



Minister for Small Business

13 MAY 2015

Dr Dennis Jensen MP
Chair of Standing Committee on Petitions
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Dr Jensen

Thank you for your letter of 24 March 2015 forwarding to me a petition regarding petrol prices in the Hamilton region in Victoria, submitted for the consideration of the Standing Committee on Petitions.

Let me assure you that I have listened to the concerns of Australian consumers and businesses regarding fuel pricing, including concerns about the disparity in regional pricing, and a desire to ensure that they too benefit at the bowser when international oil prices fall.

As you are aware, retail petrol prices in Australia are not regulated by the Government. Rather, prices reflect international oil prices and market forces. Nonetheless, the Government is committed to promoting transparent and fair petrol prices for all Australians. In December 2014, I issued a new direction under the *Competition and Consumer Act 2010* (the CCA) to the Australian Competition and Consumer Commission (ACCC) to monitor and analyse fuel markets in a more regular and in-depth way.

ACCC petrol monitoring reports are now produced quarterly instead of annually, to be more informative, responsive and able to identify areas of market concern or heightened interest for the community. The first quarterly report was released on 26 February 2015 and shows that petrol prices have decreased significantly since mid-2014, including in Victoria, but not by as much in regional areas such as Hamilton. For further information, a copy of the ACCC's report is available at: www.accc.gov.au/publications/quarterly-report-on-the-australian-petroleum-industry/quarterly-report-on-the-australian-petroleum-industry-february-2015.

In addition, the new direction empowers the ACCC to undertake a 'deep dive' study into specific markets or aspects of the fuel industry requiring closer and more specific examination. This can be used to shine a light on specific markets where prices are relatively high and influence behaviour as consumers will be able to see where the profits are being made and seek change. Importantly, the ACCC will be able to use its compulsory information gathering powers under section 95ZK of the CCA to obtain necessary information from fuel companies throughout the supply chain to inform its studies.

In addition to improving transparency and empowering consumers, the market studies also provides further opportunity for the ACCC to uncover evidence of any anti-competitive conduct in breach of the CCA, which may warrant further investigation and action through the courts if appropriate.

Recently, many Australians have written to me requesting that I direct the ACCC to conduct a 'deep dive' market study in their particular region. It is my strong view that the ACCC as an independent statutory authority, should be allowed to fairly and objectively, without undue political influence, determine which regional locations should be considered priority areas for conducting its market studies. Therefore, I have asked my department to pass on these requests onto the ACCC for its consideration alongside other similar requests from people concerned about petrol prices in their region. I encourage Australians concerned with petrol prices in their region to contact the ACCC directly. The ACCC can be contacted on its information hotline: 1300 302 502, or via its website at: www.accc.gov.au.

To identify the regional locations to be included in the market studies this year, the ACCC has been analysing the extensive data it has on retail, wholesale and benchmark prices for around 180 regional locations in Australia. As part of this, the ACCC has been looking at factors such as price differentials between regional markets and larger cities, differentials between towns of similar size, and the variability of prices in regional markets over the last three years.

On 10 March 2015, the ACCC announced that its first regional petrol market study will be in Darwin. Petrol prices in Darwin are amongst the highest in Australia. This action will be important towards ensuring that communities in Darwin can enjoy healthy markets that function to the benefit of motorists and in turn to the benefit of the local economy. The ACCC will examine petrol markets in at least a further two regional locations by the end of 2015, which will be announced over the coming months. While there are limits on the number of 'deep dives' the ACCC can conduct each year, these studies into particular regions will be used to draw lessons of wider relevance to other regional markets.

The Government is also considering this matter in the broader context of competition, which is a vital element towards ensuring greater choice and lower prices for consumers. Last year we commissioned the independent Harper Review of Australia's competition laws and policies, which focuses on improving outcomes for Australians, by making markets work in the long term interests of consumers. The Review's final report was released on 31 March 2015 and is open for public consultation to 26 May 2015. A copy of the final report is available at: www.competitionpolicyreview.gov.au, as well as a link to the Treasury consultation website. Consultation will inform the Government's response to the report later in the year so that we can build a better competition framework for the benefit of all Australians.

I note that, when the Committee has considered this response, it will be presented in the House and posted on the Committee's website.

Thank you for bringing this petition to my attention. I trust this information will be of assistance.

Yours sincerely

BRUCE BILLSON