

3 December 2014

Mr Russell Keith
Secretary
Fuel Price Disclosure Bill Scrutiny Committee
GPO Box 3721
DARWIN NT 0801

Dear Mr Keith

Fuel Price Disclosure Bill

Woolworths welcomes the opportunity to comment on the draft Fuel Price Disclosure Bill (Bill) and is committed to providing customers with the information they need to make informed fuel purchasing decisions.

Woolworths is concerned that the proposed regulations would add to red tape and risk driving up costs and prices. Instead, Woolworths considers the Government's efforts should be focused on providing access to new sites for fuel retailers to ensure that there are no barriers to entering the fuel retailing market. Initiatives such as this will help to sustainably drive competition in the Northern Territory's fuel retailing sector.

Woolworths in the Northern Territory

Woolworths is a fuel retailer – it is not a refiner, importer or terminal operator. Woolworths' petrol stations are operated under a supply agreement with Caltex which supplies Woolworths with petrol across Australia.

Woolworths operates only six of the approximately 100 petrol stations in the Northern Territory. Woolworths' representation in the Northern Territory fuel market is smaller than in the rest of the country. Woolworths is interested in expanding its fuel retailing presence in the Northern Territory and has registered its interest in new release petrol station sites with the Northern Territory Government.

At all its fuel outlets Woolworths uses price boards to communicate fuel prices to motorists. Woolworths has extensive national experience in operating petrol stations and in meeting customer preferences. We use this industry knowledge and real-world fuel retailing experience in determining the design and location of fuel price boards to ensure that they are legible, well-lit and easy to understand.

Across Australia, Woolworths' intent is to be competitive with the pump prices of competitor's sites within the local area as a price follower rather than a price leader. That is, our sites do not generally lead prices upwards and will match when competitors move their prices downwards.

In addition to our intent to be price competitive, Woolworths also operates the very popular shopper docket scheme. Customers who spend more than \$30 in a Woolworths supermarket are entitled to a four cent discount off our already competitive fuel price. In addition, they can save a further four cents if they spend five dollars on merchandise in the petrol station. Taking these savings into account make Woolworths' fuel offer even more competitive and very attractive to consumers.

Increased access to potential petrol station sites

Woolworths notes, and welcomes, the Chief Minister's recent announcement that:

"Further work is underway to identify other locations that might support new fuel outlets."

As noted above, Woolworths is under represented in the Northern Territory fuel market and is interested in expanding its fuel retailing presence. Woolworths has registered its interest in new release petrol station sites with the Northern Territory Government and looks forward to being able to open an additional petrol station in the near future.

Enhancing access to new sites has the potential to help drive competition in fuel retailing and so progress in identifying and releasing new sites in a transparent manner should be a high priority for the Government.

In addition to facilitating the release of additional sites, it is important that the Government acts to ensure that the planning system assesses proposals for new petrol stations in an expeditious way. Identifying petrol stations as significant developments and ensuring that the planning system deals with them without unnecessary delay, and with the least amount of costly red tape, would be a practical step to supporting increased competition into the fuel retailing sector.

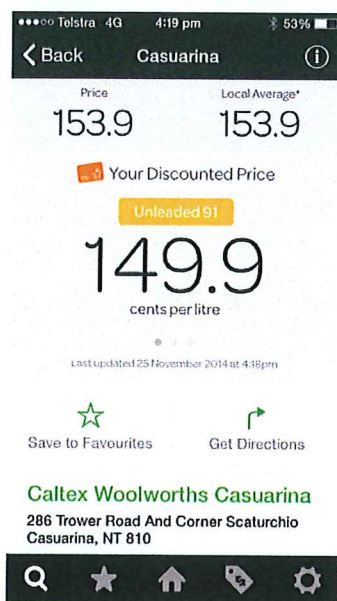
Using technology to provide price information

Since 2012, Woolworths has been using an app to make it easy for consumers to find out fuel prices. The free Woolworths Petrol App makes price comparisons easy. It lets customers look up petrol prices at their local Woolworths petrol station from their smartphone. It provides retail price information that allows customers to find the best petrol price and save time and money. Customers can see the price of fuel at their local Woolworths outlet and also compare that price with the average prices of competitors within 3 kilometres.

The advent of new technologies, like apps, makes it very easy for consumers to get the pricing information they want. It is no longer the case that consumers are unable to research prices from home and can only discover prices by driving between fuel stations. Using the Woolworths Petrol App, consumers can look up petrol prices from wherever they happen to be.

More than 2 million customers have downloaded the app. All data is provided by Informed Sources.

WOOLWORTHS SMARTPHONE APP



Consumers who use the app can check the price of fuel at their preferred Woolworths fuel outlet prior to commencing their journey. This is a very practical contribution to reducing search costs as consumers can compare prices at other petrol stations they may pass en route and make a fully informed decision about where to purchase their fuel.

Apps and other technologies are now common and their use widespread. These innovative technological solutions should be acknowledged and their potential further considered before alternative and heavy-handed regulatory interventions are adopted.

Fuel Price Disclosure Bill

Given the steps that Woolworths has already proactively taken to provide pricing information to consumers, Woolworths does not support the additional measures contemplated by the Bill.

The terminal gate price of fuel in Darwin is information that is already publicly available. It can be freely viewed at the Australian Institute of Petroleum's website:

<http://www.aip.com.au/pricing/tgp/> Retail price information is available both on-site or, as explained above, by using the Woolworths app.

Woolworths notes that while it was the first retailer to provide such a petrol price app to consumers, it is certainly open to others entities (such as motoring associations like the AANT, government departments such as the Northern Territory's Department of Justice or regulators like the ACCC) to make available their own fuel prices app if they wish to provide consumers with fuel price information.

The calculation of the gross profit per litre is therefore a simple piece of arithmetic that could be readily performed by any interested customer. An app that performs this calculation, and provides terminal gate prices, retail prices and gross profits, could be easily developed by any organisation that sees a demand from consumers for this information. The introduction of a new regulation is not necessary to secure this outcome.

Woolworths would be opposed to provisions that require the disclosure of other costs that are incurred in operating a petrol station such as: rent or lease payments, insurance, electricity, labour, maintenance and depreciation, environmental monitoring and reporting, advertising and marketing, human resources and corporate services costs and so forth. Requiring business operators to allocate these overheads and costs to specific sites would involve the disclosure of information that could be commercially important and potentially the source of competitive advantage.

It would be further complicated by the fact that more than one business can be carried out from a single petrol station site – including food and convenience retailing, vehicle maintenance and car washing. Apportioning these aggregate costs to particular businesses, such as fuel retailing, may not in practice be possible and would further require business to undertake potentially complex – and probably highly theoretical - calculations.

Such an intrusive regulation would also involve substantial compliance costs that would have to be recovered. It may therefore have the unintended and perverse consequence of increasing the costs involved in operating a fuel retailing business which will inhibit the ability of businesses to provide lower priced fuel to consumers.

Woolworths also suggests that the Bill should be subject to the Regulation Impact Statement (RIS) process that the Council of Australian Governments has agreed should be applied for significant regulatory proposals. This regulatory best practice should be applied to reduce the regulatory burden on the community, and to ensure that where regulation is used it is efficient, effective and in the public interest.

The Regulatory Impact Statement System Guidelines require all NT Government agencies to carefully assess the impacts of proposed regulation on business, community and the government. As there are likely to be significant regulatory impacts on businesses created by the Bill there should be a RIS. A RIS will evaluate the likely costs and benefits (direct and indirect) to business, community and governments that could flow from the proposed changes. These costs include economic costs, compliance costs, and/or competition impacts.

Conclusion

Woolworths appreciates the opportunity to provide comment on the Bill. If clarification on any point is required, please do contact Michael Samaras, Government Relations Manager for Woolworths: msamaras@woolworths.com.au

Yours sincerely



Michael James
General Manager Petrol