



The Office of the
Group Chief Executive

7 July 2008

The Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Email: Glenn.Ryall@aph.gov.au

Dear Mr Hawkins

The Motor Trades Association Queensland (MTA Queensland) responds to the Senate Standing Committee on Economics' (the Committee) invitation for submissions to the Inquiry into:

**National Fuelwatch (Empowering Consumers) Bill 2008; and the
National Fuelwatch (Empowering Consumers) (Consequential Amendments) Bill 2008**

MTA Queensland is unable to support Fuelwatch as it is a form of quasi-price regulation that will impact adversely on our Independent Service Station membership which includes about 415 operators at various sites across Queensland. Its anti-competitive structure is unlikely to protect the consumer interest and a further rationalisation of retail service stations and further concentration of market power will be unintended consequences if this policy is implemented in its current form.

The requirement of Fuelwatch for fuel retailers to mandate a single fixed price for a 24 hour period would create a market regime which would allow the commercial decimation or ultimate destruction of Independent Fuel Retailers through the selective exercise of market power by the dominant suppliers. Coles and Woolworth and the vertical oil majors. This would take away the natural market pricing regulator with the most likely outcome being the dominance of oligopolistic fuel pricing in metropolitan areas.

It is also important to understand that the gross retail margin on fuel in metropolitan areas is usually of the order between two and three cents per litre and under Fuelwatch, retailers needing to restock will often be confronted with an increase in the Terminal Gate Price without the ability to adjust their retail price accordingly.

In submissions to the Australian Competition and Consumer Commission (ACCC) "*Inquiry into the Price of Unleaded Petrol*" and the Queensland Government "*Commission of Inquiry Fuel Subsidy Act 1997*", MTA Queensland pointed out that the price of fuel in the Australian market was underpinned by the

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competition generated by the Independent Service Station operators. This could be jeopardised by the operations of the National Fuelwatch Policy if it is implemented in its current configuration.

The continued viability of Independent Service Station operators constitutes the most important element of consumer protection framework in relation to retail fuel pricing. A copy of the ACCC submissions on ULP pricing and a transcript of evidence from the Hearings is attached for the Committee's reference.

While the public and political debate and the focus of policy makers is currently on unleaded fuel prices, MTA Queensland is of the view that high diesel fuel prices are causing greater economic damage because of their role in 'cost push' inflation.

It is interesting that while there is a correlation between Singapore benchmark prices for Mogas 95 and Gasoil 0.005%, daily pump prices show a markedly different response. In particular Australian daily pump prices for Gasoil 0.005% display a stability consistent with a managed daily pump price when compared to Mogas 95 prices which are significantly more volatile reflecting the freer interaction of market forces. The question arises as to whether this price responsiveness is driven to some degree by the level of scrutiny applied to unleaded fuel prices and whether gas oil derived direct prices would behave in a similar manner if they were subjected to similar surveillance.

Thank you for your consideration and if you require a discussion or clarification on matters pertaining to the attachments I would be pleased to do so.

Attached are:

1. MTA Queensland submission Australian Competition and Consumer Commission "*Petrol Price Inquiry*" 27 July 2007 (Note Price Cycles p 6-9)



ACCC Petrol Pricing Inq sub 30.7.07 lth.d



ACCC Petrol Pricing Inq sub 30.7.07 fnl.d

2. MTA Queensland evidence Australian Competition and Consumer Commission "*Petrol Price Inquiry Hearing*", Transcript of Proceedings; MTA Queensland Evidence, 23 August 2007 pp 1-34 and in particular pp 28 -34



ACCC transcript.pdf

3. MTA Queensland submission to "*Commission of Inquiry Fuel Subsidy Act 1997*" 5 October 2007. Please note p.9



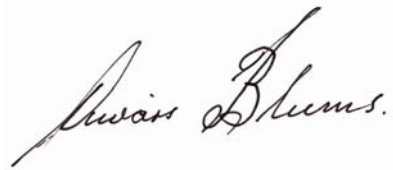
Comm William Pincus QC QFSI 5.10.07 lth.



Comm W P. Qld Fuel Subsidy Inquiry 5.10.

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Yours sincerely

A handwritten signature in black ink that reads "Aivars Blums." The signature is written in a cursive style with a large initial 'A' and 'B'.

Aivars Blums
Group General Executive