



Parliament of South Australia  
SPEECH  
4 March 2020

FRANCES BEDFORD MP JP *Member for Florey*

## FUEL WATCH BILL

### *Introduction and First Reading*

**Ms BEDFORD (Florey) (10:32):** Obtained leave and introduced a bill for an act to facilitate the provision of information to consumers regarding the price and availability of fuel for retail sale and wholesale, to regulate the retail sale and wholesale of fuel, and for other purposes. Read a first time.

### *Second Reading*

**Ms BEDFORD (Florey) (10:33):** I move:

That this bill be now read a second time.

I am delighted to introduce the Fuel Watch Bill 2020. As a local MP, I represent communities on incomes where unexpected high prices, be it for petrol or any other essential household commodity, can present real difficulties. At a time when wages are not moving, and for any person unemployed, underemployed or reliant on a fixed income benefit, all consumers are facing the same issues when purchasing petrol.

When you consider this bill could help save between \$300 and \$500 each year by empowering people with the information to allow them to buy fuel at the bottom of the fuel price cycle, you do have to wonder why it has taken so long to honour this election campaign commitment, giving consumers a fair go and relieving the stress of finding petrol at the right price at the right time.

That is why I have undertaken an active interest in fuel prices and why I am introducing this bill today—because this bill will make it easier for consumers, particularly price-sensitive consumers on low or fixed incomes, to find when and where to buy fuel at

the cheapest price. Drawing on the best aspects of successful interstate models of fuel price monitoring and regulation and adapting them to South Australian circumstances will provide an opportunity for this parliament to address escalating fuel prices and empower consumers in a seller's market heavily skewed to major retailers.

Of course, this bill has not simply emerged from the ether. It is now two years since the last election when both major parties committed to deliver what they have labelled a real-time fuel price monitoring app to help South Australian consumers, and the definition of 'real-time' is at the heart of the matter. Initially, the government took prompt action to fulfil this commitment but it did not take long for barriers to appear. Meanwhile, the spike in fuel prices over the past 12 months has made the cost of missing out on cheap petrol on any given day in the cycle an even bigger problem for the motoring public.

We have seen prices at some sites jump over 40¢ a litre in a single day, and the RAA has estimated that rising fuel prices over the past 12 months are costing Adelaide motorists up to \$30 extra to fill their tanks. So it was obviously disappointing for many to hear of the government's difficulty to progress the election commitment, which was also made by the now opposition. It has been somewhat difficult to decode all the reasons for this. Perhaps there is a concern about any impact on prices or perhaps it is simply a question of vested interests or a fear of change itself. The decision to refer to the Productivity Commission is certainly a step in the right direction, although that in itself will not deliver change in the short term. Whatever the reasons, it is time to act now.

Early last year, wanting to understand this issue more deeply, and concerned that as a crossbench member I should do everything I could to see this measure implemented, through my office I commissioned research to investigate the causes and possible remedies for the kinds of unpredictable fuel price fluctuations now almost accepted as the new normal that we see in Adelaide. An updated version of this research, along with other papers, was recently circulated to parliamentarians to aid in the consideration of this bill. A briefing was unfortunately not well attended and this briefing will be repeated for those who may wish to now avail themselves

of the opportunity to come up to date with the latest research.

What that exercise revealed to me when first commissioned and what its subsequent update has reinforced is that fuel price cycles in metropolitan Adelaide are their own bosses. So I was pleased late last year to see the government refer the issue of fuel price monitoring to the newly established South Australian Productivity Commission for thorough investigation. Having recently met with the chair of the commission, Dr Matthew Butlin, and director, Gerard MacDonald, and presented in support of my submission, providing an updated version of the research I commissioned, I am reassured the work being undertaken by the commission is fully informed and the real pressures being faced daily when navigating petrol prices in Adelaide are known.

With major players such as Caltex now backing the so-called real-time reporting solution, it is already clear this discussion created around the activity is shifting public debate. I note the commission is continuing to engage with various parties in the fuel industry. The Productivity Commission's investigation is due to report to the government on 18 March. I hope the government will ensure speedy consideration of this bill and that it will not be impeded by a delay in the tabling of this report, as the flexibility of the bill allows the minister responsible the ability to incorporate any input by the commission. I now seek leave of the house to insert seven tables of statistical information to which I now refer and put on the parliamentary record.

Leave granted.

**The SPEAKER:** Member for Florey, is the table statistical in nature?

**Ms BEDFORD:** I actually said that. The first table to which I refer, numbered 1, illustrates the last five fuel price cycles of 2019 in metropolitan Adelaide. What this table shows is that, on average, the last five price cycles of 2019 were for a period of 16.8 days, which is more than two weeks. From the lowest point of the cycle to the top of the cycle, it took an average of five days, while from the peak of the cycle it took an average of 11.8 days for prices to return to their lowest point.

As the ACCC has pointed out, for most consumers prices are above the average price for around two-thirds of the time. This table validates that statement and also shows price cycles, even the average prices rather than the actual prices at individual service stations, do not occur at regular intervals and differ in the length of each price cycle. What does this mean? In simple terms, it means for the most price-sensitive consumers, buying fuel at its cheapest requires filling up on average only once every two to three weeks. This is a tough task, not possible for most people who commute to work or study on a daily basis.

The second table to which I refer, numbered 2, compares fuel price cycles per quarter in the major capital cities of Sydney, Melbourne, Brisbane, Perth and Adelaide from 2018 to 2019. With 18 price cycles during this period, Adelaide has more price cycles than Sydney, Melbourne or Brisbane, but we are far short of Perth's highly predictable weekly price cycle of 52 a year. I will return to discuss the situation in Perth later.

The third and fourth tables to which I refer, numbered 3 and 4, illustrate the number of price cycles and the average duration of those cycles in the major capital cities of Sydney, Melbourne, Brisbane, Perth and Adelaide from 2009 to 2017. These tables in combination tell us what many of us already know: price cycles have become increasingly longer over the past decade making it harder to buy fuel at the lower point in the cycle. Tellingly, members will know that a decade ago price cycles in all major capitals were roughly a week long but have consistently increased in length in all but one city—and that is Perth, which has maintained a consistent and highly predictable seven-day cycle since 2009.

The fifth table to which I refer, numbered 5, details the annual average price cycle increases in the five major capital cities over the same period. Members will note that across all capital cities the difference between the high point and the low point in the price cycle has grown over the past decade. This tells us very clearly there is a substantial saving to be made for consumers who shop around if they can find where petrol is the cheapest. It is important to note this is based on average price jumps only. In practice, price differences at individual service stations may be larger or smaller.

What this table does not reveal is explored in more depth in the research report I commissioned and provided to members; that is, compared with other major cities, when the price cycle turns Adelaide's fuel prices tend towards sharper and more sudden price jumps than the other major capital cities, sometimes up to 40¢ a litre. Combined with the unpredictability of our cycle length, this makes it that much harder for the most price-sensitive customers to time the purchase of fuel to take advantage of prices when they are cheapest.

The sixth table summarises the ACCC's estimate of savings to motorists who buy at the bottom of the cycle and shop around for the cheapest actual price at other times. For Adelaide motorists, this sits at around \$300, but members should note that this is based on average prices and canny consumers can find even cheaper prices. Most importantly, this table illustrates an important difference between Perth and the other major capital cities.

In Perth, prices routinely fall to the lowest every Monday—which has now become commonly known as 'cheap Monday'—and, for the most price-sensitive customers, this means they can make larger savings far more easily than in any other major capital city. It is therefore no surprise to find that over 25 per cent of fuel sales in Perth occur on a Monday, suggesting that some 10 to 15 per cent of motorists will look for the cheapest price if they have the opportunity.

The first six of these tables have been drawn from ACCC data, but the last reflects a research task undertaken by my office. On the morning of 26 February, as the price cycle reported by the ACCC was starting to come down, I and my staff visited service stations, travelling from my office along North East Road, back along Payneham Road and then to Lower North East Road. We recorded the unleaded fuel price at each service station and took a screenshot of the price reported on the MotorMouth price monitoring app.

The results show why so-called real-time price monitoring provided by private operators is inherently unreliable for consumers and why therefore we must act through regulation. Firstly, private apps do not cover all fuel stations in the same way. Out of 22 service stations, one independent was not reported on MotorMouth at all and several other discount

suppliers were misreported. This was, in fact, a good reporting outcome. More commonly, private apps do not report as large a sample of prices and may not include independent retailers.

Secondly, because the price reported online was frequently not the same as the price displayed at the service station, almost half were incorrectly over-reported on MotorMouth. At one station, the difference in price was 7¢ a litre. Thirdly, even from one arterial road to another, the price differential can be as high as 20¢ per litre, which no consumer could possibly know except by word of mouth or by physically driving to each station, as we did. That concludes my analysis of these statistical tables. If you are confused or feel none the wiser, then you are on the same page as most fuel consumers—and welcome to my next briefing.

I can think of no other retail commodity that fluctuates in its price to the extent that occurs for fuel, particularly given the stability of the underlying wholesale price (which responds to global supply) and supply costs, which at best vary on a weekly basis. Even for retail products which are susceptible to daily fluctuations and wholesale costs, such as bread, retailers keep their daily prices the same.

What this data illustrates is a complex and confusing situation for consumers. To understand fuel prices, consumers need to have the time and skills that would normally be associated with experienced professionals trading on the Stock Exchange in futures or derivatives or in similar spot markets—an absurd expectation which stacks the deck clearly against fuel consumers.

It is clear some retailers are quite prepared to maximise their profits. Indeed, seven major petrol retailers—BP Australia, Caltex, Coles Express, Mobil, Woolworths and 7-Eleven, as well as the operators of the MotorMouth app—were prosecuted by the ACCC for price sharing in a way deemed to be anticompetitive price collusion. While this matter was settled without the need for court proceedings, it illustrates very clearly the interests of consumers are not the primary concern of major retailers. So what is the answer?

According to many experts, the solution is to empower consumers. All the standard

economy theory tells us competitive markets work best where consumers have the information they can use to make the best economic choices for their circumstances, but it is quite clear consumers are being kept in the dark. That is why motoring organisations, such as the RAA, who I have been pleased to meet with on more than one occasion, have been advocating for fuel price monitoring schemes for some time.

While recent years have seen the emergence of a number of privately operated commercial apps, MotorMouth, PetrolSpy and GasBuddy, to name a few, it is abundantly clear most of these do not or cannot provide information that is accurate, up to date or complete. In a speech to the Asia Pacific Fuel Industry Forum on 13 September 2017, the chair of the ACCC, Rod Sims made the point:

...while...having many website and app providers can be a good thing, the timeliness and completeness of the price data is very important.

He goes on to say:

It is important that not only the major players are covered by these websites and apps, but also that smaller independents are also included, as they often provide competitive tension that is so important in these markets.

The limitations of the private apps, based on highly variable information, sometimes crowd sourced, sometimes voluntarily reported and sometimes misreported, is a pretty clear indication in my view of the imperative for government to act and that only government can act.

The question is, of course, which model should we pursue? Do we want the model used in New South Wales, the Northern Territory and Queensland, which provides a reliable reporting tool for price changes but imposes no other constraints upon retail prices? Or do we want the longest standing and popular Western Australian model, which limits price changes to a 24-hour period in declared areas?

The bill takes the hybrid approach, adapting the best of these models to South Australian circumstances, with flexibility built in to cater for changing circumstances. I know there are some who argue the extent of government engagement should be to establish a reliable form of real-time price monitoring. This argument is based on the assumption that it is only the lack of reliable fuel price information

that impairs the ability of consumers to make rational economic choices and that a light-touch government-backed scheme is sufficient to alleviate this. But will this really be enough to help the most price sensitive consumers find the cheapest price for fuel?

What the data tells me is that for the people I represent so-called real-time pricing is well and good, but it is no good unless they have enough time to take advantage of the cheap prices before they are put up again. In simple terms, so-called real-time pricing is a waste of time unless consumers have enough time to take advantage of cheap prices or, to put it another way, even with real-time fuel price monitoring consumers are unable to uncover the information and symmetry that stack the deck in favour of major retailers.

While this is the detailed report I have circulated to members, it shows, as common sense dictates, filling up when fuel is at its cheapest is hard to plan when prices bounce around on a single day to the extent they do in metropolitan Adelaide. Under real-time price reporting, the price reported online can change before you even get to the pump and individual petrol stations can have multiple prices in a single day. That means consumers who are most sensitive to full price fluctuations, such as the people on low or fixed incomes, will always end up missing out. After all, they would need to be stockbrokers with spreadsheets to be able to keep up.

Close to 60 per cent of people in my electorate earn less than \$1,000 a week, so saving up to \$30 a week on fuel matters to them. It is the cost of a family meal, a school excursion or the monthly mobile phone plan. In my view, it is clear that the long-running successful Western Australian model, the 24-hour price guarantee, which has operated since 2001, has clear merits for the South Australian consumers.

I have a great deal more information to give you. I have an extra five minutes of material, so I am going to skip very quickly towards the end of the speech. Of course, the real underlying argument is the third concern—you have not heard the first two, but they will be obvious later—is this bill could lead to higher price averages, but there is nothing in the evidence to support this conclusion. Over the years, annual average prices in Perth have remained closely aligned with other major

capital cities, profit margins have been stable and retailers have not gone out of business. Indeed, it is important to note that Perth's average fuel price remains lower than Brisbane and Sydney and lower than the average annual price for the four lowest price cities: Adelaide, Melbourne, Perth and Sydney.

If only a third of motorists take advantage of cheap prices, total yearly savings would amount to \$75 million based on the figures I have presented. Even if it is only 15 per cent, as it appears in Western Australia, the savings would be in the order of \$37 million a year.

In conclusion, I would like to acknowledge and thank the hardworking staff of the Florey electorate office who have assisted me in preparation of the legislation. In particular, I thank Mr Andreas Michaelides for his excellent research paper, Mr Zack Jackman and Mr Matt Loader. I commend the bill to the house. I reiterate my comments from the Address in Reply debate that I would be more than happy for the government to take carriage of this bill if it speeds up the delivery of this scheme. I seek leave to have the explanation of clauses inserted in *Hansard* without my reading it.

Leave granted.



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