

**Parliament of Australia
Senate Standing Committee on Economics**

**Submission to the Senate Inquiry into
National FuelWatch
(Empowering Consumers)**

Prepared

by



INFORMED SOURCES

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1 Summary of Submission

Informed Sources is an Australian company which delivers world class pricing information systems across the globe. We have delivered our service in Australia since 1987 and have provided a valuable source of data to the Commission (ACCC and TPC beforehand) since 1992.

The debate on FuelWatch initially focused on the reduction in petrol pricing to consumers with 2 to 5 cpl savings being touted. The analysis behind these claims is now seriously questioned and increasingly there are concerns on the social re-distribution that will occur as a consequence of the FuelWatch implementation – the “Range Rover Rebate” (outlined in this document) simply means that FuelWatch cannot be justified on social or environmental grounds.

More recently, the focus of discussion on FuelWatch has turned to providing transparency to the Australian consumer. We find this interesting as a highly transparent solution is already in place via **1.** MotorMouth.com.au directly, **2.** its subsumed delivery agencies of the RACV, RACQ, NRMA etc., **3.** the various mobile platforms (mobile phones and SatNav systems) and **4.** internet search facilities such as Google maps.

This existing facility can be enhanced with minimal cost to government and no legislative intervention and has the existing added bonus of linking motorists to the societal benefits of driver and road safety education delivered by the State Motoring Organisations.

This submission treats these matters in turn focussing on the salient points outlined above. Also, considerable comment has been passed on areas close to the Informed Sources business and we feel compelled to detail here an extensive treatment across all these areas for the sake of completeness. We have consciously left these discussions to later in this document so that readers might focus on the main issues.

Finally, we seek to be to be completely candid with the Committee, and submit that we have a commercial interest in this data and our market positioning as the leading supplier of such data to fuel retailers, motorists, government and media. The FuelWatch scheme will impact this position. In this submission we put forward arguments which stand alone in their integrity and ability to withstand sustained scrutiny irrespective of their origin. To dismiss these as arguments from a vested interest belittles the integrity with which we undertake our work.

We are vocal advocates of maximising competition and in the area of petrol retailing this has resulted in sustained lower purchase prices for cost conscious buyers. In an era of increasingly rapid and advanced communication technology, information – and its proper use – has become central to efficient market competition. Suppressing information flows stultifies the market-place and leads to a decrease in efficiency and transparency. Australia already has arguably the greatest transparency of fuel pricing in any country throughout the world where a free market operates and we detail how this might yet be further enhanced.

Our objective is to further empower consumers and ensure maximum competition between petrol sellers across Australia.

We look forward to answering questions in detail during the inquiry process.

Alan Cadd
Managing Director,

10th July 2008.

2 Introduction to Informed Sources

Informed Sources is an information management company that provides market monitoring and consulting services for clients in the petroleum and retail industries.

Our Head Office is in Brisbane and we also have offices in New Zealand, Malaysia, Germany and Norway. See www.informedsources.com.au

The Company is a family owned business which commenced operations in 1987.

Informed Sources collects and reports marketplace information to support resellers, supermarkets and other retail outlets, Governments (federal and state), consumer groups (Motoring Organisations, etc) and consumers generally.

The company offers the following specific services:

- Oil PriceWatch (OPW) – a retail petrol pricing exchange service that is open to all petrol retailers (large and small) across Australia
- The consumer fuel pricing website www.motormouth.com.au
- Retail/supermarket price and product range checking in Australia and New Zealand
- Network site and facility monitoring in Australia, New Zealand, Malaysia, Singapore, Egypt, Germany and Norway
- Mystery shopping/promotional checks in retail and gaming in Australia, New Zealand, Malaysia, Thailand and Indonesia.
- Cost of living surveys in over 95 cities across the world.

2.1 Petrol price service collection techniques

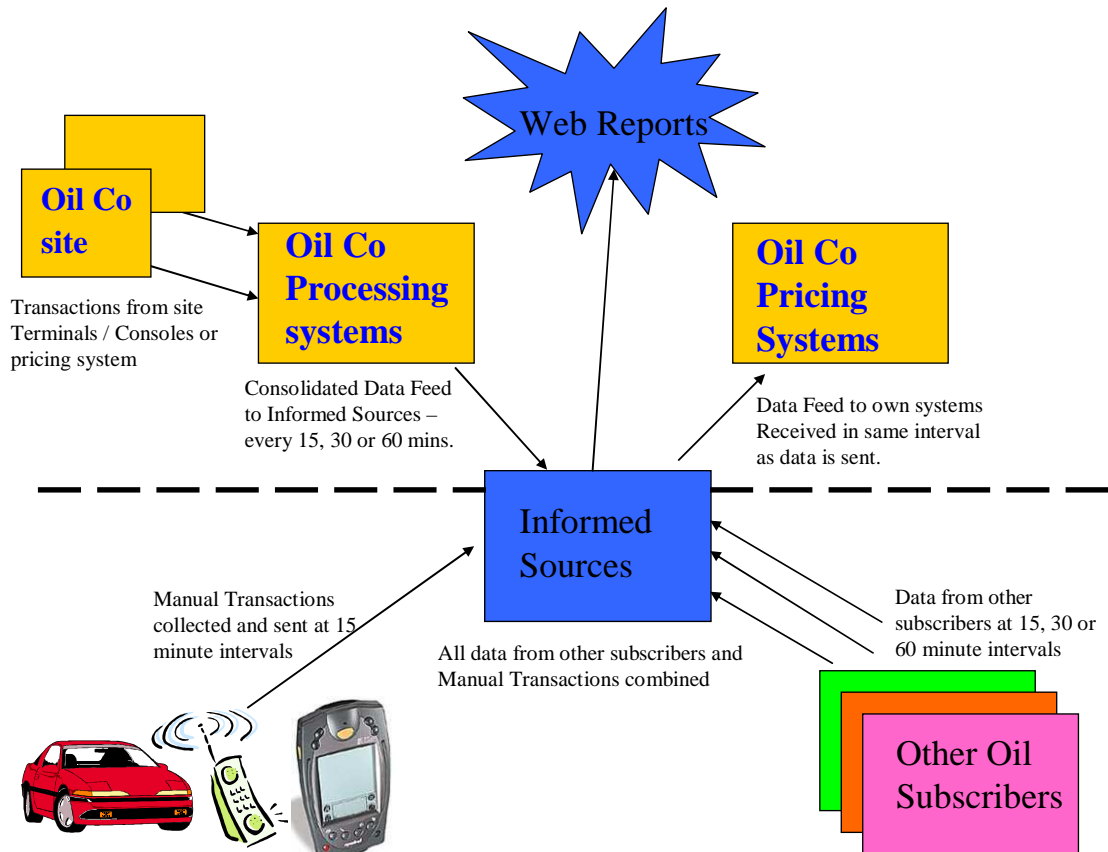
The Informed Sources Oil PriceWatch "OPW" system operates by collecting fuel prices from retailers around Australia, and this data is packaged and then disseminated electronically to its subscribers.

The current fuel retail subscribers to OPW include the largest down to some of the smallest and independent resellers in Australia:

- Caltex
- Mobil
- BP
- Coles Express/Shell
- Caltex Woolworths
- 7Eleven
- Reliance Petroleum
- Peregrine "On the Run" Adelaide
- Tasco Inland
- Dermody Petroleum
- Central Qld Petroleum
- SEQ Fuels/Independent Fuel Supplies

Fuel prices are obtained by Informed Sources using the following methods:

- Manual collection by our own field staff driving our own motor vehicles and observing prices on price boards outside service stations
- Electronically from subscribers either direct from consoles at some sites or from fuel card transactions at other sites after the price has been displayed on the site's pumps and price boards.



2.2 Petrol price transparency in Australia

The Informed Sources Oil PriceWatch service and its flow-on information services to customers via MotorMouth.com.au have no equal – in Australia or elsewhere. The veracity of the data is truly world class. The resultant transparency of pricing data for resellers, consumers and particularly for the industry regulator (the ACCC) is greater than anywhere else in the world. Informed Sources is proud of this achievement.

3 Problems with the current FuelWatch proposal

In this section we outline:

1. Comparisons of Perth retail fuel prices versus other capitals
2. The 2-weekly price cycle costs motorists
3. ACCC analysis of the WA FuelWatch scheme
4. "Range Rover Rebate"
5. The social impact – redistribution of wealth
6. Rural town implications
7. Some likely market responses by oil retailers
8. Media considerations

3.1 Comparisons of City retail fuel prices

The tables below (table 1.1 to 1.3) show three price averages for each city by ULP, Diesel and LPG. These are current to 31st May 2008. There are three time periods:

- 12 months to 31st May 2008 (1- June-2007 to 31-May-2008),
- 24 months to 31st May 2008 (1- June-2006 to 31-May-2008), and
- 60 months to 31st May 2008 (1- June-2003 to 31-May-2008).

*Because the Queensland Government has reduced the tax component of fuel in that state, comparisons between Brisbane and other cities should be made with caution and we have left this city's prices out of comparisons here.

Daily Averages for the Period: <u>Unleaded</u>					
<u>Period</u>	<u>Brisbane*</u>	<u>Sydney</u>	<u>Melbourne</u>	<u>Adelaide</u>	<u>Perth</u>
12 Months to 31-May-2008	125.7	133.5	133.5	133.0	133.3
24 Months to 31-May-2008	121.4	129.1	129.1	128.3	128.7
60 Months to 31-May-2008	105.5	113.7	113.0	113.9	113.3

Table 1.1

Daily Averages for the Period: <u>Diesel</u>					
<u>Period</u>	<u>Brisbane*</u>	<u>Sydney</u>	<u>Melbourne</u>	<u>Adelaide</u>	<u>Perth</u>
12 Months to 31-May-2008	135.0	144.2	140.3	144.1	144.4
24 Months to 31-May-2008	129.5	138.8	134.8	138.4	138.8
60 Months to 31-May-2008	112.1	121.9	118.4	121.3	121.7

Table 1.2

Daily Averages for the Period: <u>LPG</u>					
<u>Period</u>	<u>Brisbane*</u>	<u>Sydney</u>	<u>Melbourne</u>	<u>Adelaide</u>	<u>Perth</u>
12 Months to 31-May-2008	61.4	60.1	56.1	62.8	61.1
24 Months to 31-May-2008	58.1	56.4	51.7	58.0	57.8
60 Months to 31-May-2008	49.4	48.6	44.8	50.5	49.7

Table 1.3

As shown by the tables above, **Melbourne has recorded the lowest average price for both diesel and LPG over the past 12, 24 and 60 month periods.** Significantly, across unleaded petrol prices, **Adelaide has been the cheapest capital city over the past 12 months with an average price of 133.0cpl.** Perth, Melbourne and Sydney have held around the same average with 133.3, 133.5 and 133.5 respectively. Over the past 24 month period, Adelaide again returns the lowest average price of 128.3, yet over the past 60 month period, Melbourne gives the lowest average of 113.0 cpl.

The next set of tables (table 1.4 to 1.6) takes the average of the cheap days of the week in each capital city over the past 12, 24 and 60 months and gives these averages per fuel.

Cheapest Day in each Week for the Period: <u>ULP</u>					
<u>Period</u>	<u>Brisbane*</u>	<u>Sydney</u>	<u>Melbourne</u>	<u>Adelaide</u>	<u>Perth</u>
12 Months to 31-May-2008	121.7	129.6	129.4	128.7	130.4
24 Months to 31-May-2008	117.6	125.3	125.1	124.3	126.0
60 Months to 31-May-2008	102.1	110.4	109.6	110.3	111.1

Table 1.4

Cheapest Day in each Week for the Period: <u>Diesel</u>					
<u>Period</u>	<u>Brisbane*</u>	<u>Sydney</u>	<u>Melbourne</u>	<u>Adelaide</u>	<u>Perth</u>
12 Months to 31-May-2008	134.6	143.8	139.9	143.7	143.7
24 Months to 31-May-2008	129.0	138.2	134.3	137.9	138.3
60 Months to 31-May-2008	111.6	121.3	117.9	120.8	121.2

Table 1.5

Cheapest Day in each Week for the Period: <u>LPG</u>					
<u>Period</u>	<u>Brisbane*</u>	<u>Sydney</u>	<u>Melbourne</u>	<u>Adelaide</u>	<u>Perth</u>
12 Months to 31-May-2008	61.0	59.7	55.5	62.1	60.0
24 Months to 31-May-2008	57.8	55.6	50.8	57.0	56.4
60 Months to 31-May-2008	48.9	47.7	43.3	48.6	48.1

Table 1.6

These tables display an important feature of the Australian eastern capitals fuel retail market: the weekly price cycle. Whilst Perth's market has, since the introduction of FuelWatch, evolved to a fortnightly cycle, the eastern capitals have retained their characteristic weekly price pattern.

If FuelWatch, as it has been claimed, introduces competitive pressure to the fuel retail market, then we might expect to see the Perth market producing the lowest average prices. However, even given the two optimum measures of competitive market averages – the mathematical mean of all prices, and the mathematical mean of the lowest weekly price - it is apparent that ***Perth has not been cheaper than Eastern capital cities on diesel, LPG or unleaded petrol. Moreover, for the past 12, 24 and 60 months Sydney, Adelaide and Melbourne have all had cheaper unleaded petrol at the nadir of the weekly cycle than Perth (see table 1.4).***

If we only look at the mean of all prices and use that figure to gauge the relative price parity, we implicitly assume that the volume of purchase remains even on all days of the cycle. However, Tables 1.4 to 1.6 demonstrates a particularly important facet of the fuel pricing issue: the cheapest day of the week is important to measure since the majority of motorists fill their tank once each week. Furthermore, there are a disproportionate number of motorists filling their cars during the cheapest 48-hours of the week (Monday pm through to Wednesday am). Overall, Perth – over the past 12, 24 and 60 months - has not been the cheapest capital city on average for unleaded petrol, diesel or LPG.

The FuelWatch proponents argue that because of the visibility of prices, the Perth motorist can avail themselves of “lower than average” prices. This visibility argument is discounted later in the document but suffice to say here that with only 9% of Perth motorists accessing the FuelWatch web site and only 5% using the online/email feature (ANOP research in ACCC report December 2007) and similar benefits being obtained by MotorMouth users in the East, the net effect taking this visibility into account would still not favour the Perth FuelWatch implementation on a national basis.

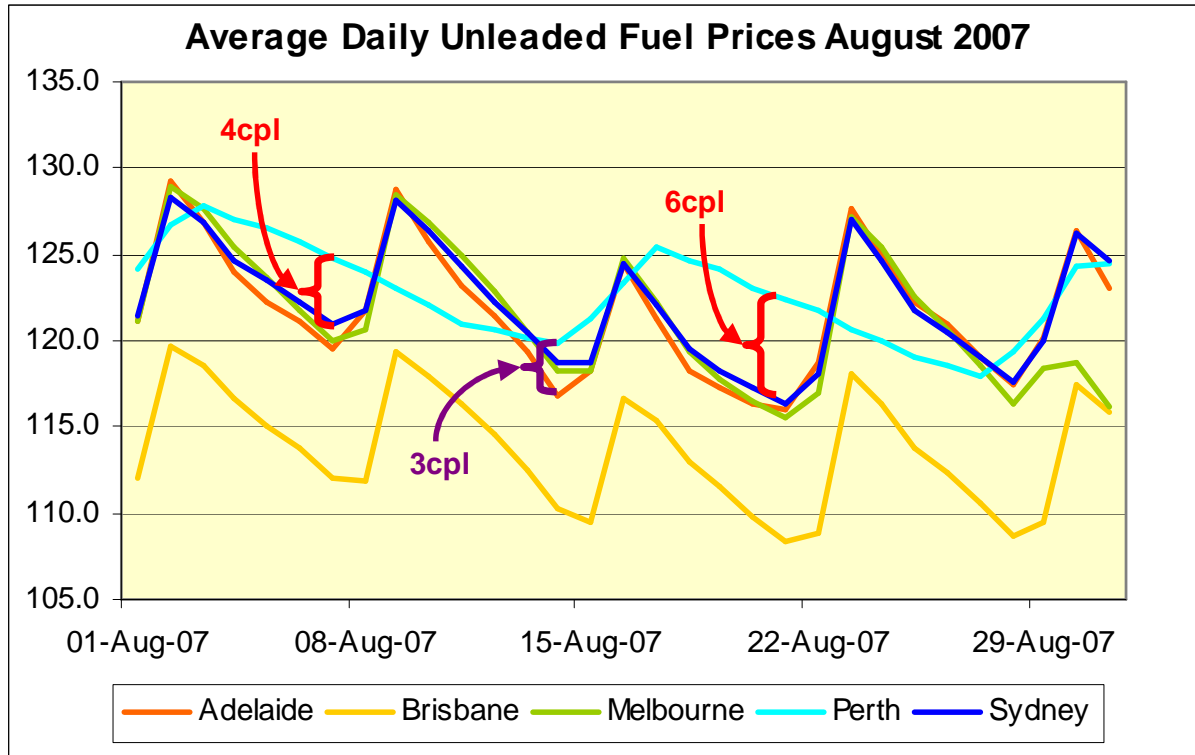
3.2 The 2-weekly cycle costs motorists

The graph below shows how the 2-weekly cycle penalises motorists who fill up weekly.

The price gaps identified in red (4 cpl and 6 cpl) reflect the inability of motorists to buy cheaply in the off-week in Perth. By comparison, the weekly cycle in Sydney, Melbourne and Adelaide (Brisbane is not taken into account here because of the state subsidy) allows the majority motorists who fill up on a weekly basis to buy at the cycle low point.

Our analysis shows that this equates to about 5 cpl on average and since this difference occurs every 2 weeks then the cost of the 2-weekly cycle over a full year is approximately 5cpl/2 or 2.5 cpl to the “cost conscious” motorists.

The other difference shown on this graph (the difference of low points shown here as 3 cpl) is dealt with under the heading “Range Rover Rebate”.



3.3 ACCC analysis of the WA FuelWatch scheme

The responses by serious analysts to the ACCC econometric treatment of the WA FuelWatch scheme (appendix S of ACCC report) are approaching professional ridicule.

The ACCC approach is one in which it has sought to use tests to inoculate itself against criticism rather than trying to "learn something about some interesting parameter(s)." This is the source of many of the econometric flaws in the ACCC analysis.

"FuelWatch: A Case study of econometric analysis and 'evidenced-based-policy making' in the Australian Government" p.23

Don Harding, Department of Economics and Finance
La Trobe University, 1st July, 2008

The petrol price saving in WA is due to the entry of Coles into the market in 2004 and not the introduction of the FuelWatch scheme in 2001. The ACCC analysis does not consider this possibility at all and is, at least, fundamentally incomplete and flawed as a consequence

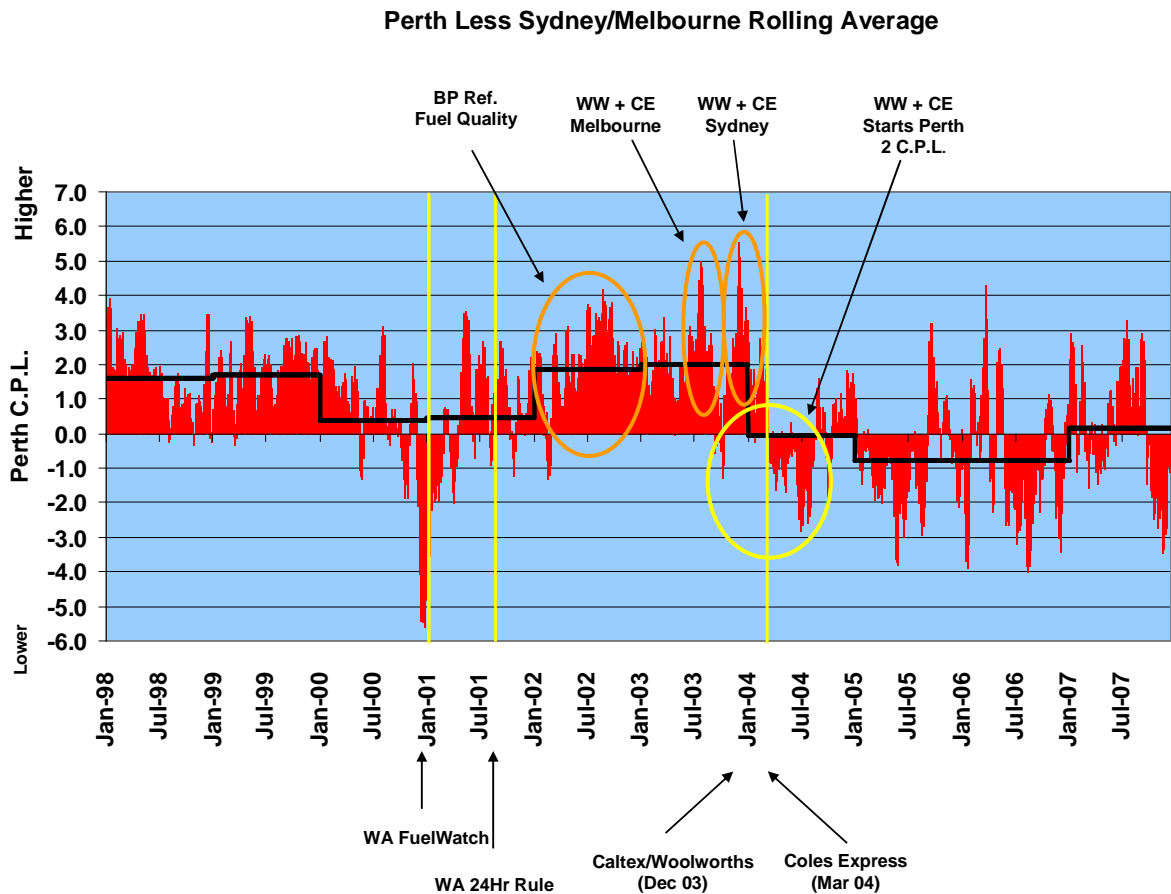
Sinclair Davidson, Institute of Public Affairs, 30TH MAY 2008, P.7
A critique of the ACCC analysis of the FuelWatch scheme,

It would be a big call to regulate one of Australia's most important markets largely on the basis of one far from conclusive econometric study. It is hardly conceivable that a new pharmaceutical, which could have serious adverse side effects, would be approved on such a weak evidentiary basis. If the Government is really committed to evidence-based policy-making, it should think again.

Henry Ergas, Concept Economics,
The Australian, 18th April 2008

Informed Sources very early in the debate (Q1 2008) identified that the most significant event to occur in the WA market was not FuelWatch but the increased competition coinciding with the entry of supermarket chains (Coles Express and Woolworths) to the Perth market.

The graph below was constructed by taking the Perth market average price away from a combined Sydney and Melbourne average price – a 15 day rolling average technique was used to smooth any day to day fluctuations. Please note that the prices in this graph are "board" prices and DO NOT reflect any discounting caused by shopper docketts and the like.



Examining the graph we can see the following:

- a) There was a considerable improvement in the competition in Perth at or immediately before the introduction of FuelWatch in January 2001. This shows the effect market scrutiny and media attention can have on lowering prices but this lowering was not sustained and the market quickly returned to the pre-FuelWatch levels of relativity.
- b) There was a flaw in the original FuelWatch legislation that allowed resellers to move between today's nominated price and yesterday's price. This was finally "fixed" in late August 2001.
- c) The WA fuel quality premium (approximately 2 cpl) had a short term effect on the relativity between Perth and Sydney/Melbourne
- d) The next two "increases" in Perth relativity are actually temporary lowering of prices in Melbourne and then Sydney (relative to Perth) with the introduction of supermarket competition in these two cities.
- e) The major shift to a lower level in Perth prices coincides with the introduction of Coles Express into the Perth Market in Mar 2004. Woolworths had started operating in Perth in late 2003 but it was the head to head competition between these two supermarket companies that resulted in the dramatic shift to lower prices.

This lowering effect is of the order of 2 to 2.5 cpl and Informed Sources wonders if the appendix S analysis in the ACCC report has possibly confused this result with the FuelWatch effect of similar magnitude.

Informed Sources wrote to the ACCC Chairman and suggested a process for Informed Sources and the ACCC to release the FULL details of the ACCC approach combined with the Informed Sources data. The ACCC chose only to say:

As the data is proprietary data belonging to Informed Sources you can obviously choose to release it as you wish. The ACCC does not have any concerns if you decide to release the data. I don't believe there is any need to undertake a process as you suggest in your letter.

The release of Informed Sources data without the exact details of the ACCC process (their treatment of fuel quality premium, supermarket entry and the like) is of little benefit and would add to confusion rather than improve understanding. Our hope was to release the ACCC's reconfiguration of our data together with their process and treatment for public scrutiny.

3.4 "Range Rover Rebate"

As explained later in this document, the Edgeworth cycle is the economic construct which explains the weekly cycle in the larger Australian cities. The petrol resellers have to achieve an economic return on their investments and this is subjected to all the normal competition forces in a market place. In order for a reseller to achieve this economic return (and the amount will vary from reseller to reseller) there is a simple volume x price equation that must be met.

We generally know that the cost conscious motorist in the Eastern capital cities seek to time their purchase to coincide with the cheapest 48-hours (Monday pm to Wednesday am). We understand that supermarket resellers typically account for approximately 45% of their weekly sales during this cheap 48 hours. The reseller achieves the necessary return by raising the height of the cycle peak so that the smaller number of purchasers at the "above average price" help to compensate for the high number of purchasers at the discounted price during the cheap 48 hours period.

Indeed, it is axiomatic that the higher the swing of the cycle, the more this reflects the fact that cost conscious buyers are migrating to the discounted time of the cycle. The more the public buy at a low price the higher the cycle needs to be to average out at the economic return.

If FuelWatch has as one of its core objectives (and it has achieved this) to flatten the cycle height, then because of the sheer weight of purchasers at the low point in the cycle the height of the cycle will be affected asymmetrically – namely, the peak will fall considerably more than the low will rise.

Even the ACCC press release hoping to clarify their previous analysis (A.C.C.C. ISSUES DETAILS OF FURTHER FUELWATCH ECONOMETRIC ANALYSIS – 29th May 2008) concludes that the peak of the cycle reduces by 2.8cpl more than the low point of the cycle.

There will be a high representation of struggling families who by necessity buy during the cheap 48 hours. Similarly, there will be a high proportion of "well heeled" motorists who buy away from the cheap 48 hours simply to avoid the crush at these times or because they can afford to buy randomly throughout the cycle.

Because of this asymmetrical affect, FuelWatch takes from the poor and gives to the rich – indeed by ACCC analysis, a benefit of some 2.8 cpl greater to the rich buying at or near the peak of the cycle.

We refer to this as the "Range Rover Rebate" – something that cannot be considered a progressive policy on:

- social grounds – the poorest in the community need help, or
- environmental grounds – the poor buy out of necessity and use their vehicles accordingly where as the "well heeled" are more likely to adopt a more cavalier approach to fuel use.

3.5 The social impact – redistribution of wealth

The "Range Rover Rebate" effect described above can be translated into a social redistribution by considering the multipliers over a full year.

According to the ABS, the number of unleaded vehicles in Australia is 11.7 million.

45% of weekly sales are occurring during the cheap 48-hours in the major capital cities.

Average fill per vehicle of 40 litres.

If we take the cheapest day of the week analysis from Table 1.4 above then we see that Perth motorists are paying approximately 1.0 to 1.2 cpl more on that day – let’s assume an average of 1.1 cpl.

Accordingly, 11.7m cars x 45% x 40 litres x 1.1cpl x 52 weekly cycles = **\$120.5M** lost by the cost conscious buyers.

Now there is a lot that can be argued about in this calculation –

- Not all cars fill weekly and not all cars fill every 52 weeks of the year
- 45% is conservative and could well be higher
- The 1.1 cpl disadvantage in Perth could well be higher when freight and other unique WA costs are taken into account.
- The ANOP research in the ACCC report clearly indicates that the Perth motorist is less aware of the cheap days to buy fuel and this will inflate the “disadvantage effect”

None the less, the magnitude of the social redistribution is clearly of a significant proportion and potentially **\$100M**.

3.6 Rural town implications

Although the argument for FuelWatch has moved the original ACCC/Government focus from the absolute saving (2 to 5 cpl previously claimed) to one of transparency, even the transparency argument must be cause for concern in rural towns.

The FuelWatch transparency effect must have as its logical extension the fact that people (at least some people) are buying smarter - and in this market, smarter means cheaper.

As the majority of fuel is sold in the cities, any savings achieved in the cities (through improved transparency) must have a downward effect on the economic return of the resellers. Assuming that most businesses in competitive markets are operating at or near to minimum economic return then a reduction in margin in the cities must be made up through increases in other parts of the business. One logical area would be to recover this reduction by increases in the rural area of Australia through higher prices.

The argument that this will be solved by the introduction of FuelWatch in the rural areas does not withstand scrutiny. Rural towns are typified by lower competition between service stations, infrequent movements in price and certainly no cycle that approaches the Edgeworth cycle. In these cases the introduction of FuelWatch will be little more than an inconvenient “window dressing” and any need to recover economic margin across the whole of Australia will be felt through increased prices in country and regional areas.

3.7 Some likely market responses by oil retailers

The assumption behind the FuelWatch logic is that only one price is given for each fuel, and this price will be the one applicable to all motorists. However, the likely effect of the FuelWatch measure will be to increase the prevalence of discount schemes available to motorists and, thus, produce a myriad of prices for each fuel. Some potential discount schemes are:

1. **Under canopy discount.** This arrangement has existed for years (particularly in the country) where the motorist passing through town would pay the price board price where as the locals would pay a more attractive price. Although, less common in the busier city sites this still happens and will likely happen more often if sites are "out of the market" with a high "FuelWatch" price
2. **Happy Hours.** Again for sites caught "out of the market" a reseller could easily wheel out a sign declaring happy hour discounts.
3. **Lucky Dip.** A system of lucky dip vouchers giving (0, 1, 2, 5 or 10cpl discounts) from the FuelWatch posted price would be easy to implement.
4. **Member Discounts.** A motorist might receive the 'discount priceboard price' if they become a member of that retailer, which may be as simple as taking a branded card on the spot.

At present, discounts are available to motorists if they spend a certain amount in-store (or in a company store/supermarket/liquor outlet), or if they sign up to credit/fuel card schemes, and so on. Usually, discounts are available to motorists with certain restricting conditions (i.e. the customer must have spent \$30 or more on groceries at the retailer's supermarket outlet). However, retailers will soon attempt to move the emphasis of their headline price away from the FuelWatch scheme. By submitting their stated price to FuelWatch they will comply quite easily with the legislation. However, by loosening the restrictions on discount schemes, retailers will compete much more on 'discount rate' prices advertised separately (but still on the forecourt price boards). By changing the discount price at will, retailers will retain their present intra-day price-setting ability with the FuelWatch price acting as nothing more than a price-ceiling.

In short, retailers will seek to negate the relevance of the FuelWatch scheme by advertising discount-scheme rates alongside the headline FuelWatch price. Consumers will soon realise that the FuelWatch price is rarely, if at all, the cheapest. As a consequence, fuel prices will become **less** rather than more transparent as retailers embark on variable discount schemes. In this scenario, the FuelWatch scheme in its entirety will become obsolete.

Sinclair Davidson suggested in an article in The Australian (20th June, 2008) that supermarkets will especially benefit by extending loyalty schemes to their petrol retail business. Using a system styled on 'fly-buys', consumers might collate petrol discount points on all their supermarket purchases. He says that not only will this tie consumers even closer to specific supermarkets, but it will also have a negative impact upon the lowest socio-economic groups:

"Given that high-income individuals spend more than low-income individuals, the impact of this change is likely to be regressive. Low-income customers will have fewer points to redeem and so will face higher effective petrol prices.

Essentially the rich are more likely to get cheaper petrol at the expense of low-income earners".

**Sinclair Davidson from the Institute of Public Affairs
Quoted in "The Australian", 20th June 2008**

3.8 Media Considerations

The W.A. Government is reputed to have made a lot of the fact that motorists really value that they can find out the tomorrow's price of fuel from visiting their FuelWatch Website.

Whilst they have chosen not to release the findings of the last three years of consumer surveys on the subject, the ANOP research conducted for the ACCC Petrol Inquiry reported that only 9% of Perth motorists use FuelWatch Website as their main source of fuel price information.

It must be noted that whilst 9% is a low number in itself, the take-up of this approach in "non-techno savvy" households would be even lower. These households would likely include less well-off community members and seniors. These groups rely instead on the certainty of the Cheap Tuesday phenomenon in the Eastern states. Advocates of WA's FuelWatch say these groups are taken care of by the free to air television and the potential 1800 touch tone phone system proposed under the federal implementation. This mechanism for alerting the public (27% of public as identified by ANOP research in ACCC report) displays the 6 best prices in each region on the 6pm nightly news on commercial TV channels.



It needs to be remembered that Perth with a petrol station population of approximately 350 service stations is a small market relative to say Sydney with over 1000 service stations.

To be effective in the Sydney or Melbourne market a television station would need to display the cheapest prices in say 8 Regions. Also, with diesel fuel sales up 40% in the past year for passenger vehicles and a similar upward move for E10, there will be an outcry that "my fuel is being neglected" if this service does not extend to all products - Unleaded, Diesel, PULP and LPG.

Even if we ignore this obvious complication, the "flooding" that is occurring on these screens above reflect an obvious response by resellers – drop 6 sites in an area to ensure free advertising on the nightly news and offset this over the rest of the company sites. Only the keen motorist will note the exact site to visit – most will simply remember a brand and go looking for that brand when buying fuel tomorrow – perhaps at the low price but chances are

the motorist will land on one of the other more expensive sites in their travels. Again this argument is supported by the ANOP research in the ACCC report showing that Perth motorists are significantly less aware of cheaper prices occurring in their city.

It should be noted this is certainly not an illegal move by the petrol resellers, simply a market response to restrictive legislation.

3.9 Summary of FuelWatch problems

In combination, the effects of FuelWatch as presented above are pronounced. Section 3.1 highlighted the failure of the scheme to provide 'downward pressure' and, indeed, found that Perth's market fails to provide the weekly competitive pricing currently seen in Eastern capitals. This competitive pricing is relied upon by the cost-conscious motorists, from working families to retirees. Section 3.2 outlined how the loss of the weekly nadir will harm the budgets of those who can least afford it. Indeed, the likely beneficiaries of this scheme will be those who are able to **most afford** it. Those driving the most expensive and least efficient cars or SUVs will find their fuel costs reduced the most. Those savings on the higher priced week days, however, will come at the expense of the cheapest, and most socially beneficial, days. Cost-conscious motorists will lose their trade-off.

Of considerable concern is the ability of the current system to be manipulated by larger resellers to achieve free brand advertising and to effectively reduce the understanding of the market by the motorists. This effect will be further complicated by the myriad of discount schemes that appear available to resellers. These resellers, who probably cannot be bothered implementing a work around for Perth have certainly indicated that these schemes are under consideration in the larger cities on the East coast. Combating such plans, whilst leaving in place the very popular "shopper-docket" discount schemes of the major supermarket brands, will be near impossible.

4 MotorMouth.com.au - Our Service to Motorists

4.1 MotorMouth.com.au – an alternative to FuelWatch

Informed Sources is an ardent supporter of increasing transparency for consumers, ensuring the oil retailers are fair in their pricing and that the ACCC has the tools to effectively monitor fuel pricing.

The reality is that Informed Sources is the only commercial organisation in Australia that has made a real contribution to fuel pricing transparency for consumers.

Through its wholly owned subsidiary www.motormouth.com.au, Informed Sources already makes more than 7000 fuel prices available each day to consumers to assist them in their fuel purchase decisions. These prices cover Sydney, Melbourne, Adelaide, Perth, Brisbane, Sunshine and Gold Coasts. We will add Hobart fuel prices to the service before 31 July 2008.

The prices displayed on MotorMouth are currently collected by our own staff driving our own motor vehicles with prices being updated twice each day Monday to Saturday and once on Sunday. This completely independent collection is offered to consumers and resellers alike.

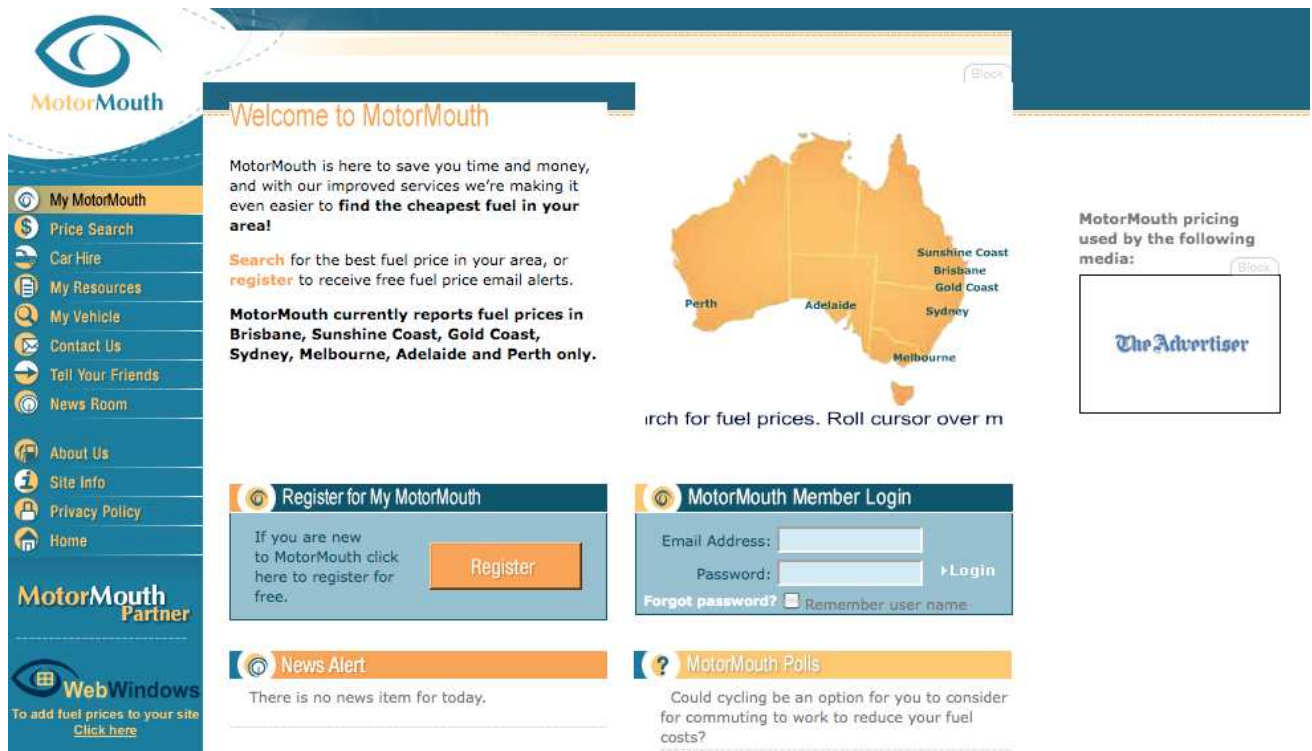
The MotorMouth.com.au service is free of charge. Motorists can search online for the cheapest prices by using a Postcode, Suburb or Map Search and also receive a free email alert for prices from sites they are interested in. Additionally they can sign up for SMS alerts that cost \$4.95 for 15 messages or 33 cents per SMS.

It is our view that this free service is an important tool for consumers. Price competition in the fuel market is intensive, and price monitoring services such as this serve to increase the power of consumers to make an informed choice. The cost of running MotorMouth is substantial however it represents both a genuine attempt by Informed Sources to demonstrate our social responsibilities in assisting motorists to find the cheapest fuel and our desire to ensure that accurate fuel pricing information is available to the media. Our media positioning is focused on the location of the cheapest prices, historical fuel pricing and encouraging motorists to time their fuel purchases to take advantage of the fuel pricing cycle. We do not predict future petrol prices as this usually only serves to inflame an already heated debate.

4.2 Serving Country Motorists

Whilst the MotorMouth service is focused on the major capital cities, prior to August 1 2008 we will also commence the display of a weekly average price for ULP and Diesel for 100 country cities/towns. This is designed to assist travelers gain an indication of prices in country areas as well as providing residents in regional areas with the ability to benchmark prices in their city area with those in comparable locations. The Australian Bureau of Statistics has confirmed that these 100 cities and their environs cover approx 70% of the rural population.

www.motormouth.com.au



The screenshot shows the MotorMouth website interface. On the left is a vertical navigation menu with items like 'My MotorMouth', 'Price Search', 'Car Hire', 'My Resources', 'My Vehicle', 'Contact Us', 'Tell Your Friends', 'News Room', 'About Us', 'Site Info', 'Privacy Policy', and 'Home'. Below the menu is a 'MotorMouth Partner' logo and a 'Web Windows' section. The main content area features a 'Welcome to MotorMouth' header, a map of Australia with fuel price reporting locations (Perth, Adelaide, Sydney, Melbourne, Sunshine Coast, Brisbane, Gold Coast) highlighted, and a 'Register for My MotorMouth' button. There are also sections for 'MotorMouth Member Login' with email and password fields, and 'News Alert' and 'MotorMouth Polls' sections.

4.3 MotorMouth Technological Expansion

To widen participation and access to our fuel pricing information, we have extended the MotorMouth system for use by visitors to a range of well known websites through our "Partner Program". Participants in our "Partner Program" currently include RACV, RACQ, NRMA, CarsGuide, IGA Supermarkets and Austereo Network. This allows consumers to undertake postcode, suburb and in some cases map searches from within these partners own branded websites. For those who prefer a "low-tech" solution, our summary prices can be found in News Limited papers such as Courier Mail, Daily Telegraph etc.

In addition, our service stays well abreast of developing technologies: motorists can search for the cheapest prices on their Telstra NextG phone through our MyFuel product and similarly on selected Vodafone mobile handsets. We are also in discussion with major in-car SatNav system companies with a view to further disseminating fuel pricing information to motorists.

We also provide a free Web Window Fuel Pricing Service that now allows more than 1000 web sites including car clubs, businesses, newspapers and community organizations to display summary fuel prices on their own websites.



MotorMouth is close to finalising negotiations to enter into a partnership with Google which will allow our fuel prices to be displayed on Google Maps. This service is scheduled for release during August 2008. Google Maps is the most widely used mapping function on the internet, and allows users to access street map and satellite imagery of a given area, and map driving routes between locations. Clearly, the location of service stations is of relevance to motorists using this function, and the pricing of the fuel in those stations is of even higher interest. The image below shows how users can see at a glance the location and prices of local fuel retailers. Since Google Maps has the best integration and functionality of all web applications, we anticipate a far greater adoption of the MotorMouth search function than we have at present.

By using the MotorMouth fuel search on Google Maps, motorists can obtain a visual map of where their cheapest fuel stations are located.

Adelaide postcode 5013, at 9 am on 9th July 2008

Search Results

Price	Brand	Address	Time
\$1.569	Mobil	corner Henley Beach Road and Holdens Road Underdale 5032	Jul 9 6:26AM
\$1.569	Calltex/WV Cumberland Park	corner Cross Road and Winston Avenue Cumberland Park 5041	Jul 9 6:14AM
\$1.569	Mobil	corner Marian Road and Cross Road South Plympton 5038	Jul 9 5:50AM
\$1.577	Calltex	South Road Wingfield 5013	Jul 9 7:07AM
\$1.577	Liberty	corner Findon Road and Crittendon Road Findon 5023	Jul 9 6:40AM
\$1.577	Calltex/Woolworths	corner South Road and Richmond Avenue Keswick 5035	Jul 9 6:20AM
\$1.577	Liberty	Richmond & Brooker Richmond 5033	Jul 9 5:35AM
\$1.579	Calltex	corner Grand Junction Road and Wandana Avenue Gilles Plains 5086	Jul 9 8:10AM
\$1.579	Mobil	corner North East Road and Torton Road Holden Hill 5088	Jul 9 8:05AM
\$1.579	On the Run	North East Road Holden Hill 5088	Jul 9 7:58AM

4.4 MotorMouth- the future

Our aim is to build a completely comprehensive database of fuel prices for all metro and key regional service stations and to make this available to consumers across an increasing number of technology platforms and through a limited "best in class" number of agencies or portals. As our major partners, we have always felt the motoring organisations (RACQ, NRMA, RACV. etc) offered the best vehicle for delivery. Recent discussions with these groups has reinforced this position because of the added social benefit attached to motorists linking through to "learn to drive", "drink/drive" campaigns when searching online for lowest fuel prices.

We have challenged the major oil companies, supermarket fuel retailers and independents to allow us to display the electronic prices we currently receive from them for our OPW Service onto MotorMouth and our partner's web sites. Whilst these initial discussions are encouraging and ongoing, these cover sensitive issues relating to competition and corporate image and are not helped by near hysteria level "Oil Company bashing" which occurs on a regular basis in the press and by commentators and politicians.

We would also welcome the opportunity to display site specific prices onto the ACCC Web site and for the ACCC to join the MotorMouth Partner Program.

We deliver our MotorMouth services to the motoring organisations within their own organisation's website "skin" and many of their members would be unaware of the relationship with MotorMouth. We are keen to point out that we are not particularly interested in the promotion of "MotorMouth" as a consumer "brand" but will maintain its presence until a more suitable alternative commercial relationship emerges.

4.5 MotorMouth - potential enhancements

One of the options explored by the ACCC inquiry and detailed in their report on Page 255 was:

"Expand the availability of pricing information to consumers through Informed Sources"

In this section the ACCC goes on to say:

". . . this option improves information available to consumers but does not much improve the ability of consumers to take advantage of these posted prices."

Much is made of the ability of the FuelWatch system to send emails to subscribers detailing price increases that allows motorists to capitalise on cheap fuel before the price rise. For those few individuals who are not aware of the Eastern cities Wednesday afternoon price rises each week or in the rare occasion that a rise occurs outside of this time frame there is a simple enhancement that we propose to implement:

When a sufficient number of sites move up a significant amount we can send an alert email/sms to motorists to warn them and to use MotorMouth and/or their eyes whilst driving home to search for better prices.

This approach is predicated on the current experience that even when a market is starting to rise, the market "bottom dwellers" can take up to 12 hours to move their prices up – usually over night. This rather simple alert mechanism will

- allow markets to operate freely (without the need for a 24-hour rule)
- give motorists every opportunity to seek lower prices
- encourage resellers to lag the market AND
- reward resellers for putting their low prices on to the MotorMouth system

4.6 MotorMouth - potential support by government

Put simply, I think the government needs to do better than simply replicating the WA scheme

Joshua Gans, 22nd May 2008, www.economics.com/?p=1518.

I am worried that the speed of adoption of this policy might lock out improvements in the future. Moreover, it takes attention away from the fact that what the ACCC really recommended was changes to the Trade Practices Act; something that appears to have been completely ignored by the government

Joshua Gans, May 28th 2008, www.economics.com.au/?p=1527

Coupled with the need for onerous legislative changes, there is considerable money earmarked for the implementation and on-going policing of FuelWatch Australia-wide. Perhaps by moving the implementation from “stick” to “carrot”, there maybe a similar community benefit delivered with less industry cost and considerable reduction in market restructure due to the 24-hour rule.

Some ideas which could be worth exploring that would enhance the service currently offered by MotorMouth and in turn encourage resellers to post their prices on the service:

- a) The compliance cost for sites under the FuelWatch implementation was recently estimated as significant and placed a burden on smaller operators in particular. By the government paying a nominal incentive for price changes from the sites to be posted on the MotorMouth service this would remove objections, encourage participation and enhance data coverage.
- b) MotorMouth subscribers pay 33 cents per SMS. Although this amount could fall dramatically with an increase in subscription, a government sponsored programme would perhaps facilitate more community take-up of this approach.
- c) Informed Sources (MotorMouth parent company) provides the MotorMouth service free of charge and naturally is limited in its ability to spend on platform enhancement and delivery for a community free service. The ACCC budget may allow some funding for product enhancement.
- d) The number of collections per day is set at 2 – with support from government this collection frequency could easily be increased.
- e) The manual data collection areas are limited to sites in metro areas of greatest competitive interest to our OPW subscribers. Support from the ACCC could easily allow these areas to be expanded to cover more sites in cities and rural areas and this would act as a “primer” to encourage sites to feed through their price changes – simply, with manual collections only twice per day a site’s price may well have moved down and this old manual price would be acting against the site’s interest to sell more fuel.

These are just “thought starters” and Informed Sources would welcome an open discussion with Government regarding our existing services and how they may be quickly changed to deliver a more comprehensive solution to meet Australian motorists’ information needs.

5 Other issues requiring clarity

5.1 Informed Sources process assurances

In Section 2.1 we provided an overview of our OPW service. This section provides further detail on OPW in the interest of more fully explaining our service.

To ensure that fuel retailers are not able to acquire an unfair advantage over their competitors by observing others' data whilst withholding their own, strict protocols apply in that the retailer must contribute their own price information in order to receive their competitor's prices through the Informed Sources OPW system. Moreover, retailers can opt to receive data which has been manually-collected, electronically-collected, or both.

This principle of reciprocity defines the Informed Sources system. The information a subscriber contributes, and its timeliness, is then mirrored by the information they can receive. For example, a retailer who provides information on a 15-minute basis, will receive market information on a 15-minute basis; every 30 minutes, on a 30-minute basis, and so on.

The reciprocity allows the system to even the playing field between all retailers, as the advantage gained by a retailer from knowing competitors' prices is balanced by the disclosure of their own. Retailers who fail to provide reciprocal data in agreed timeframes are excluded or suspended from the service automatically by the software.

Finally, the principle of reciprocity underpins our strict market ethics: it is impossible to input any future price or price indications using the system as this would be "signalling", and we are vigilant against any attempt to use our services in any way conducive to anti-competitive conduct.

These principles have been a non-negotiable element of the Informed Sources service since its inception, and are expressly designed to prevent any anti-competitive conduct by subscribers.

There is absolutely no direct contact between subscribers to our OPW system via the OPW system.

5.2 Services for smaller/independent operators

Our business model also allows single site independent retailers to participate and receive competitive pricing information from just \$68 per week for their immediate competitors in their local area. This amount (less than \$10 per day) is less than the cost of a twice per day collection drive-by of their immediate competitors by the site operator.

We have recently launched the **MyPriceboard** service that will make it easier for smaller independents to participate and post their prices electronically with no more sophistication than a mobile phone.

Independent retailers who choose not to subscribe to Informed Sources are still able to access pricing information on their local competitors via our consumer website, www.motormouth.com.au

This website displays all the prices collected by our field staff in the course of the day, but does not include electronically-transferred data.

We allow any retailer (irrespective of size) to upload their daily fuel pricing free of charge to be made available to motorists online.

5.3 The Edgeworth Cycle

“No one can explain the cycle”

It is reasonable that people without oil industry experience may feel that this is beyond explanation; however, the statement above is simply not correct. We will try and shed some light on the matter (whilst staying at the non-detail level).

The process:

1. the fundamental point is that fuel is (generally speaking) a homogeneous product primarily sold on price. Much has been made of the need for transparency for consumers, yet we ask; what other product is sold where price is displayed on 10 sq m signs visible from 100m prior to the site?
2. any marketer who chooses to sell at average economic return margins will be quickly undercut by lower cost resellers and the consumer will in large part move to lower priced sellers
3. the refinery process is governed by the economics of production efficiency and return on capital and so a 100% throughput at a refinery is optimal. Also, distribution and marketing investments (site builds etc) are predicated on selling a minimum level at each site and so larger resellers move their price down to match the low cost reseller to recapture any lost sales volume
4. the low cost reseller uses his best and easiest weapon and lowers the price again
5. this chasing down of the price continues until the price gets below economic margin levels and the price is raised to recover lost profits. The rise is usually led by a larger operator for several reasons:
 - a. A large operator has enough sites to affect the market – clearly a seller with one or two sites moving up would not affect the market and they would just lose sales.
 - b. The larger resellers will usually have higher gross and net margin targets than smaller sellers so will be “hurting” more
6. the height of the cycle rise is determined by the need to achieve average economic returns across the whole cycle
7. at the high point of the cycle the smaller resellers are easily able to undercut the larger companies and the process starts again.

Why rise weekly on a Wednesday:

8. the majority of motorists fill up weekly. Left to their own devices most consumers would prefer to fill up at the end of the week to be ready for the weekend fun and games of kids sports, travelling to see friends and relatives etc

9. clearly the best time to sell a homogeneous product at a high price is when people want to buy it and when they have money in their pockets – end of the week is still cash time for a lot of people (pay day on Thursday is common as is “work a week get paid on Friday”). Even people who get paid monthly will allocate themselves cash towards the end of the week.
10. the best time to sell a homogeneous product at a low price is when people do not have cash in their pocket – Tuesdays and Wednesdays. It is not unusual to see hotels and movie theatres doing a “two for one” or “buy one get one 50%” deal on Tuesday. Tuesday is also pensioner special day for some retailers because they know the usual customers are battling through to pay day.
11. Wednesday then is clearly a good day to transition from low to high
12. why do they all move up at the same time? It may look like this to a casual observer but as we have indicated elsewhere, “bottom dwellers” usually maintain their lower prices for up to 12 hours to try and capitalise on customer perception of them being low-priced resellers.

Why does it only happen with Petrol?:

13. Well it does happen with other products but most customers do not see it because they are unusual. The Edgeworth cycle has been noted in the sales of “fly-ash” – a commercial building material ingredient which is also homogeneous. It has also been noticed on some internet auctions.
14. The price difference has to be motivating to the purchaser – with the average fill now about 40 litres a few cents per litre adds up. We have also seen the chase for cheap petrol now enter the psyche of the community where motorists will drive to ensure they save 80 cents at the pump (40 litres x 2 cents) yet spend much more than that amount on non-essential products.
15. In order for the cycle to occur the purchaser has to be moveable or easily transportable. In the case of internet auctions this is obvious. So also is the driver in the car wanting petrol:
 - a. They are already in their car and moving
 - b. They know there are other sites down the road because the majority of sales occur to consumers near to home or near to work
 - c. They actually have to turn the wheel of the car in order to go into a site – it is actually easier to drive past
16. Imagine finding a product in a supermarket that you think is too expensive, you have to check out the rest of the trolley, get in the car, drive to the competitor store, find a park, go into the new store and perhaps buy the product a little cheaper – it is an unlikely scenario.

Why does it not happen some weeks?:

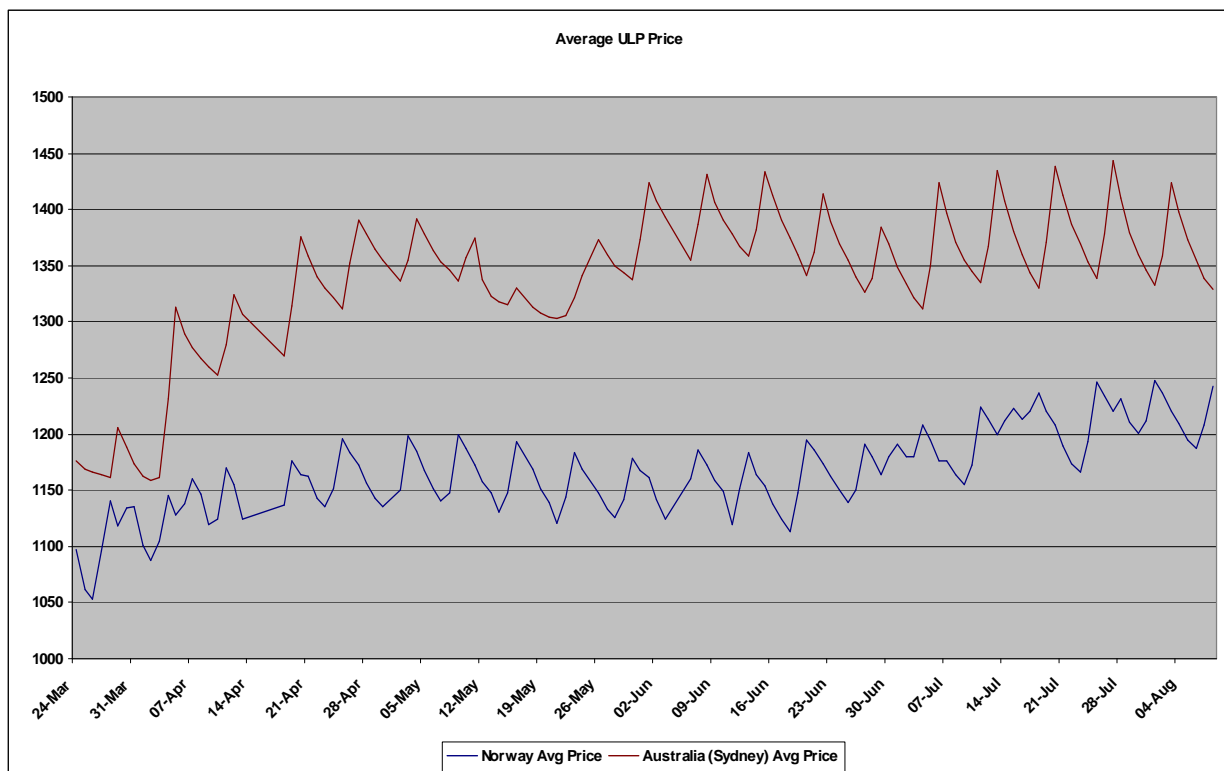
17. This can be for several reasons but the easiest to understand and most common is because of changes to product supply:
 - a. If a reseller takes delivery of a large shipment of product that reseller has to free up tank space to take delivery. The quickest way of course is to lower the price.
 - b. Competitors to that reseller do not want to lose sales so will match the reseller’s lower price. The original reseller with the new shipment of product has no alternative than to sell low (has to make space) so keeps the price low and that forces the whole market to stay down

18. An alternative supply issue could be a lack of product from refinery. This could be caused by shut down (planned or emergency) and there then becomes a scarcity of product and there is no opportunity on some resellers part to chase down the price to keep sales volume – they simply can not get enough product so they may as well receive a higher margin to cover overhead costs.

As we indicated above, this is the process and causes without getting into the detail of every aspect of a cycle which reflects above all else that competition is strong in the market concerned.

5.4 Where does the Edgeworth cycle occur?

The Edgeworth cycle occurs all across the world in markets where there is high competition and free market principles dominate. The cycle is seen in petrol in some states of the USA, Canada, Norway, Germany, and Denmark to name a few. The graph below shows a similar time period for Australia (Sydney) and Norway (Oslo) – Norway is interesting because it has some of the largest crude oil reserves in the world, a very high standard of living and a population smaller than NSW yet Edgeworth cycles still occur.



5.5 Movement to a fortnightly cycle in Perth

The introduction of the 24-hour rule in WA introduced consequences to resellers if they got their price wrong:

- Too high – they sold no product and there were certainly examples of some sites closing and sending staff home to save costs
- Too low – and you could be sold out by early afternoon with consequential damage to reputation by not being able to sell product to customers who planned their purchases for late in the day

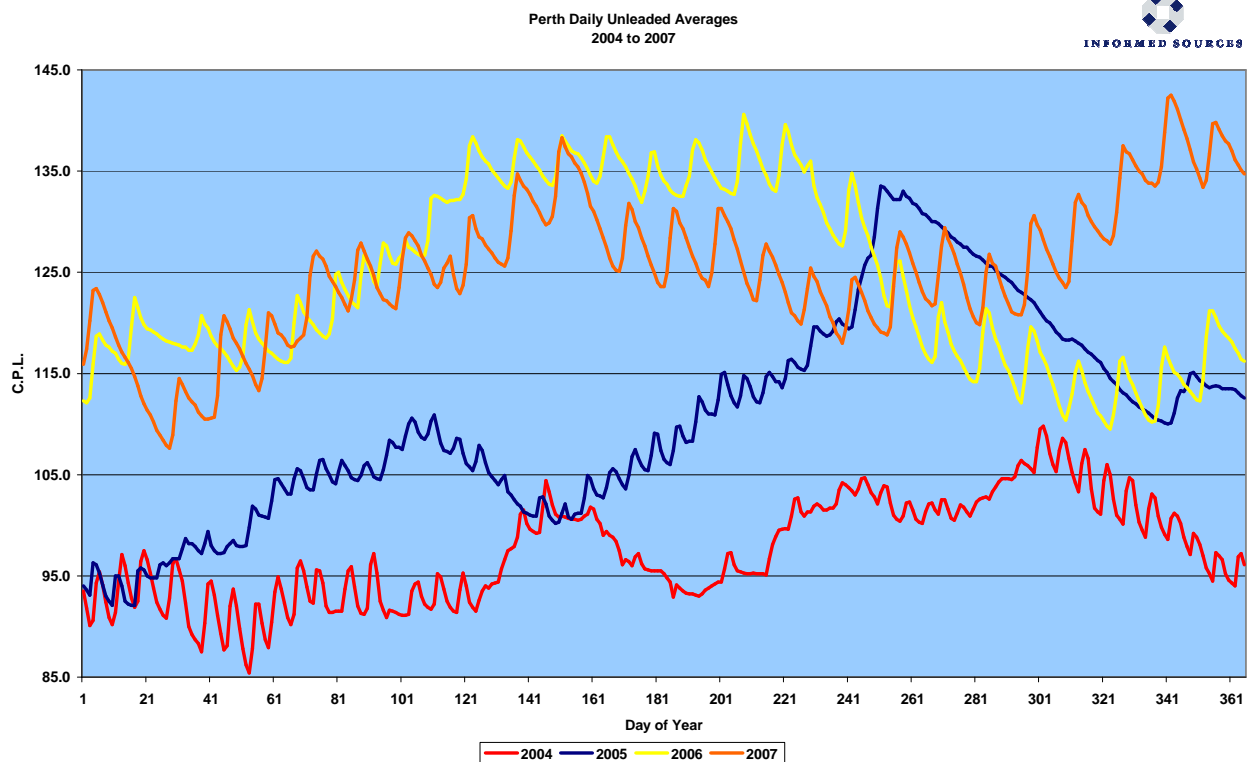
These consequences were seen as “risk” by resellers. Whenever a company encounters risk they move to mitigate that risk and the Perth market shows signs of the market as a whole migrating through several different alternative selling/pricing strategies before settling on the 2-weekly cycle – as the graph below shows.

2004 – Weekly cycle with reduced height cycle

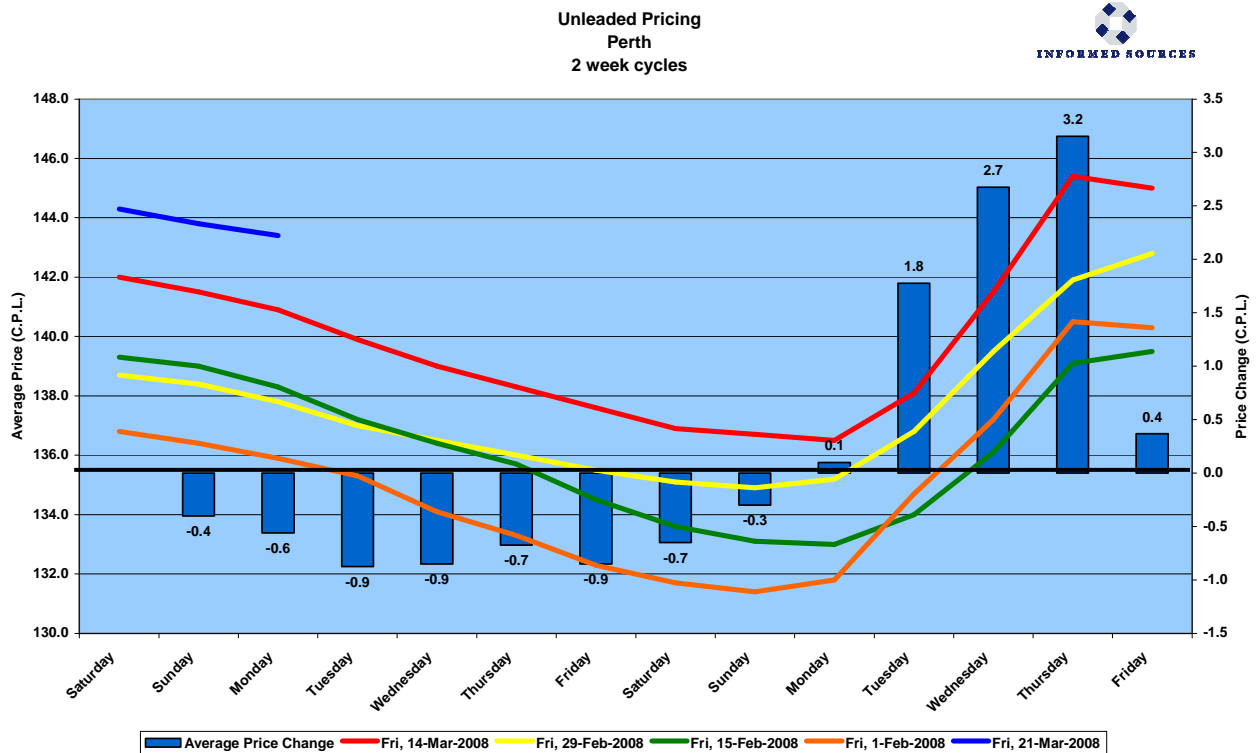
2005 - Weekly cycle with very reduced height cycle followed by no cycling

2006 – 2-weekly cycle with almost full height cycle

2007 – 2-weekly cycle with almost full height cycle



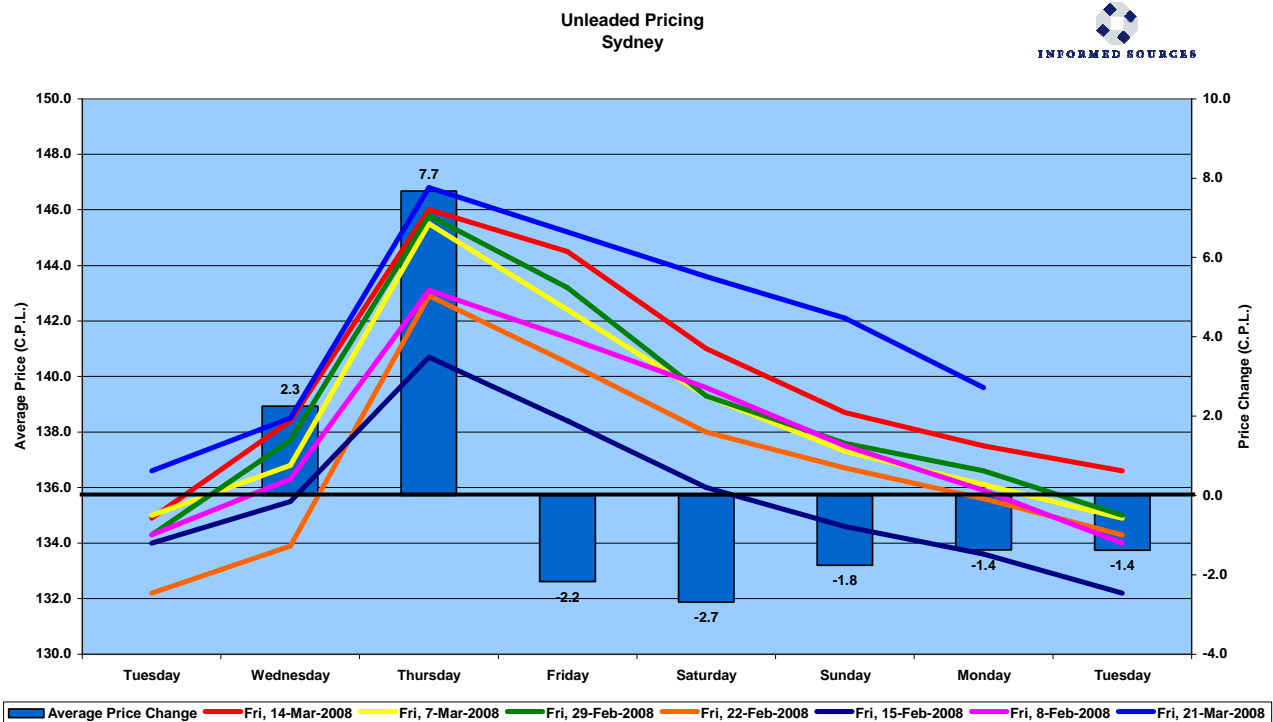
In effect the 24-hour rule introduced stickiness to the free flow of price changes and this can be seen in the comparison between the next two graphs:



The chart above shows the 14-day price cycle in Perth (multi-coloured lines) for just over four 14-day periods. As the graph shows, the price cycle is distinctive in that each cycle trends in the same way. As is also clear, the 14-day cycle reaches a price low only once over the fortnight.

In these charts the blue bars represent the movement in the average price from yesterday to today as averaged over the four cycles. The coloured lines show the average price lines for various weeks – they move higher up the graph because the price of fuel was continuously rising over the examined period.

By contrast, the graph below illustrates the 7-day cycle in Sydney. The cycle reaches its low point *once* a week on a Tuesday and peaks on a Thursday. Thus, ***Sydney motorists have the opportunity to purchase cheap fuel twice as often as Perth motorists.***



The loss of the cheapest point of the cycle every other week is significant. The ACCC’s survey (conducted by ANOP for the ACCC’s Inquiry in December 2007) showed that 88% of Australian motorists were aware that fuel was cheaper at a particular point in the week, and 94% of those respondents correctly identified Monday, Tuesday or Wednesday as the three cheapest days. Australian motorists are, thus, well aware of how and when to take advantage of the cheapest fuel prices, yet Perth motorists are only able to do so half as frequently as Eastern state motorists. This finding carries most significance for those who spend, proportionally, the most of their household budget upon fuel – that is the lowest socio-demographic.

5.6 Relationship with Competition Authorities

Informed Sources has always taken its role in the pricing of petrol extremely seriously and we have sought approval for our services at all opportunities. In addition to advising the ACCC (and the TPC previously) of any significant changes to our service over the years we have had these services checked for validity and legality on our commencement in Germany in 2006. The ACCC equivalent in Germany - the Bundeskartellamt - found our services (both manual collection and electronic submission) to be without concern. It is worth noting that the Bundeskartellamt considered the matters under both German and European statutes.

A similar process was undertaken on entering New Zealand with the Commerce Commission and in a similar finding stated “it is not illegal for a company to obtain information concerning the prices of its competitors’ goods and services”.

5.7 Relationship with the ACCC

Informed Sources has a long association with the ACCC and the TPC. The company has provided reliable and credible data across a range of industries to these Government bodies since 1992. Below is a timeline outlining some of the more significant events in the history of Informed Source's relationship with the ACCC/TPC and the extent of the information provided:

- 1992:** Informed Sources provides petrol pricing data and expert witness services for the TPC in its action against the Service Station Association and its executives.
- 1993:** Informed Sources commenced providing the TPC with summary petrol pricing reports. The TPC (and subsequently the ACCC) has since continuously been a client.
- 1999:** Informed Sources monitored wholesale sales tax removal Australia-wide (following the GST introduction). This service covered goods across the retail spectrum.
- 1999 to 2003:** Informed Sources provided the significant majority of monitoring services to the ACCC to ensure the smooth introduction of the GST. During each of the five surveys, the company's field collectors visited approximately 12,000 store locations across the country and returned approximately 600,000 prices for each survey.
- 2004 to current:** Informed Source's petrol pricing data (both manual and electronic) is used to provide the ACCC web site with data and graphs as part of their Consumer Awareness campaign and remains current on the ACCC web site.
- 2007:** Informed Sources provided significant pricing information on price cycles and individual site pricing patterns to the ACCC Fuel Inquiry.
- Ongoing:** Informed Sources provides daily market pricing reports under contract and also makes available site specific data on formal notice from the ACCC.

What is curious to Informed Sources, particularly now after the appointment of the ACCC "Petrol Commission", is why there has been no approach to Informed Sources to avail the Commission of the very data currently used by the petrol resellers. Instead, the Commission continues to take only summary data for overview purposes and web site feeds for consumer awareness programmes.

6 Conclusion

If implemented, the proposed FuelWatch scheme will damage the budget of the cost conscious consumer. In this submission we have shown how FuelWatch in WA has fallen short of the aims of its architects by not delivering the lower prices and transparency that it was intended to provide in three fundamental ways. Firstly, over the past 12, 24 and 60 month periods average WA fuel prices in all categories have been comparable or higher than those of eastern capitals. Secondly, the social redistribution effect of the FuelWatch scheme has cheapened fuel prices for the most well-off, and increased them for the least well-off. Thirdly, by extending the cycle to fortnightly it has halved the opportunities for motorists to purchase heavily discounted fuel in that state.

A national roll-out of the FuelWatch scheme would threaten the present competitiveness of the Australian fuel market. This competitive market has brought about some of the very lowest fuel prices amongst OECD countries, and delivers a predictable pricing pattern which cost conscious motorists can readily take advantage of on a weekly basis. Under FuelWatch, however, major retailers will benefit from two prominent side-effects: They will acquire better advertising opportunities through exploiting televised "best price" screens on TV. Furthermore, they could easily bypass the FuelWatch arrangements through discount schemes across their retail network. This last step will actually result in a significantly less transparent market. Independent retailers will be hit hardest since they will then be unable to compete with major fuel retailers on either advertising or loyalty schemes.

The FuelWatch scheme is already partially implemented through private enterprise. The MotorMouth service already provides, free of charge, many of the services (and more) that FuelWatch is designed to deliver. The MotorMouth service has already spread across the most widely used technological platforms to deliver real-time fuel prices to motorists' mobile phones, email, satellite navigation systems, internet maps and Motoring Organisation web sites. This last approach is strongly supported by some of the largest Motoring Organisations (RAVC, RACQ, and the RAASA). The simple expedient of allowing, or indeed encouraging, MotorMouth to widen its delivery can and will extend fuel pricing information even further and to more motorists (in rural and metropolitan areas).

It is our submission that the Australian fuel retail market is one of the most competitive in the world and certainly the most transparent. Informed Sources is committed to maintaining and improving the integrity and efficiency of this market, and as Australia's leading expert in the fuel retail market we are certain of the following: An unwarranted intrusion on the market, such as FuelWatch, will damage the efficiency and competition of the fuel retail market and do greatest harm to its most vulnerable component - the cost conscious Australian motorist.