



**Submission to the Inquiry into
the National Fuelwatch Bills 2008**

***Federal Parliament
(Senate Economics Committee)***

2 July 2008

BACKGROUND

About AIP

The Australian Institute of Petroleum (AIP) was established in 1976 as a non-profit making industry association. AIP's mission is to promote and assist in the development of a sustainable, internationally competitive petroleum products industry, operating efficiently, economically and safely, and in harmony with the environment and community standards.

AIP member companies play various roles in each segment of the fuel supply chain. They operate all of the petroleum refineries in Australia and handle a large proportion of the wholesale fuel market. However, AIP member companies directly operate and control only a relatively limited part of the retail market.

AIP is pleased to present this submission on behalf of the AIP's four core member companies:

BP Australia Pty Ltd
Caltex Australia Ltd
Mobil Oil Australia Pty Ltd
The Shell Company of Australia Ltd.

Contact Details

Should you have any questions in relation to this submission, or require additional information from AIP, the relevant contact details are outlined below.

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OVERVIEW

Introduction

The Government announced a National Fuelwatch Scheme on 15 April 2008.

In a statement on 16 April 2008 (Attachment A), AIP indicated that AIP member companies will co-operate with the Government's proposed implementation of a National Fuelwatch Scheme. AIP member companies did not express opposition to the National Fuelwatch Scheme as is regularly suggested by some commentators. Rather, AIP member companies expressed concern about some of the Scheme's proposed features and possible impacts.

AIP believes that any government policy measure to intervene in a competitive market is a decision for government.

- This would include government intervention in the Australian petrol market, which the ACCC has recently found to be "fundamentally competitive".

AIP considers that market determined outcomes have proven to be better for consumers than regulated outcomes.

- This is evidenced by Australia's open and competitive market delivering low petrol and diesel prices by international standards.

Implementation & Objectives of a National Fuelwatch Scheme

Given the Government's decision to introduce a National Fuelwatch Scheme, AIP is strongly of the view that this government intervention into the free market in Australia to regulate the retail price of petrol must be:

- equitable – applies to all market participants;
- transparent – leads to improved information for all parties;
- effective – the scheme's design and implementation achieves the government's objectives of increasing consumer information and not increasing prices; and
- administratively efficient – low compliance and administration costs.

In addition to these key implementation principles, AIP strongly believes that the objectives of the National Fuelwatch Scheme must be clearly stated by the Government and publicly communicated to all fuel consumers.

AIP supports effective measures that seek to improve the quality and timeliness of information to consumers in a competitive market setting.

We do not support, however, government regulation which prevents the delivery of competitive market outcomes to motorists such as making intraday price movements, including price discounting, illegal.

AIP has also indicated that it will be important for the Government to ensure that there are no other anti-competitive effects or unintended consequences from the implementation of a National Fuelwatch Scheme.

For example, industry concerns include:

- the potential reduction in consumers' ability to access discounted fuel;
- excessive administrative and compliance costs; and
- lack of predictability for consumers in the fuel price cycle.

Review of the Costs & Benefits of the Scheme

AIP expects that further analysis of the costs and benefits of the Scheme, including the issues and concerns noted above, will be conducted prior to the implementation of the National Fuelwatch Scheme. Such analysis should include the expected impacts of the Scheme on fuel prices and the discounting cycle in all markets and local areas where the Scheme will operate, drawing on information and experience in the Western Australian fuels market, as well as established features of the fuel markets in other States and Territories.

Similar rigorous analysis must also be undertaken as part of the Government's announced review of the National Scheme after 12 months of operation.

AIP Supplementary Submission

AIP will be making a supplementary submission to the Committee addressing the specific matters identified in the Committee's terms of reference and providing factual information and data about the structure and operation of the fuel industry and retail market in Australia.

AIP member companies will also be making submissions to this Inquiry, covering issues related to the operations of those companies and their experience with the Fuelwatch scheme in Western Australia.



MEDIA RELEASE

16 April 2008

Petroleum Industry Response to Announcement of National FuelWatch Scheme

The Australian Institute of Petroleum (AIP) advises that AIP member companies will cooperate with the Government's proposed implementation of a National FuelWatch Scheme.

AIP Executive Director, Dr John Tilley, said today, "the key industry objective will be to help ensure that a truly competitive fuel market is maintained, while ensuring that the compliance burden for the industry is not onerous".

In designing and implementing the National FuelWatch Scheme, it will be important for the Government to ensure there are no anti-competitive effects nor unintended consequences such as:

- a reduction in consumers' ability to access discounted fuel;
- excessive administrative and compliance costs - especially for small site operators; and
- a lack of predictability for consumers in the fuel price cycle.

The Government has announced a review of the Scheme after 12 months of operation.

Dr Tilley said, "as part of this review, we would expect there will be a rigorous analysis of the costs and benefits of the National FuelWatch Scheme. Such analysis would include the impact of the Scheme on fuel prices and the discounting cycle in all markets and local areas where FuelWatch will operate".

AIP encourages governments and the ACCC to ensure that the objectives of the National FuelWatch Scheme, and the likely consequences, are clearly understood by fuel consumers – particularly those consumers who are currently benefiting from significant savings on low price days of the week. AIP urges consumers to carefully assess whether the benefits claimed from the introduction of this Scheme do, in fact, materialise.

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