much profit to be made. But the mark-up of the goods in stores would be substantially higher. So there is an element of fuel pricing to attract people to the location so they can sell other goods.

An environment like the ACT is much more like fish in a barrel: very clear pathways of purchasing and consumer behaviours here in the ACT. If you drive from one suburb to the other from home to work and back that day, the chances of your driving to Majura are very limited. The petrol stations are aware of that and are dependent on consumer behaviour.

It does not matter what they charge. For instance, comparing the fluctuation of price in Kambah versus Gungahlin, Kambah price fluctuations were dramatic given the transparency and the availability to consumers to make educated decisions, whereas in Gungahlin it almost did not change it all. People in the room would note that there is a substantial difference between income and socioeconomic status between Kambah and Gungahlin. I think that that is fair to say strictly from a statistical point of view.

THE CHAIR: You raise good points, and something we have been very mindful of is the false economy. People might be squandering whatever cents they are saving by driving a long distance or by walking in and buying a Magnum or whatever.

Mr Ling: An anonymous member of the general public—they were portrayed as anonymous and I believe that is the case—actually created a spreadsheet titled, “Is it worth it?” where you could put in the kilometres you had to drive to the local petrol station versus the kilometres you would have to drive to Majura and see whether you would make the saving. Overwhelmingly the saving was still there.

THE CHAIR: Do you still have that spreadsheet?

Mr Ling: No, I do not. Whoever that person was—

THE CHAIR: If that person is listening, please send it to us.

Mr Ling: Yes, that would be fantastic. We found that to be an incredibly valuable tool. I used it again and again in radio interviews and discussions where I could say, “If you’re considering saving, the saving could be $30 for your average car to drive to Majura currently. If you’re thinking about driving from Gungahlin or Kambah to get there, you’ll be wondering if you’ll make any saving at all. And the answer is yes, you’ll still be saving substantially to make the extra 10-kilometre or 15-kilometre or whatever trip out there.”

Tools like that would be incredibly valuable. I have no aspirations to commercialise any applications like that, but that would be part of a fantastic application. Someone could say, “I live here and I want to drive there. How much money am I actually going to save if the transparency is there?”

I am not necessarily prepared to make this a final statement—if you have more questions I have more time—but pre and post our peak success with ACT Fuel Watch the prices remained at an all-time high beforehand, and everyone felt that. Since ACT Fuel Watch I was confident or comfortable enough to resign from our activities because there had been an amount of behavioural change in a generation of people buying petrol in the ACT.

There is a group of people who will never purchase petrol in the same way because they will inherently look for a time of week, a time of day, or a location where they will be able to save money. They may not make that a ritual, but if they have the ability to fill up at Majura before heading to Sydney for the weekend or something like that they probably will as a result of ACT Fuel Watch. It has had a lasting impact; it would have had a greater impact if we could have—I do not want to say commercialise—gotten to a point where we had funding to maintain the digital assets and curation of the prices and make them visible. That would probably have had more lasting change.

MR PARTON: You spent a lot of time and effort looking at the petrol price situation in the ACT. Notwithstanding the very small differential today between the gate price and the retail price and just looking on a broader scale, do you believe that ACT residents are being gouged at the petrol bowser?

Mr Ling: Yes, I do. It is geographically significant. I am careful not to say that some places are charging more than they should bearing in mind my earlier point around their ability to make a profit and that it is a commercial endeavour; fuel suppliers are entitled to make a profit. But I believe that some areas are taking advantage of consumer behaviour and, therefore, those consumers are missing out on value for a product or service.

THE CHAIR: Do you still have the data and the trends from the time that ACT Fuel Watch and particularly the website were active?

Mr Ling: I have an amount of data. We probably had somewhere in the vicinity of 200 or 300 images of pricing that had been submitted, so the spreadsheets we were using on a day-to-day basis. For instance, we have the highest and lowest priced petrol stations as published on 7 January 2015. And then we have, for example, the top 25 stations across the ACT on 22 January 2015. I could list those and the numbers associated with them. I believe the historical information is available external to ACT Fuel Watch because the assets were tied with the website.

THE CHAIR: Do you have any view on what the committee should be recommending? In the *Canberra Times* today the NRMA has published results of a survey of its members which shows that a majority would support a real-time fuel monitoring scheme like in New South Wales. Do you think that that is the way to go or should we go a step further and lock in prices for 24 hours or more to give people certainty in terms of planning?

Mr Ling: I absolutely promote the idea of transparency in any way that it took shape. I would be reticent to suggest that forecast fixed pricing is a solution.

THE CHAIR: Why is that?

Mr Ling: Reference to WA: it stagnates. Funnily enough, everyone assumes petrol stations are all there to gouge at every opportunity, but the reality is that they still need to drive traffic to their location with the intent of selling them other goods where they make a substantially higher mark-up or a substantially higher profit margin. If they have to fix the price, then they will not be motivated to adjust the price downward to attract more consumers.

We have found that WA seems to be a really good example of that. If you look at the history of fuel pricing across WA, it takes days or weeks to vary significantly to where a consumer would make a saving. In New South Wales or the ACT where the information was made publicly available as quickly as possible the petrol stations were free to compete, and they would. There were petrol stations that would compete.

Whilst it sounds like a negative, the fact that the big four petrol station next to Costco at Majura adjusted its price downward 20-something cents a day gave an opportunity for residents or shoppers or consumers to get greater value for their money, for their investment in the petrol, than if the petrol station was not forced to compete.

If we had that same scenario of a Costco opening next to a Woolworths Caltex petrol station in Perth, say, then the price variance would not happen and the consumers would not make the 27-cents-a-litre savings. That is a relevant metric to add to the conversation.

MR WALL: What impact would removing the price fixing barrier from a price ceiling rather than a price fix have? So if they came into the market and said, “We’re going to sell at $1.45 today,” but then realised they had priced themselves out of the market or the gate price dropped or something else happened and they thought, “Actually, we can sell it at $1.30,” do you think they would still have that competitive mentality, almost getting a bit of the best of both worlds?

Mr Ling: Whilst I would leave it to them to answer to this—I do not want to speak on their behalf—

MR WALL: They are not answering a lot of questions.

Mr Ling: No. They may act within the commercial benefit of the consumers, but I doubt it, particularly in the ACT where it is like shooting fish in a barrel. I have undertaken learning and consultation from all sorts of sources globally. I travel extensively and everywhere I travel I take the time to connect with the people in positions of authority or knowledge in a lot of places, and the behaviour seems to be similar across the world. But it is far more consumer-driven by volume in areas with a substantially larger population base than Australia.

The ACT—I do not know how to say this; I am a stalwart ACT resident now of seven years—seems to be unique because we are geographically held hostage. I do not know the metrics on this, but I understand the average petrol station in Sydney is far more likely to update the price on their fuel board hourly if not bihourly based on peak traffic flows and consumer behaviours and trends. In the ACT they will probably just stick a price up and not change it because they know their consumer base is largely behavioural and they do not have the demand of the population base to drive immediate change unless it is made very, very difficult for them.

If I were to counsel the committee on making a change it would be anything that creates immediately reportable transparency, and I think an app is the best way to do that. I still think an app or a website or public sites through existing channels—anything that can be made available to the public—will be beneficial.

THE CHAIR: Conversely, we hear that visibility is a big part of transparency. Some people might not be checking the app every few hours. So if you are going to work and you go, "Oh, yeah, the price is $1.37 here. When I get into work I'll just check if there's anywhere nearer that's cheaper." "No, it's $1.37, and I know it's going to be $1.37 on the way home and not $1.53," is there not some sort of benefit in that for people as well in terms of planning and convenience?

Mr Ling: Yes, I agree; there will be some sort of benefit, assuming the petrol stations still had variances of 20 cents if they were governed, and I do not think they would. I wish I had some better articulating that. As it stands, if we look back to 2015 and 2017 there was variance of 20 cents in general. Regularly every Thursday it could have been 25, it could have been 15. I think their behaviours will have changed. But if we governed it, I do not think the variances would be that great. I think they might lift by three cents or four cents, which seems to be the case if you look at Perth.

MR PARTON: We are not trying to convince you; we are trying to get information from you. But one of the things we heard in Perth was that the 24-hour lock-in price gave the ability to a family-run independent operation to make a splash and come out one day and say, "You know what? We're going to go 10 cents below the market today." If they were not locking in prices for 24 hours the major retailer would just undercut them and take away the advantage they could get for that 24-hour period. Because the major operator has deep pockets, they could just take a loss and force the hand of that independent retailer. So their view was that a 24-hour lock-in actually gave the ability to smaller players to make an assault on the market sporadically.

Mr Ling: I think the conversation would go further towards consumables and petrol. But I would need to have a greater visibility—"visibility" is my favourite word today—of the metrics that would go to their motivation to compete. If it was a family-owned petrol station, the largest proportion of the profit base would not be in the petrol; it would be in the consumables in store.

If we look at them and their purchasing ability at a more specific level, they would be buying things through retail channels. Their ability to purchase in bulk would be substantially diminished against Coles or Woolworths because of their supply chain for consumables. I will use a can of Coke as a consumable at hand for reference. Woolworths or Coles may be buying that can of Coca Cola at a bulk discount rate of millions of cans whereas the family-owned business would be buying that at a rate of maybe thousands of cans. There would be a substantial difference.

The behaviour I have seen in independent operators is that they are more likely to be the first person to compete on price because they need to cut all barriers of entry for a consumer to continually attend their store and purchase a mixed bag of lollies or a loaf of bread or petrol or car parts or oil or all of those.

THE CHAIR: You said you got good feedback and help from Petrol Spy and people were generally supportive. Did you receive any negative feedback or even threats? Did a fuel company ring you up and say, "We really don't like what you are doing. Can you please stop it"?

Mr Ling: Yes, several. I do not know who the parties were, but I had nameless, faceless phone call conversations. People suggested that it was not—well, there was a volume of objections.

THE CHAIR: How many of these anonymous pressures put on you would you say you received over the six months?

Mr Ling: Probably only half a dozen, to be honest.

THE CHAIR: That is still a bit, particularly when you have a young family.

Mr Ling: It was enough, but I have fairly broad shoulders. I deal in incredibly competitive and aggressive markets outside of fuel, so I considered some of them but mostly ignored.

THE CHAIR: Are you able to expand?

Mr Ling: I had unmarked letters and stuff which I threw out but should have kept in retrospect. I had people saying to me I should focus on my own business. Then I had have people from petrol stations call and say, "You're an asshole. I'm being abused by customers for charging too much." We made public statements that the people working in the petrol stations are not the people to blame and we should support the employees who are members of the community and are there to do a job.

We had a person ring up and say, "I own a petrol station," and then they would use language to suggest we were impacting on their ability to trade fairly. In that instance—although I never found out the identity of the particular individual who said he owned a private entity—my assumption is that he has moved into a different retail sector since. There was a change of ownership at one of the petrol stations that then came around to being a real advocate of supporting transparency in fuel pricing. He found the general day-to-day stressors of being a fuel retailer were diminished when the prices attracted happier people to his outlet, which was an interesting take. I think as there is quite a lot of stress in people looking for blame. I was happy to have the conversations that I could, but I never identified who that was.

THE CHAIR: Thank you for taking the time to speak with us today. It has been incredibly useful to hear about your experience with ACT Fuel Watch and the journey with that. Thank you for taking the time to explain it to the committee.

Mr Ling: I appreciate it, and I would love to be of help and assistance in the future if need be. I applaud the ongoing review. I think the benefits will be realised, and I think the additional focus could continue to achieve the same benefits I set out to achieve with ACT Fuel Watch in 2015.

THE CHAIR: Thank you very much for your generous offer that we can come back to you if we have more questions.

BURKE, MR KENNETH MICHAEL, President, Motor Trades Association of the ACT

THE CHAIR: Welcome back and we now move to today's second witness who has been waiting very politely, Mr Michael Burke, representing MTA ACT. Before we begin questions could you confirm for the record that you understand the pink privilege statement and the implications?

Mr Burke: Yes, I do.

THE CHAIR: Do you have an opening statement?

Mr Burke: Yes, I did put something together.

THE CHAIR: Go for it. The floor is yours.

Mr Burke: Thank you for the opportunity to appear before the Select Committee on Fuel Pricing. Unfortunately MTA ACT no longer has any members that are independent retailers in the ACT. Like the dinosaurs, they are extinct and all that remains are the skeletons of these businesses scattered throughout ACT suburbs. Some continue to operate as mechanical businesses while others have been converted into retail outlets.

The public has no real choice anymore because the two big supermarket companies rule the market in the ACT. While there are other players in the market, they are company-owned, franchised outlets from the fuel companies. To provide competition in the ACT market we need to have true independence or more major retailers than the two that exist across the ACT to provide greater choice and increased pressure on the current market players.

However, the high cost of land rates in the ACT is part of the reason why we no longer have independents. And this is flowing into other parts of the automotive industry, for example, the large increase in home-based automotive businesses cropping up in the ACT over the past few years. From an industry point of view, not only from a local and a national view, there has been a greater focus on alternative fuels such as electricity and hydrogen and how we deliver these services and types of transport and how to transition our current outlets to provide these energies.

I sit on the national MTA board. Richard Dudley has advised that he is happy to come and talk to you about that. He has a full understanding of the fuel industry right across Australia. Unfortunately he leaves at the end of next week, I think, for England for three weeks. But he is willing to assist in any way or what have you to help out.

The last fuel retailer that we did have owned a number of them and he used to sit on our board. His name was Peter Taylor. And he used to own the ones at the airport and all the Shells before they became Coles. His comment to me yesterday was: "You can quote me. I made more money out of selling Coca Cola than I did petrol."

MR PARTON: Is that Autoco's Peter Taylor?

Mr Burke: No. This Peter Taylor trained Autoco's Peter Taylor. They have got the same name.

THE CHAIR: They are a Canberra store?

Mr Burke: Yes. Peter Taylor from Autoco was his apprentice. Peter Taylor who was on our board is into rallying, is good friends with Mick Gentleman and all that sort of stuff. Anyway, he was probably our last real independent that we had in the ACT.

THE CHAIR: The quote he gave to you was that it was really the diversified offering that he had that was making him money rather than jacking up prices for petrol?

Mr Burke: Petrol, yes, exactly. From my own personal experience though, recently I have been doing some travelling around. My mother in-law lives in Scone. The fuel in Scone is 15c a litre cheaper than in the ACT. I am looking at it from this perspective: having a price watch is a great idea—I understand that—but our industry is now changing.

One of the guys who also sits on the national MTA board as an observer owns a number of fuel stations in South Australia. He is probably the biggest independent. He has independent and franchise-type service stations. He is just spending $105 million on four new sites. His biggest intake from that is not about the fuel as much as the convenience store that is connected to it; he might be someone whom you could entice to put a few more words in over here. But in days of old the consumer had a lot more choice when every local suburb had its own servo.

THE CHAIR: Do you think that that meant people had more choice? Certainly there were greater numbers, yes, but do you think people were maybe just relying more on convenience then because it was in their suburb?

Mr Burke: Convenience, plus now we have convenience stores like Coles and Woolies connected to them. Before they had mechanics connected to them. And that has gone away to the point that we are now selling motor cars that have seven years warranty and the dealers have done their own trick on their sites to be able to get the people coming back to them for servicing. That is why the average mechanic has dwindled away as well. And there is the right-to-repair information, which we have just won. Now we are trying to work out how we disseminate that. Peter had mechanical shops connected to all his servos.

THE CHAIR: Do you think that even if we pursued a fuel watch scheme, whether it was a New South Wales scheme or the WA scheme, potentially ACT consumers would not be getting value for money because there is a broader convenience offering, and that is really where they are paying the price?

Mr Burke: The scheme sounds like a great idea—whichever one. From my own perspective, if we had more independents here I would suggest the WA process, for the reasons that you put forward. But we do not have those independents. We do not have them. The only partly true independent we have got left in Canberra is Costco. And they only just reduce their price enough to get customers. The guy—is it Metro at

Fyshwick?—had his price down, and you cannot get down Barrier Street. You just cannot drive down Barrier Street when his price is down. And that is all day.

MR PARTON: So the people out there do know. Look, you are a bit old school, Michael. I like you. But I can also sense from your opening statement that you hanker a little for the way things were in terms of some more independents that were actually diversifying the market and providing these different options. How on earth do we get back to that, or has the bird flown? Do you think at this stage of the game it is nigh on impossible to get independents back in the market?

Mr Burke: Dare I say this, part of the problem is the rates on commercial businesses.

MR PARTON: Yes.

Mr Burke: It is a big problem for the automotive industry as a whole. If you go to Fyshwick on a Friday afternoon at 2 o'clock, it is dead. No-one is there. That is our major commercial area. When I first moved to Canberra in 1984, you could not move in Fyshwick on Friday afternoon at 4 o'clock. There were cars everywhere; people were everywhere. What I have seen is that because the businesses are falling away because the rates are too high, the rents are too high or whatever it is, the automotive industry has been taken over by the big players that are coming in, the Coles and Woolies. Let us be honest here; it is Coles and Woolies. We have, what, two or three BPs—four BPs in Canberra?

MR PARTON: Yes.

Mr Burke: If you go to Melbourne, they have a massive number of BPs down there. Do you know what I mean? We have two major players, which are Coles and Woolies, really. I understand that Coles are doing some work around changing their model to let the fuel retailer retail the fuel and they are going to do—that is all they have ever wanted to do anyway.

MR PARTON: You have mentioned the problem in terms of the high rents and the high rates, based on the information that you get from members and from anecdotal evidence. Is it your belief that that is more an ACT problem than in New South Wales?

Mr Burke: I will give you an instance. Peter Taylor, who had all the Shell service stations, runs a business now called R-Sport, which is an international rally business. He makes and sells rally cars. He is located in Queanbeyan. It is too dear. It is too dear in Canberra to rent or to have a commercial property in Canberra. He is out in Queanbeyan. One of our biggest panel shops, which is called Canberra Bodyworks, resides out in Queanbeyan, because—

MR WALL: And they were in Fyshwick.

Mr Burke: And they were in Fyshwick, yes. That is what is happening; or a lot of our businesses are moving to working out of home.

MR PARTON: With that taken into account, with that environment, are you—I do not want to put words into your mouth—of the belief that that is one of the factors that would make it difficult for us to attract independents back to the market?

Mr Burke: Correct, definitely. Definitely, the ideal place for us is to have a heap of independents that had the convenience store and the automotive shop that could handle their servicing and everything. My wife buys her petrol at the one station. It does not matter what the price is. That is where she goes, because it is on her way home. I have a flybuys card. I say to her, "We need to go to the Coles one because at least we get flybuys from it" She says, "No, I am going to Woolies because that is on my way home."

THE CHAIR: That is what people value, is it not?

Mr Burke: Yes.

THE CHAIR: She values not having to go out of her way.

Mr Burke: Yes.

MR WALL: Mr Burke, you mentioned that a number of the old suburban service stations have been decommissioned over the years. What would be the barriers to someone recommissioning them?

Mr Burke: My understanding is the tanks. The tanks are too old, and a lot of people have just left the tanks in. Apparently, it is a big, costly exercise to remove them and put them back in. I know the one at BP in Chisholm was done. It took nearly two years.

MR PARTON: Really?

Mr Burke: The one at Woolies at Tuggeranong has just been done. That was over 12 months. When they get old, a lot of them are just leaving them in the ground and moving on away from selling fuel. It would be a massive cost.

MR PARTON: To lead on from that question, it would be easy to instantly assume that there would be an ease of taking up an old site because a lot of the infrastructure would be there, but it would actually be cheaper in a lot of instances to start from scratch somewhere else?

Mr Burke: Correct. That is my belief. I would be able to get some information on that through the guy that sits on our national board, because he builds it. Apparently, he has got 80-odd outlets.

MR PARTON: Really.

Mr Burke: Yes. He is massive. I spoke to Richard yesterday and said, "Do you think you would be keen to come over and open up a few over here?" He said, "You could ask." He has a combination of independents. His family owns all the convenience stores. He has some franchise ones, which I think they run through Viva and, really, isn't Viva the one that sets the price for what they are going to sell their fuel for?

THE CHAIR: We will be asking them when they appear next week.

Mr Burke: At the end of the day, it is the price; I always get told that it is dear in Canberra because we have transport costs. I used to get told the same thing when I lived in Griffith, New South Wales because it is further for them to go from Sydney to Griffith. But our fuel never came from Sydney. It came from Melbourne. Griffith fuel comes from Melbourne. I do not know where Canberra's come from.

THE CHAIR: Caltex, in response to a question on notice, told us that for them it comes from three different sources along the New South Wales coast.

Mr Burke: Really? It is odd.

THE CHAIR: We have not heard from many other retailers yet. Thank you, Caltex, for appearing and telling us, but we will find out from others as well. There are a number of these price monitoring websites like Petrol Spy and MotorMouth. Do you think that we are well serviced by these existing apps, or should the government really be doing its own scheme like New South Wales has done?

Mr Burke: I suggest it would probably be better to come from a government scheme. Look, at the end of the day, if one of the other big retailers decides they want to drop their price for a day, at least then the people can go to those servos. They can get there on that day if the price is not going to change or whatever.

THE CHAIR: Yes, so you heard what we are talking about with Mr Ling before—

Mr Burke: Yes.

THE CHAIR: about whether we should lock it in for 24 hours. You think yes?

Mr Burke: I believe so. I think that has some merit to it. What I do not understand is that Shell in Tuggeranong can have one price and Shell in Fyshwick has a completely different price.

THE CHAIR: What about if we locked in prices for 24 hours, but instead of prices being locked in per site, the one retailer needs to have the same price everywhere, that all Coles or Viva—whatever it is now—is the same.

Mr Burke: Yes.

THE CHAIR: You pay the same whether you are in Belco or Tuggeranong. Metro is the same; well, there is only one of them. All Caltex are the same. Do you think that would assist people?

Mr Burke: Definitely.

MR PARTON: However, would we run into problems there? Obviously, there are different ownership models for various outlets. I know that United, for argument sake, has some sites in this region that they control the price on. But they have also some sites where the franchisee controls the prices. I do not know; do you run into problems by—

Mr Burke: Can I say that from my experience we had a guy coming to complain—do you remember when the fuel drive-offs were taking place?

MR PARTON: Yes.

Mr Burke: They came to see our secretary, Raffi. They said to her, "We have this problem with people driving off," and blah, blah. She said, "We will come and help you." We said, "You need to go to the police about this." They were a franchise model. They went back to the fuel company and the fuel company said, "No, you still leave it low." So they control what the franchise sells their fuel for. You are kidding yourself if you think they do not.

THE CHAIR: Was it a big company?

Mr Burke: It was Caltex.

THE CHAIR: So they were just writing it off as a loss?

Mr Burke: Correct. Just do not worry about it; it is a loss. But the problem is that that retailer had to wear that loss. The retailer actually wears it.

MR WALL: So the franchisee is—

Mr Burke: The franchisee wears the loss, not the franchisor.

THE CHAIR: Yes, so Caltex was—

Mr Burke: They do not want—

MR WALL: Any bad publicity. Yes, we have heard stories of this when we were in Western Australia, an unwillingness to chase the drive-offs and—

Mr Burke: No.

THE CHAIR: It is not something that we want to advertise.

Mr Burke: The other point that Benjamin made was that overseas you pull up, get petrol and pay at the bowser. If it was just buying petrol, that is fine. But here in Australia it is all about the Coles and Woolies selling you that extra. It is like the McDonald's approach to fries when you go to pick up your order.

My son has got really smart with his app. When he buys his fuel he buys himself a couple of cans of Coke, an ice cream and a couple of Mars bars. He comes home and says, "I have all this money I didn't spend on fuel." Then he has his other app for his takeaway food. He looks at it all. But he is buying Coke and everything on that. Do you know what I mean?

MR PARTON: Yes.

Mr Burke: So at the end of the day—

THE CHAIR: Yes, he probably ended up spending more—

Mr Burke: Yes.

THE CHAIR: Caltex also told us that; anecdotally everyone can see that that is what is happening. However, they are diversifying even further. The one on Cotter Road that is being built, even the way it is being advertised, is going to be pretty fancy. We are seeing that more and more. Again, that is something that we are really grappling with here.

Mr Burke: The other issue that we have from an industry point of view is that we are going to move into electric cars. We are also going to move into hydrogen-powered cars. They are coming.

THE CHAIR: Yes.

Mr Burke: Whether we will see them as the predominant mode of transport in my lifetime, I do not think so. But they are coming. How do we then manage that? In my experience, with the way hydrogen is, you do not want to go putting that in the suburbs. Do you know what I mean? Hydrogen is a pretty volatile sort of chemical. Is that something you want to promote to be putting around? This big guy that is building those fuel stations over in South Australia is not even concerned about electric at the moment. He might put one station in for electric as a given but—

MR PARTON: So he is not a Shorten voter?

Mr Burke: I am not going to say that. Yes, at the end of the day we have to look at where we go to from here.

MR PARTON: Definitely.

Mr Burke: Fuel is fuel and it will be the price it is going to be.

MR WALL: You and most of your members are workshop-based mechanics in the ACT.

Mr Burke: Yes.

MR WALL: Do you see many issues relating to fuel quality?

Mr Burke: I would say yes; not just with petrol, but also diesel. One of our members is Canberra diesel service. He is forever getting cars in there—if you get a diesel car that has a bit of water contaminate in it, it can cost you $12,000 to $15,000 just for your injection pump. Then there is your motor and everything on top of it. I would suggest that he probably gets one to two a month coming through with that sort of stuff.

THE CHAIR: We heard—where did we hear it from?—that the contamination of fuel is actually overstated.

MR WALL: Yes.

Mr Burke: With the quality of fuel in Canberra too—or in Australia—we are the only country running an octane rating as low as 91. Most of the cars these days with the electronics and everything need to run on 98.

MR WALL: 95 as a minimum, really.

Mr Burke: Yes, we have no manufacturer here in Australia anymore. Our cars are getting to the point that they have all got turbochargers. It is a problem that we have with most of the cars. There are some of them that, when the dealers get them back, they cannot even fix them.

MR PARTON: And it makes a mockery of the fact that when we tend to focus on fuel prices we instantly focus on that lowest price, which is the 91 or the E10, which really does not translate to the market, does it? We really should be looking at 95 as the base price.

Mr Burke: Yes.

MR PARTON: We have certainly heard all the stories about 95 being phased out for 98. The one that should be phased out is not 95, is it?

Mr Burke: From my perspective, I would suggest that we need to put more ethanol in the one with ethanol in it because it raises the octane rating. The one with ethanol has an octane rating of 94. It is nearly to the 95 mark. My wife was told by the salesman when she bought her new Grand Vitara not to put ethanol or E94 in her vehicle. She goes and puts the cheap one in. Every time I fill it up for her I put either 98 or I put the ethanol in it. But the octane rating needs to be in there. If you are running a low-octane rating, all it does is clog up your carbie—not your carbie now but your injectors—and it is through the whole system, the poor quality of fuel.

I did some work with IAME. A couple of their cars run on E85, and they do not notice any performance loss or anything about it. There are a heap of fuel alternatives you can look at but at the end of the day if you want good fuel you go to ethanol and put that in there. That is 100 per cent alcohol. It will make your car run clean and smooth.

Gas is another issue that we have in the ACT. All but two of the Shell servos have got rid of their gas pumps. In Fyshwick you cannot buy gas. I run a gas-powered car. It costs me $80 a fortnight and I do 700 kilometres. Now I cannot get gas in Tuggeranong. No, the Woolies still have it. They did put it back in. But at the Shell I cannot use my flybuys card because I cannot buy it at Shell, unless I come to the one in Philip and the one in Belconnen, and that is it. Gas is on the way out, obviously, because it is down. But that is an alternative fuel that we should have been promoting, and the price of that, from my understanding, should not have got any more than half the price of petrol. But it is at 92c a litre and petrol is at $1.40, $1.45. My way of thinking is that it should be 20c a litre cheaper as well. Does that make sense?

MR PARTON: It does.

THE CHAIR: We have exhausted our questions for you.

Mr Burke: You are welcome.

THE CHAIR: Thank you very much for appearing today. I do not think you took any questions on notice; so you are off the hook. Maybe when you depart, if you would not mind sharing with our secretary the contact details of those people you mentioned whom we might like to follow up with. That would be really helpful.

Mr Burke: I will email them to you if I can, yes.

THE CHAIR: Perfect.

Mr Burke: I will get Richard's details. I have got them all at home.

THE CHAIR: Thank you very much for appearing.

Short suspension.

MOULIS, MR NIC, Director, Consumer Relationship Data Pty Ltd

THE CHAIR: Welcome, Mr Moulis. Could you confirm for the record that you understand the privilege implications in the pink statement on the table?

Mr Moulis: Yes, I do. I have read those earlier.

THE CHAIR: Before we proceed, would you like to make an opening statement, Mr Moulis?

Mr Moulis: Yes, I would. My statement will give a bit of context around my position in the fuel industry because some of you I have not met and I did not make a formal submission so you may not understand where I have come from: I am 25 years in the fuel industry; I have been a regional fuel distributor attached to a major oil company; I have been an independent retailer; I have been an industry advocate as the CEO of the industry association ACAPMA, a position I ran for seven years; I own a fuel technology business and a data business around fuel pricing and fuel price data; and I also have a national independent wholesale business that markets not only fuel products but LPG across the eastern seaboard delivering to about 600 service stations.

Some of the key highlights to put some context around my time through the association, I have been a member of the ACCC's fuel consultative committee; I was a member of the industry subpanel for the Harper competition review; and I have sat on the federal government alternative fuels consultative committee.

In business, two of the bigger ones of most relevance to this committee are that I introduced GasBuddy, the most downloaded consumer fuel pricing app in the world. It has now been downloaded in excess of 60 million times and for the first time in Australia placed full price transparency in the hands of consumers. As a sidebar, in the first two weeks we launched, GasBuddy was the number one app in the Apple app store, not just in its category but the number one app. It was downloaded more times than anything else in the market for its first two weeks, so that just goes to show how people resonate around being able to view pricing.

Off the back of that I have now introduced to Australia a company called Oil Price Information Service, or OPIS, the benchmark reference for both wholesale and, to a point, retail fuel pricing in the US. They are owned by IHS Markit, a London-based company with about $3.6 billion in turnover. That is quite a large international data provider who are now here in Australia. Some of the data we will be looking at today is provided by OPIS, so it will give you a good idea of what is going on there.

I suppose the opportunity I provide you today is the chance to look at all altitudes of the industry from that high-level planning of policy and how the government comes into the industry all the way down to how we operate a business at the ground level and how does someone like me who owns service stations decide to come into a market and how do I enter as an independent. There are also those bits in between: who I buy off, how I buy it, how it is priced, all those sorts of things.

Hopefully today can be a bit fluid for you guys. I am happy as I go through certain things to take any questions both on any evidence I am presenting but also anything that has been in the back of your head you might want to bring out and get an opinion on. I am very happy to take questions on the fly.

That is my opening gambit. I have gone through each point of the terms of reference and I have a bit of a visual on each one of those, which Andrew has printed out and you have in front of you. As I talk through I might refer you to grab one of those and we can talk through it.

The first one is a graph entitled "ULP—Canberra retail against city rack, TGP and landed spot". Point 1 in the terms of reference talks about price method and determinants, so what gets a retailer in the ACT to set a board price. We have to go a fair way back up the chain. We could simply just talk about the competition occurring in the marketplace—or maybe the lack of it—but underlying factors bring us to that point. Those factors start in an international market, and that really boils down to what price is fuel landing in Australia and it being priced through the major oil company or themselves though a wholesaler to the retailer in the marketplace.

This graph without any numbers in it shows you the relativity between the blue line, which is the raw landed price in Sydney for ULP. So how is that calculated? A spot price is produced every day in Singapore. It is called Platts, or most of us would see it as Platts. That is a refined buy price that occurs every day at the close of that market.

To get that to Australia we go through a lot of things: we have to ship it here, we have to insure it, we have to put it into a terminal, we have to pump it out of ships. Now that price takes in all those factors, but it also takes in the amount of time or lag that it takes for that price to end up in Australia. So what might be a Platts spot price today in Singapore gets rolled into a five-day rolling average price that will end up in Australia by Friday.

What we have tried to do with the OPIS number is recreate a calculated method the oil companies would use, which is basically a five-day rolling average. We take a rolling average of Platts for five days; we take a rolling average of the US-Australian dollar exchange rate; we add our shipping costs, premiums, all those other things, and we turn up with a landed cost. What this gives you the committee is a view on what the raw price would look like within reason.

The red line—you can see that it is parallel; it acts as the railway line—is the average TGP price in Sydney for the period. So this period is a six-month period at the tail end of last year. We can see the drop off in in wholesale price that occurred in the last quarter of last calendar year.

What we see here is the fact that the TGP is very closely related to the landed spot price. There is a methodology the oil companies use that is based on what they buy it for or what they notionally could buy it for, and the gap between those includes the cost of operating the terminal they might store it in and the cost of other marketing at the wholesale level. That becomes then the build-up.

The TGP price we talk about is enshrined in an oil code, in a policy, in a guideline or in a law, because it comes with the ACCC. That is used as a benchmark, and a retailer or a wholesaler will buy at either plus or minus that. So when you start to look at these gaps, you say to yourself, "Okay, someone's landing it in Australia at the blue line." The oil companies are suggesting that the red line is a price they will commonly sell to all comers at a cash deal. Now, you might ask for credit, you might ask for a brand, you might ask for other things and, based on those requests as well as your base volume that you might buy off them, they will adjust their price off that TGP. They will either add a component or they will deduct a component.

MR WALL: Yes, so if you want to trade under their brand you might pay a premium, but if you are taking volume—

Mr Moulis: Yes, but if you are just turning up for cash and you have a heap of volume you might pay less. As an aside, what we are seeing at the moment in Australia is that a lot of unbranded independents are using the gap between those lines to their advantage. They are saying, "I come with a lot of volume. I come bearing cash," or, "I don't need as much credit as others," and they can play in that space, so that is an interesting point to raise.

Then the grey line is the retail price in the ACT. Whilst I will note that there is a reasonable gap between the blue and red line and the grey line what I am really trying to show is that there is a linear progression that shows that the underlying buying price affects what the board price is going to be and that it is not always just someone licking their finger and seeing which way the wind is blowing.

THE CHAIR: Except at the end of October?

Mr Moulis: Yes.

THE CHAIR: What happened?

Mr Moulis: That dramatic fall in the wholesale market—

THE CHAIR: But not in the ACT?

Mr Moulis: But not in the ACT, and I will concede, yes, that that does look quite interesting.

THE CHAIR: And then a very slow fall in the ACT compared to a sharp fall?

Mr Moulis: In other markets. When we go to look at some other markets we will see how they have behaved over the same period. But all I am trying to note here is that, when you look at $1.50 on the boards, the majority of that is going to be made up of the wholesale price of fuel. And that is in any given market.

In the Sydney-based market, that blue line and red line will be the same, because Canberra's fuel is coming out of them. Of course, the difference between the blue-red line and the grey line and therefore that gap in the middle does include other on-costs that might come into the ACT market. That might be freight and those credit and brand costs that we spoke about.

THE CHAIR: Just by Canberra retail, is that the average of all retailers?

Mr Moulis: Yes, that is the average for all retailers in the market.

THE CHAIR: Every single one?

Mr Moulis: Yes. And I will show you some information that actually brings out every retailer as well. They are the underlying characteristics from the point of view of price method and determination, which is the landed spot price of DTP and therefore what it does to force the retail board price.

Moving on then to the terms of reference point 2, which is: what are the characteristics of the ACT fuel market? What I would like to show you—and it is not a graph—is actually the Excel report, as I have called it. What you will see are some sheets—unfortunately they do not have a title, I apologise—but this one has the ACT, the number of service stations, brand, and then it says "suburb, area, region". And it has a series of prices.

What OPIS has created here for us is what is called a price deviation report. What we have looked at here, we have identified the number of service stations that a given brand owns in a marketplace. We have identified what those brands are so that you can see it. Then what we have done—and this is over the last quarter of last year, and I will talk about this quarter alone but you will see we have given you 12 months worth of data—is take an average of the region or state. And in this case that would be the ACT. We take an average of all the board prices in the ACT and then we take the brand average and tell you how far that deviates from the market average for the ACT.

If I run through from Costco, which is at the top of that list of the average of the ACT market over that quarter, Costco deviated by 20c per litre. They were 20c per litre cheaper than the marketplace. If I move through to Metro, who is a true independent operating in the Fyshwick market, though they do have a site in Queanbeyan as well, they deviated by about 13.8c. Then you can run through and you can see that those deviations get smaller as we come into the more recognised brands in the marketplace: Caltex, BP, 7-Eleven and Woolworths. And then we see a position where Coles played out at 4c higher than the average of the market during that period. If you look at the other quarters you will see that it can vary but it is reasonably linear in the fact that Costco has in the majority been the cheapest site in town, and Coles sites have been the most expensive.

If we go back across one to the left you have got area SA2, which would be Belconnen or north Canberra or east Canberra. And that will resonate when I show you some other data. What we do there is take that smaller grouping and we look at the average in that grouping rather than the whole area and then again we look at the average of those sites owned by Caltex in that area and their deviation. What this starts to do is tell you how people are competing as their markets become smaller and smaller.

MR WALL: In a small geographic market?

Mr Moulis: What you can see there is that Costco has a competitor in that marketplace because they have gone from being 20c above the ACT average to 15c above their more local market average. And what that highlights to me is that the Woolworths and the Caltex at the airport are competing with them. That 20c advantage in the marketplace is beginning to erode. And you can see that, within their given area, Metro is holding pretty much the same, which would indicate that the Fyshwick market is playing reasonably on average in general to the ACT market. But you can see that that Woolworths, as it starts to pull down in the marketplace, becomes slightly less competitive, its pricing is slightly higher than the average in the market, because its brand is probably resonating in that marketplace and people are coming to it. And then you can see what it is doing in its area.

Then what we do is we take it down to a suburb-by-suburb basis. In the suburb you are in, whether you are in Chisholm or Griffith or whatever, you might be the only site in town. You might be one of two or three. Again we take that average in and then we work out your deviation from that position in the marketplace.

THE CHAIR: Forgive me, this makes sense to me for somewhere like Costco where there is just one in the suburb. But how does this work when you have 15 Coles stations?

Mr Moulis: When you come down to a single suburb there will be a Coles—and I can get the list up—

MR WALL: Say, Wanniassa.

Mr Moulis: Yes, like Wanniassa or something like that. We are going by area here.

MR WALL: And they have also got a 7-Eleven and a Caltex.

Mr Moulis: Yes. If I look at, say, something like Kaleen, there is really only one service station in Kaleen. It is a BP service station. It sits in that Belconnen area. In that market it is competing against others around it in other suburbs. In the Belconnen market it is probably competing against sites in Holt, Melba and Spence and those sorts of things. But then in its single market, if it is the only one there, it is basically attracting what it can at the price it can. That is the way that works. I hope that makes that a little clearer.

MR WALL: Somewhere like Costco, you have just averaged that across every market, even though they are only in one location?

Mr Moulis: No. What we have done with Costco is say that in their distinct suburbs, in that real microcosm of two or three sites—the Caltex at the airport and if I am not wrong there is a Woolworths site across the—

MR WALL: Yes, there is a Caltex, a Woolworths and a—

Mr Moulis: Yes, and the Costco. They are all competing quite hard.

THE CHAIR: And that is why it shows within the suburb versus the area that the value of Costco is much less?

Mr Moulis: Yes, much less.

MR WALL: So for the majors like 7-Eleven, Woolworths and Coles, it is essentially an average of their average?

Mr Moulis: Yes. I wanted to highlight to you that there is this price deviation that occurs at different levels of the marketplace. You have to bring that altitude down to the point where you are really working out where your consumer is seeing the competition rather than this global picture of the ACT. What you will start to see in the next report, which should be on page 2—the market share report—

THE CHAIR: Yes.

Mr Moulis: I will walk you through that. What you will start to see here is how, within the market, this price competition is creating market share. This is something that I need to highlight to you, how we create these numbers. It might be the first time that you are seeing some market share data related to price data. It is the way that OPIS and GasBuddy, but mainly OPIS, collect their data.

So you understand, most of the data collected by OPIS is gathered through agnostic card transactions. What I mean by agnostic is that it is not related to the fuel brand itself. If Informed Sources came here—they have a very strong business outside New South Wales, the Northern Territory and WA, where we all collect data from the government—they have a very strong business collecting Caltex card, BP card and the like. So they see price and collect the majority of their price brand-specific.

What we see is agnostic. The cards that our consumers use—there are 500,000 of these cards in the marketplace—are being used across all service stations in the marketplace. We get to see a consumer's behaviour at its most independent decision-making moment. As we collect the data, we are able to understand the number of transactions that that single card and this group of cards are doing at the specific site.

What we have got is 500,000 cards across Australia buying 1.2, 1.3 billion litres of fuel a year. We are able through that to survey price and use. Whilst we cannot say who it is, because we have no idea, we know that a card is being used at, for example, the BP at Melba, it is being used at the Shell in Griffith and it is being used at the 7-Eleven near Kingston. We can see that. So we build up all of these transactions and that gives us a view of the market share that any service station would have.

What we are showing here, then, is a market share report that gives you the number of stations that the brands hold in the market place, their station share of the market—I will describe that in a moment—their market share in the whole of the ACT and then their SA2, or their Belconnen, Tuggeranong, east Canberra, north Canberra market share.

Then there is something we call the efficiency rating. The higher the number, the more efficient that site is: one site sells more volume rather than a lower number, which is an inefficient site. That is a calculation based on transaction, volume and price variance. What we are showing here is the variation in price from the given average of the local market so that we can see how they are gaining their share. Are they gaining it through brand and location? Are they gaining it through price? So it gives us a pretty strong view of a given brand or a given site in a marketplace.

Basically, what we can see here—I am going to be repeating stuff that other people have said—is that Coles and Woolworths are the largest two players in the marketplace. We are seeing that they have strong service station ownership. From a more independent brand point of view, you have United and Metro; Metro at one and United at two with their Amaroo site and the Fyshwick site.

I have to remember my numbers clearly here. Station market share is their share of service stations against the market. For basically every leader—I have to remember this right; I am going to have to recreate that calculation; give me two seconds—it is based on their overall market share, so it is—

THE CHAIR: Take your time.

Mr Moulis: Yes, that is alright. I have to—

MR WALL: It is how much each station contributes to their market share.

Mr Moulis: Pretty well, yes. You have nailed it.

MR WALL: So Woolworths is 1.89 by 15 stations, which gives you your 28.35.

Mr Moulis: Yes, that is it. So you have done it. Thank you Andrew.

MR WALL: That is alright.

Mr Moulis: And this goes towards the efficiency rating. What you can see here is that a group of Coles and Woolworths sites, which have a market share of 28 per cent—28 per cent Woolworths, 25 per cent Coles—in their local market then have a share of 70 per cent or 60 per cent. What that is saying is that across Canberra they are holding about 30 per cent of the volume each, or 25 per cent of the volume each. But when you get down to a more concentrated marketplace, they start to ramp up. People are starting to come to them more than going to others. It is because they start to bat above their average. That is why their efficiency rating is at a higher number. It is at around one or above one. They are able to do that at a higher price.

That is saying a few things there; that price is not the determinant for people coming to those locations. It is going to be where they are located. It is probably going to be the brand reception that they may have and maybe some loyalty offer that occurs in the marketplace. That is what you derive from those numbers.

What you can see then is that 7-Eleven has what looks like quite a strong brand and location position in the marketplace because they have fewer sites, yet they play at a station share and at a local market share much higher than their site numbers would show. Again, that is saying that there is something going on with their locations that is attracting people to them. There is a price differential of about 1.5c but ultimately it is probably more based on brand and location.

You can also see that for other players in the marketplace. What you can see with United and Metro is that they try very hard to be under the market and that is creating market share for them. I think United gets a bit skewed because their Amaroo site right out at the far end of Gungahlin is a real outlier and there is nothing else out there, to be honest, that I can see when I look at the market. So they are attracting a lot of business there.

MR PARTON: The two United sites we are talking about must be Amaroo and Kambah?

Mr Moulis: Yes, Kambah sorry. Did I say Fyshwick?

MR WALL: Yes, Fyshwick is now rebranded. It is now Caltex.

Mr Moulis: Alright. I did not—

MR WALL: I do not know when it happened but it was some time in 2018.

Mr Moulis: Thank you for that. Yes, they are the two United sites then. That is the way this report works. I suppose that what this is telling us, now that I have gone through the detail of it, is that the physical arrangement of sites is important, where they are located is important, in that the consumer is looking for convenience. When I say convenience, I do not mean the store. I mean convenience of approach, ingress, egress, maybe size and the like. It is physical location. That is affecting their decision.

Price is part of the determinant here. You can see that sites that are pricing at a slightly lower price are gaining some market share. I think that 7-Eleven and Caltex are the real stand-outs there for what they can do, as well as Metro. I think the other thing we are seeing here is that brand is important to some consumers in the marketplace because we are seeing that a higher price brand is still attracting consumers in the marketplace.

I think what we are also seeing in these two reports that I have gone through is that as you start to localise price competition, service station operators do need to react. When you start to get more than one operator in a given geography, they have to start to react to each other. We can see that in the Costco example and probably Fyshwick more than anywhere else; in Belconnen a little bit because there are closer sites. I thought Braddon would be a bit better, but it does not seem to be as competitive. It is still competitive when you compare it to the overall position in the marketplace. They are some characteristics around the ACT fuel market.

The next point is: what impact does that have on the consumer? This is quite interesting. The third page has is a whole heap of data on service stations in the ACT. That is every service station in town by suburb and by brand. What we do here is to take a linear six-month average of the board price. Regardless of how many transactions occurred, every time we get a board price, we have just averaged those over the six months and that gives you the average six-monthly board price.

Then we have weighted that against transaction, because we see peaks and troughs in transactions, based on time of year, time of day and price. This highlights an interesting point when I started to look at it. What we are seeing here, and we can see on an individual basis, is that in most cases the consumer is buying on average at a lower price than the board price itself. We have normalised this for 4c; so it does not take into account 4c.

The consumer is aware of what is going on in the marketplace. They get a sense of when the prices maybe at a better point for them at a given time in the cycle. I know that it does not cycle as dramatically as other markets. What we are seeing here is that overall in the past six months, the consumer actually bought fuel for 0.7c less than what the board price would have actually stated, on a weighted average price, so when they actually went to buy it. Yes, they bought it at board price, but they bought it at a lower board price. They then perhaps saw it rise at a given time and then bought it again at a lower price when they have been able to do that.

MR PARTON: So the summary is that people are either more likely to make the fuel purchase or they will purchase more fuel when the price is lower?

Mr Moulis: Yes.

MR PARTON: That is very clear evidence; you cannot refute it. It is interesting that there are still some outlets where the weighted average is higher, which is difficult to explain.

Mr Moulis: Yes, it is.

MR PARTON: But there are not many of them.

Mr Moulis: No, which is good. There are places where people are obtaining some decent discounting on the average, which is good. I note one site is at about five cents.

MR PARTON: We are still only talking small numbers, though. As we do not have a genuine price cycle here the difference between the high and the low is really not great, is it?

Mr Moulis: No, I appreciate that. I suggest, though, that even where we see more competitive markets than the ACT some retailers will board $1.39.9 and someone else will do a $1.39.4, and people will move for those small points. I think what I see here is the fact that there is knowledge by the consumer in the marketplace; hopefully it is through apps like GasBuddy or the local Facebook page that Benjamin is running.

MR PARTON: That is not there anymore.

Mr Moulis: Okay. So those sorts of things might have assisted the consumer Australia wide as well as in the ACT to see what prices might be at a given time.

THE CHAIR: Do you have this sort of data for another city?

Mr Moulis: I can produce data for another city if you would like that.

THE CHAIR: It would be helpful to know whether Canberrans are behaving differently to other cities, except at the Bonython Woolworths where they are paying a lot more on a weighted average.

MR WALL: But the underlying price there is also one of the lowest.

THE CHAIR: That is right. But it would just be interesting to compare. Mr Parton pointed out that the majority of the prices we are seeing here are between zero and two cents.

Mr Moulis: Yes, I understand your point. I have just made a note; I will talk to the OPIS guys and get them to produce some reporting on other markets.

THE CHAIR: It would be interesting to see it for a regional town and a metropolitan area, if that data exists and is easy to produce, just for the purposes of knowing are Canberrans—

Mr Moulis: Behaving differently?

THE CHAIR: Yes, that it right. Are we more sensitive and generally buying—and it seems we are even if it is not making a huge difference to us—more fuel more cheaply when we can.

MR PARTON: Very clearly we can see with these figures that more fuel has been purchased at the lower price. But it is almost impossible to know what led to that decision to purchase at that price; whether, indeed, an application was used which displayed prices or whether it was just that this person arrived at this site and said, "That's a good price. I'm buying it," or "That's not a good price. I'm not buying it." It is just about impossible to know what led to that purchasing decision, isn't it?

Mr Moulis: Yes, it is. I suggest the apps continue to inform, which fits with your last point, which was, "Yes, that is a good price." They make that decision. So I think that it boils down to that last moment where the consumer goes, "You know what? I've seen it over the past few days. I know I'm getting close to wanting to purchase. Yes, that's a good price." Providing information through apps is very important and probably more so in a city like Canberra and an area like the ACT because your physical presence of service stations is locked away; you do not drive down a main road and get bombarded by four or five price boards.

MR PARTON: In the context of this committee we have looked at a hell of a lot of different ways that people are getting price information and there are various models. We spoke with Benjamin earlier about that whole ACT Fuel Watch thing. There was no business model surrounding that particular application, website, social media community, and so as such it did not work.

Mr Moulis: It dies.

MR PARTON: But when we look at the business model, say, for MotorMouth we note that, for argument's sake, the cheapest price in Tuggeranong in recent weeks has been the United at Kambah, but their price does not appear on MotorMouth because they are not a client. We are examining the various business models, so how does GasBuddy make money?

Mr Moulis: It is a very good question, because if all you are doing is serving up fuel prices, as the Facebook example and other examples around the world show, you will fail. You have to pay people to do it and you have to derive an income. So from informed sources and ourselves, the number one source of income is data sales; we have to sell the data. We collect this information and we sell it to governments, we sell it to other institutions, we sell it to oil companies. That is what happens. There are varying business models around that; I will not get into that because there were court cases and undertakings from the ACCC in regards to that. But providing data to the community for those who wish to buy it is a very important source.

The other is how you value-add to the consumer. From a GasBuddy perspective we serve up advertising in the app and that provides us income and it adds some value to consumers because they get to see products and items they might be interested in purchasing. But within the GasBuddy environment we have offers—and this is more the US base and not here in Australia—that provide the consumer with discounted petrol and discounted products and take some income as we go through. So it is about value-adding. That is really what it is.

THE CHAIR: How do you make it viable in Australia if you do not—

Mr Moulis: That is a very good question, and if you have the answer, I would love it.

THE CHAIR: Are you cross subsiding? Is this confidential?

Mr Moulis: We have been in the market now for four years. We are supporting ourselves in this marketplace through the activities we have currently undertaken and we are pretty happy with that model. But it is built around data sales.

THE CHAIR: I think you said in your opening statement that GasBuddy has data for all the sites in the ACT. Is that correct?

Mr Moulis: We have the ability through the card network and through crowd-sourced information to collect prices for the whole of the ACT.—

THE CHAIR: So having the ability and actually doing so are two different things?

Mr Moulis: Yes, they are two different things because we would rely on card transactions. As I stated, we get this agnostic card transaction. So we would rely on sites getting transactions every day—at least once—and we would rely on the crowd because with GasBuddy you are able to update fuel pricing as you go. We would rely on the crowd to verify and update.

THE CHAIR: From your perspective—because you have skin the game—between GasBuddy, MotorMouth, and Petrol Spy, is the ACT well serviced by existing apps or is there a gap in the market that the government should be filling?

Mr Moulis: GasBuddy and Petrol Spy have a similar model of app whereas MotorMouth is distinctly different. Firstly, the consumer is more likely to get a more visual price instantly using GasBuddy or Petrol Spy than they would with MotorMouth because it hides the prices, gives you a range and does all of those sorts of things. It does not provide it straight up-front.

I suggest that Petrol Spy and GasBuddy would give you a quicker, more reliable picture instantly. Then there is only one application in the marketplace that is buying the card data, and that is us. So I suggest that there is probably a deeper price mechanism in GasBuddy than in Petrol Spy. Whilst that may not answer your question completely, I have graded us.

THE CHAIR: You probably have answered my question but would an ACT government interventionist model, which is like what New South Wales has done, have disastrous consequences for your business?

Mr Moulis: For the app business?

THE CHAIR: Yes.

Mr Moulis: Yes, for the data business, to a point, it does, because everybody gets data then. If all you are doing is serving up fuel prices you have got to then move to different methods of adding value to the consumer, and that is going to cost time and money. If a single group like us, who have made an investment, can corral a better range of fuel prices then that is a value add that we give our consumer prior to a government getting involved.

I look at that and say, "For the cost that a government might go through and all the rest of it to put in place"—and I think New South Wales is a pretty good example of this—"a mechanism that they believe will benefit a consumer, I do not believe the government would get value for money for it." And I do not believe the government would get value for money for it in the ACT because fuel pricing in the ACT, to a point, is not about transparency. It is about the structure of your market.

We have not got to that. We can skip a few things and talk about market structure and how independents come in, because there is a reason there are no independents in the ACT.

THE CHAIR: Yes, and we certainly want to cover that. Just to finish off on GasBuddy, do you have data on how many people in the ACT have downloaded it?

Mr Moulis: I do not have that with me today, I would have to talk to the guys in the US. I have not produced specific data like that for Australia before. I could not tell you.

THE CHAIR: But you could ask?

Mr Moulis: Yes, I could ask and see what they say.

THE CHAIR: And if the answer is no, we completely understand commercial sensitivities here. Some people say to us that the ACT is well serviced and has had a fantastic take-up of apps or we just need to promote them all. Other people say we are never going to be well serviced and apps are going out of fashion. We are trying to find the answer. What is the truth here?

Mr Moulis: I will tell you, apps are good. But nothing beats the price point on the road. That is really what it boils down to. That is what we do to sell petrol.

THE CHAIR: Are there any more questions about GasBuddy or should we move on to structure?

MR WALL: I am happy to go to structure.

THE CHAIR: Will structure also answer the question about what happened in the ACT at the end of October 2018?

Mr Moulis: No it will not.

THE CHAIR: Versus why it did not happen in Sydney?

Mr Moulis: It will not. You have got to look at how independents come into a marketplace. Let us forget the ACT for two seconds; let us look at other markets and look at independents who are growing right now. I am very happy to talk about my competitors in the marketplace because I play in this space. But independents grow because we do things majors do not want to do. We take on sites that they do not want to have. We take on the marginal, we take on lower volume locations and we grow through infilling or reigniting some of those older, smaller sites.

If you look at where maybe independents like Metro and Budget are thriving in Sydney, it is in the inner west. It is in those old, small service stations where the majors went, "You know what? I can't be here anymore because the volume is not big enough, the sites are hard to handle, I am going to have a future issue with underground contamination, blah, blah, blah," and they wanted to get out. And then independents, regardless of who they are, say, "You know what? I am going to take a risk on that because that little bit of volume is good for me. I want that."

If you go out into Prestons, Campbelltown, Narellan and all these new growth places in Sydney, you do not see a lot of independents out there because we cannot afford to buy the land. Everybody is land banked because they knew what was going on: your Coles, your Woolworths, your 7-Elevens, your BPs, your Caltexes. The developers of those properties go and talk to the major oil companies because they want that major oil brand there so that they can get their rent paid and all those other things.

What has to be recognised is that independents will only grow in a market where there is a discard. Independents will grow in a market where the majors are saying, "We're going to walk away from certain things." And they are not doing that in the ACT. They are not walking away from the sites that they currently have. Whereas in inner city Sydney, inner city Brisbane, inner city Melbourne, they have been. Groups like the Metro groups, groups like us, are going into town and taking over those sites. And we do not have those in the ACT.

Then, when we go to look for greenfield sites, we cannot play with the majors. We do not have that sort of money. We cannot come into here and maybe look at the Denman precinct or what is going on on the far side of Gold Creek and say to ourselves, "You know what? We'll go and buy some land there." Because of the way the shopping centres are being constructed, in that they are hubs in the middle of suburbs rather than on the streets and they are being allocated one service station, we are never going to compete in that environment. We are never going to be able to buy a site in that environment and build a site.

MR PARTON: Please excuse my ignorance, when it comes to those sites do they become like auctions?

Mr Moulis: Pretty well. If the government has put a developer in place there or someone has bought up that land and is doing the development and meeting the planning approvals for the ACT, the developer will walk to all the majors and say, "What are you going to build here? How much rent would you pay me?" And they talk to all of them. And it is only when they reject the deal that we start to get a look at them. When that happens in the ACT we do not get a look in.

THE CHAIR: What is the solution? How do we remove barriers and/or attract independents?

Mr Moulis: That is a question that has vexed me for a while, because I have been in the industry a long time. I am a Canberra boy. Unfortunately they blew up the hospital that I was born in. But the point is that there has got to be a dual process here, because we can talk about the expansion territories of the ACT and where you are going to be building new suburbs and catering for the growth of this town but there also needs to be some urban infill as well and we need to understand how we get into these Braddon-type markets or Griffith or the likes of Belconnen where they are more established and would maybe even be harder to get into.

If we say, "Okay, we'll limit the auction ability for the land in the new developments, then an independent can buy it," we are going to be standing around out there until the suburb is built and all those other things are going on. We cannot invest that sort of money and sit there for so long. We really cannot.

There needs to be some debate and understanding of what can be achieved through—I hate to use the word "concessionary"—to a point concessionary behaviours in established urban areas and it might be where old sites are closed down and there is an environmental risk or maybe the ACT government says, "If an independent comes in here and wants to re-establish this site, we'll somehow support them on an environmental risk that might happen here. We might support them with some investment incentives beyond what you might get from the federal government." I do not know how you do it.

You have got to look at your local tax structure and say, "Okay, what local taxes is a service station operator going to be confronted with, what local costs around planning and timing? And how do we support those to get them up quicker?" Those things are important to us.

MR PARTON: And even then, if you do go through that process and you get an independent into the market, you do not actually know that they are going to operate like a true independent, do you? You cannot legislate for that.

THE CHAIR: For being competitive.

MR PARTON: You cannot.

Mr Moulis: Yes, you cannot legislate, "If we do all this for you, whatever that guy prices, you have always got to be 2c less than him."

MR PARTON: It is the market.

Mr Moulis: No, you definitely cannot.

MR WALL: You would be wandering up the road and asking to split the difference.

Mr Moulis: Exactly. No, we would never do that. Is that on record? We would never do that. You can never tell the operator how to operate. But the view is that you need diversity, and you do not have it at the moment. The government, parliament, is going to need to take some risk on what that might bring. You have seen true independents come here and they are fighting hard. And I would hope that other independents would try to come into the market and do the same.

The question would also be: if they come in and do all this investment and operate at cheaper prices, are the people of the ACT going to support that? That is the risk that I would take as an operator. I am going to put all this effort in, I am going to spend all this money. Are they going to come? Then it boils down to: has this inquiry pulled out enough information to suggest that the consumer is strongly looking for it? And is that going to translate to them investing their money in buying fuel from those businesses?

If you look at the historic planning of the ACT, built on basically this hub-and-spoke system that occurred here and a Burley Griffin plan, you designed a system that is almost anti-competitive when it comes to creating comparison for fuel pricing. We have created a system that, whilst visually it looks great on some of the large vistas of road that we have, has not put in those things that consumers now want, which is price boards and the like on the side of the road, and I do not know how you change that.

MR WALL: I guess this relates to the question: are consumers in the ACT likely to go out of their way to support a discount operator that comes in? If I am reading your table right, which related to the market share numbers, the answer to that question would almost be no. Metro has essentially 0.98 of a share of the market for one station. If everyone had an even share, it would be at one, which means that they are underperforming compared to others like Woolworths, which is just under 1.9. It is almost twice the volume per site compared to the average.

Mr Moulis: Yes, you read those numbers right and I would agree.

MR WALL: Which means that brand and convenience are trumping price for most consumers.

Mr Moulis: Yes. Brand—if you look at any study into the industry here, and I have seen studies out of the US, it is location, brand and price. That is the way it works. It is what a consumer is looking for. So if an independent takes up a sub location, they are behind the eight ball already. Then, they do not have the brand. Basically, for an independent, it boils down to, “Where am I located and what price can I put on the board?” This is because the brand, whilst it is getting better for some of us, is not there yet.

THE CHAIR: That is fascinating, isn’t it: just how sensitive are we?

MR WALL: So I guess the Metro, United examples, they are carving out a niche by essentially servicing that price-sensitive segment of the market who are willing to travel for the discount amongst those who are driving by and they know it is convenient.

Mr Moulis: Yes.

MR WALL: But, overwhelmingly, as you say, it is location.

Mr Moulis: Yes, absolutely.

THE CHAIR: Costco is not in this sheet?

Mr Moulis: No, because Costco do not accept the card that we provide.

THE CHAIR: Right.

Mr Moulis: Which is a blow, but Costco is interesting. On the surface, Costco looks like a good, cheap, discounted model, but you have to buy into it. Then you have to say to yourself, “What is—

MR WALL: You are $60 behind before you start.

Mr Moulis: Yes. You have to ask, “What is my $60 in cents per litre over the course of the year and am I really—

MR PARTON: And it just depends, obviously, on how much stuff you buy at it, really.

Mr Moulis: Yes.

THE CHAIR: Yes, and if you are buying other things.

MR WALL: Or if you need more toilet paper.

Mr Moulis: Yes. I will not take it away from Costco. It is their business model. They want to be seen as a cheap fuel provider. When you look at the economic cost of it completely, it might not be as cheap as everybody thinks it is.

THE CHAIR: Whatever the case, though, and however price not-sensitive we are, it is still kind of showing that Coles and Woolworths are—

Mr Moulis: Market dominant.

THE CHAIR: market dominant and are putting prices still significantly higher than what they need to do to make a profit.

Mr Moulis: Yes.

THE CHAIR: They could, it seems—

Mr Moulis: But do not necessarily think that the ACT is being treated differently from the rest of Australia by Coles and Woolworths, because when I look at the data, I would suggest that Coles and Woolworths are just playing out a national pricing strategy.

THE CHAIR: Right; because they are so big.

Mr Moulis: Yes. When I look at the ACT, and in fact when I look at most markets for them, what I can see is that they are not sensitive, or as sensitive, to what their competitors are doing around them. Coles may change because Viva has taken charge of the price boards but that is in its infancy and we will see what that turns out to look like. But ultimately what I see is that they have a national strategy based on where they see themselves as a brand in the marketplace. In the ACT, when I look at the numbers, I would suggest that they have not really concerned themselves with who is competing around them.

If I then start to move down the brands, BP is a bit sensitive in some locations but not so much in others. They do not seem to worry. Caltex, similar; 7-eleven will play competitive, as I see the numbers, in their given marketplace. They bring it down to that SA2 level, to that Belconnen, Gungahlin-type level. But Coles and Woolworths price the same price across the ACT, as in not both of them together, but every Coles site every time I look at it is always at the same price. Every Woolworths price, always at the same price. So they are playing out a completely different strategy. They are not looking at what is happening in the individual marketplace. My view is that that is because of location and brand. They are very strong.

THE CHAIR: So if we looked at western Sydney, we would see Coles is generally the same as western Sydney.

Mr Moulis: Yes.

THE CHAIR: I am conscious that we only have a few moments left. More questions?

Mr Moulis: I have left you with a report that OPIS produces. Your point 5 talks about what other states are doing. That has a heap of information in it about pricing cycles underlying wholesale prices in other states. Please take a look at that. Interpret that data. If you have any questions on that, feel free to come back.

MR WALL: Can you quickly provide a little background on the second page of the booklet, which is the weekly average verses the weighted average. Can you explain what the differences are in those two figures?

Mr Moulis: Which one is that in?

MR WALL: That is the second page.

Mr Moulis: That is really just a visual of that long list I gave you. So it is just a visual representation of that, the red line being the linear average and the blue line being the weighted average.

THE CHAIR: I know I am obsessing about this, but can you explain—do you know—to the best of your knowledge, what happened in the ACT at the end of October or can you make a guess?

Mr Moulis: No. I would suggest that the wholesale price fell dramatically and the dominant retailers in the ACT were slower to respond, because if you look at Sydney for the same period, which I think I have got there—

THE CHAIR: Yes, in Sydney it seems that almost by November they were—

MR WALL: It is erratic.

Mr Moulis: It followed the underlying wholesale price.

THE CHAIR: Yes, it took a little bit of time—like, a week—but it did not take—

Mr Moulis: Three or four—

THE CHAIR: three months like it did in the ACT.

MR PARTON: But we are here to make money, are we not?

Mr Moulis: Look, my view is that if I were to come into the ACT as an independent, and I would very much like to, I have to make a profit. I cannot hide from that. But do I make a profit at the expense of the consumer? Well, when I am an independent, no. I need the consumer to come to me. So I think if you get independents here, they will find the balance and make it right. I do not think they will just follow. Thank you very much.

THE CHAIR: No, thank you very much.

MR PARTON: That was exceptional information.

THE CHAIR: Yes. We have been remarking, actually, throughout this inquiry that everyone who appears gives us something new to think about. You are no exception to that. When available, Mr Moulis, a proof transcript will be forwarded to you to provide you an opportunity to check and to suggest any corrections.

I think that you have taken one question on notice today, or at least just to go back and check. If the answer is no, we do accept that. We are aware of commercial sensitivities. But the secretary will liaise with you about that.

Mr Moulis: Sorry, Tara, can I note that there were actually two requests? You requested me to produce weighted average pricing for other markets; so I will do that. You also requested the GasBuddy information for the ACT.

THE CHAIR: Yes, you are right. Thank you.

MR WALL: Good notes.

THE CHAIR: Yes, very good notes, thank you. On behalf of the committee, we sincerely thank you for appearing today and giving us so much of your time and information. It has been invaluable. Thank you.

Mr Moulis: It is a pleasure. Thanks for the invitation.

THE CHAIR: I now close the hearing. The committee will next meet on Wednesday, 8 May with the Chief Minister.

The committee adjourned at 2.03 pm.