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# Submission – Fuel Price Disclosure Bill Scrutiny Committee

December 1<sup>st</sup> 2014

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## Summary

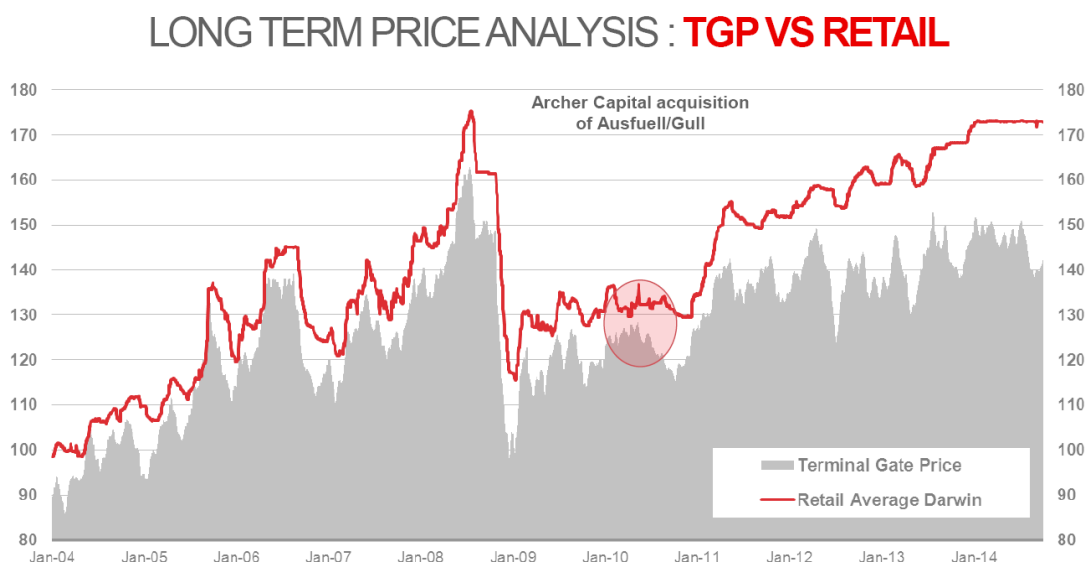
- AANT in principle supports disclosure of retail and wholesale distribution margins and profits.
- Daily prices for individual fuel sites are currently only available for greater Darwin locations. It is recommended that the committee consider mechanisms that will allow for this level of information be available to motorists in regional centres including Alice Springs and Katherine to ensure consumers are better informed.
- AANT recommends a nationally consistent approach to fuel price boards in the Territory.
- It is unclear whether the intention of a price motivator mechanism constitutes price regulation. The committee may consider that an exemption from the disclosure requirement may be granted by remaining within a margin range. Should this be the case, benchmarks should be consistent with the long-term margin range prior the shift in market in 2010/11 and the national average. The committee will also need to take into consideration throughput and the varying operating costs that occur between greater Darwin and regional/remote locations.

## Background

Fuel prices in the NT have long been a concern for Territorians with high fuel costs contributing significantly to cost of living pressures. AANT continues to advocate for fairer prices at the bowser and welcomes the opportunity to provide a submission to the Fuel Price Disclosure Bill Scrutiny Committee.

The 2005 Parry inquiry into fuel prices in the NT found that prices were typically higher than other major centres primarily due to a smaller population and lower throughput, and that a lag generally occurred in retail pricing in relation to movements in TGP (Terminal Gate pricing). Whilst pump prices may have lagged, it is important to note that retail prices prior to a shift in the market in 2010/11 at least followed movements in the TGP long term, with margins ranging on average between 5cpl and 15cpl.

Post 2010/11 the market changed significantly and it is evident from the long term data that a clear disconnect has occurred between the movements in TGP and pump prices, with margins prior to the October 2014 fuel summit peaking at over 35cpl in Darwin and much higher in regional areas. This level of margin is unprecedented; coinciding with this shift in trend was the acquisition of Ausfuel/Gull by investment company Archer Capital which is clearly demonstrated in the following graph.



There has been no explanation forthcoming to date that has otherwise explained this significant shift in retail price trends.

Prior to 2010/11 the long term trend shows the market operated with margin movements between 5cpl and 15cpl. Since 2010/11 margins have steadily increased and now average between 20cpl and 35cpl in Darwin, up to four times higher than the national average of 8cpl, without any notable occurrence in the Darwin economy to justify such an impact on “the cost of doing business”.

The Ausfuel/Gull acquisition equated to 50% of the retail outlet share as well as the wholesale distribution component Directhaul; this amount of market control in the Northern Territory is the most likely reason why a shift in the market has occurred.

### Fuel Price Data and Price Transparency

NT motorists deserve a fairer outcome at the bowser and AANT supports the Bill in the context of ensuring that consumers are better informed regarding the margins and profits being made both for the wholesale distribution and retail operations.

It is imperative that consumers have ongoing access to daily pump prices to help inform purchase decisions. The committee will be aware that the ACCC is currently taking legal action against Informed Sources alleging price co-ordination between those subscribing to the service. Consumers receive a subset of this pricing information through Motormouth however there is a risk that this information may not be available to consumers in the future pending legal outcomes.

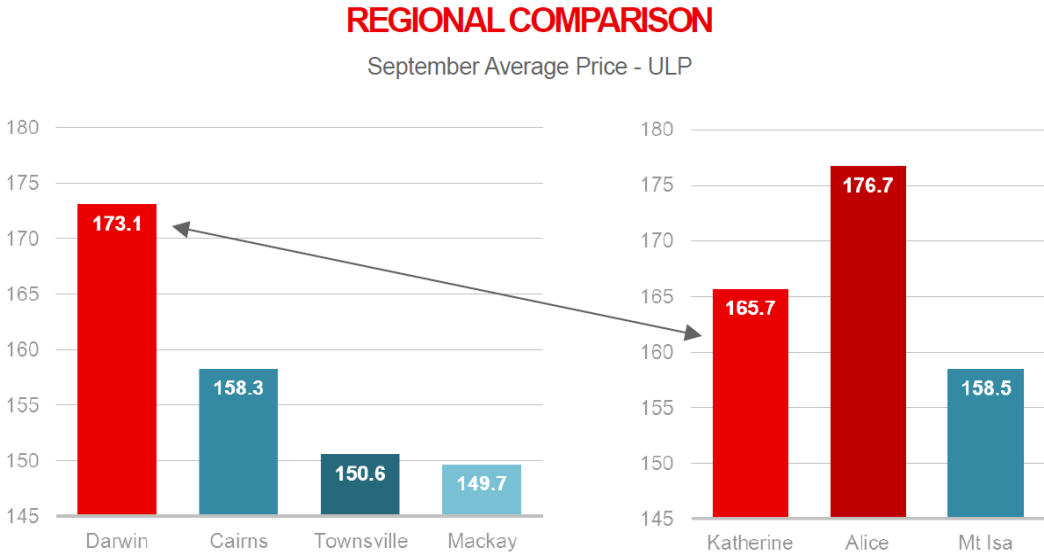
Daily prices for individual fuel sites are currently only available for greater Darwin locations. It is recommended that the committee consider mechanisms that will allow for this level of information to be made available to motorists in regional centres including Alice Springs and Katherine to ensure consumers are better informed. The committee should also consider how consumers would access daily site prices in their region and remain informed should this not be available through Motormouth at a future date.

The AANT in line with our affiliate clubs is also calling for a nationally consistent approach to fuel price boards. By way of example, the practice of prominently displaying a discounted price may be misleading to consumers if they only have access to that price through producing a docket. The AANT also recommends the committee considers options regarding fuel price board consistency to protect consumers.

### Price Motivator Exemptions

It is unclear whether the intention of a price motivator mechanism constitutes price regulation. The committee may consider that an exemption from the disclosure requirement may be granted by remaining within a margin range. Should this be the case, then benchmarks should be consistent with the long term margin range prior the shift in market in 2010/11 and the national average. The committee will also need to take into consideration throughput and the varying operating costs that occur between greater Darwin and regional/remote locations.

Benchmarks may also be established by way of comparison to similar regional markets outside of the NT. The following graph compares September average prices between Darwin and Cairns, Townsville and Mackay; all with seaport, fuel storage capacity and similar population size. Alice Springs compared to Mt. Isa given their remote localities.



The AANT acknowledges that there is no single solution to the issue of fuel pricing in the Northern Territory however the combination of a market operating within an expected reasonable margin range, with better informed motorists regarding pricing along with additional discount offerings from the varying operators, should lead to a more competitive environment and overall better outcomes for motorists.