ACCC INQUIRY INTO THE PRICE OF UNLEADED PETROL

Public hearing – Hobart, 14 September 2007

Time: 11am
Address: Grand Chancellor
1 Davey Street
Room: Harbour View Room 1

Time	Witness	Submission
11am	Royal Automobile Club of Tasmania Mr Greg Goodman, Group Chief Executive. Mr Doug Ling, Chief Engineer.	-
	Tasmanian Automobile Chamber of Commerce Mr Malcolm Little, General Manager.	-
	Tasmanian Government Mr Chris Batt, Director of Consumer Affairs and Fair Trading. Mr Chris Lock, Director, Economic Policy Branch, Department of Treasury and Finance.	29
	Bennetts Petroleum Troy Bennett Terry Bennett	-

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TRANSCRIPT OF PROCEEDINGS

AUSTRALIAN COMPETITION

AND CONSUMER COMMISSION

MR GRAEME SAMUEL, Chairman
MR JOHN MARTIN, Commissioner
DR STEPHEN KING, Commissioner

PETROL PRICE INQUIRY HEARING

CONDUCTED AT:	**GRAND CHANCELLOR, HOBART**
DATE:	**11.00 AM, FRIDAY, 14 SEPTEMBER 2007**

THE CHAIRMAN: My name is Graeme Samuel, I am the Chairman of the Australian Competition and Consumer Commission and Chairman of this public inquiry into the price of unleaded petrol. I am joined by Commissioner John Martin and as chair I welcome and declare this hearing open. The hearing is convened under Part VII(A) of the Trade Practices Act pursuant to the Federal Treasurer as approval for the ACCC to hold an inquiry into the price of unleaded petrol. The terms of reference in this inquiry have been published on the ACCCs website, together with an issues paper and all public submissions that have been received.

The ACCC has also published most of the witnesses of this inquiry which outline the procedures followed by the ACCC at public hearings. The names of witnesses appearing today have also been published on the ACCCs website. We understand the price of petrol is of immense concern to all Australian motorists, however, we do request in the interests of the efficient and effective conduct of hearings, participants concentrate their remarks on the critical issues and not simply provide commentary on petrol pricings.

Witnesses appearing today will be questioned by counsel assisting the ACCC. Counsel appearing today is Fiona Forsyth. Some witnesses may be represented by their own lawyers. I note that the contact of the inquiries will be in the discretion of the inquiry chair; anyone using insulting language or otherwise disrupting the hearing may be excluded. We may wish to question witnesses about information that has been provided on a confidential basis. The ACCC can take evidence in private if a witness objects to giving evidence of a confidential nature in public and the ACCC considers it appropriate to do so.

If this occurs it may be necessary for all other persons to leave the room for parts of the hearing. We do intend to hold our hearings in public as far as possible, but one of our drafts, witnesses about matters that are commercially sensitive; this means we may need to close the hearings at certain points. A transcript of the hearing will be taken and made available on our website as soon as possible after the hearing, however, evidence given in private will be recorded and transcribed but will not be made available on the website. With those preliminary matters taken up, I propose to begin by asking witnesses from the Royal Automobile Club of Tasmania to please come forward and could you for the record please state your name and the position with the Royal Automobile Club?

MR GOODMAN: My name is Gregory Goodman and I am the chief executive officer of the RACT in Tasmania.

MR LING: I am Doug Ling. I am the chief engineer of the RACT.

THE CHAIRMAN: Thank you. I would just like to inform you and other witnesses that are present here today about some of the rules regarding giving the evidence to this inquiry. Firstly, it is an offence to refuse to answer a question, which you are required to answer by the inquiry chair. Secondly, it is an offence to give evidence that you know is false and misleading or mention any matter or thing without which it is misleading. You can give the evidence under oath or under affirmation if you believe an oath wouldn't be binding or for religious reasons you are prevented from swearing an oath on the bible. Could I ask each of you whether you wish to swear under oath or affirm the evidence you give and then take the appropriate course of action?

MR GOODMAN: I am happy to swear on the bible.

THE CHAIRMAN: That is all right. If you take the bible in your right hand and there is the card there that sets out the oath.

<GREGORY GOODMAN, SWORN [11.05 am]

THE CHAIRMAN: Thank you. Mr Ling?

<DOUG LING, SWORN [11.05 am]

THE CHAIRMAN: Thank you very much, I will pass to Ms Forsyth.

<EXAMINATION BY MS FORSYTH [11.05 am]

MS FORSYTH: Thank you, Mr Chairman. Good morning gentlemen. Could I start by simply asking you to clarify for the Commission precisely what each of your roles are within the RACT?

MR GOODMAN: I am the chief executive officer of the RACT and Doug Ling is the chief engineer of the RACT.

MS FORSYTH: And what does that involve in terms of your responsibilities?

MR GOODMAN: My responsibilities?

MS FORSYTH: Yes.

MR GOODMAN: My responsibilities are to manage the RACT in Tasmania and represent the164,000 members that we have in Tasmania and I have a role in involving Government to change and also obviously run a business that needs to be managed.

MS FORSYTH: Mr Ling, and what is your responsibility within the organisation?

MR LING: Well, I am operational and I am responsible for our – providing the services to all members, but I also have a public policy role in advocacy through members of the RACT.

MS FORSYTH: Certainly. Well, I will probably be needing to address in questions to each of you during the course of my questioning. If there is a question which is more appropriately answered by one or other of you, please do so, otherwise I will probably seek to address it to one or other of you so there won't be too much confusion and it will be easier for the transcript as well. Perhaps, Mr Goodman, you would be the best person to ask these more general questions to, but could you explain to the Commission how many members are in the RACT?

MR GOODMAN: We have 165,000 members of the RACT and that is geographically pretty even spread across the state, the north, north west and the south of Tasmania.

MS FORSYTH: And who are those members, are they predominantly motorists?

MR GOODMAN: No, there is a mixture, there are 110,000 motorists and we have about 45,000 or so that are insurance and travel customers.

MS FORSYTH: Right. So when you are speaking on behalf of the RACT as I understand you are today, who are you speaking on behalf of?

MR GOODMAN: Well, we are speaking on behalf of the members, the registered members of the RACT.

MS FORSYTH: And in what capacity in relation to petrol, are they largely consumers of petrol, that is the essential category that they been, they are not really traders in the industry as much as - - -

MR GOODMAN: No, not at all, they are the motor – they are consumers of the petrol, yes.

MS FORSYTH: So you are really speaking on behalf of the Tasmanian motorist?

MR GOODMAN: Yes.

MS FORSYTH: Now, how do you gather information to ensure that you are speaking on behalf of your members as a group?

MR GOODMAN: What we do is, in Tasmania a fuel watch doesn't operate but the RACT collects pricing on a weekly basis and I guess we have got to do that because you can't make a phone call to an oil company and get a price, so we go do our trials as well as contractors and we physically visit service stations on a weekly basis, we then go on the price of fuel and then we put it up on our website so that our members can access the price and then see where it is most convenient for them to buy it.

MS FORSYTH: Thank you. Could you explain that in a little bit more detail for the Commission in terms of who undertakes that role and what you in fact do on a day-to-day basis? How often, where does – to do the estimate, it will go - - -

MR GOODMAN: We do it on a weekly basis and we have a list we can provide the Commission with the graphs and on also the sites that we actually physically visit on a weekly basis and we normally carry that out on a Thursday afternoon, something like that.

MR LING: Yes, late Wednesday night and early Thursday morning.

MS FORSYTH: So once a week?
MR GOODMAN: Once a week.

MR LING: Once a week, that is right.

MS FORSYTH: You do a drive around? Is it just a set group of sites?

MR LING: Yes.

MS FORSYTH: Is it basically in the Hobart area or is it also - - -

MR GOODMAN: No, it is across the State.

MS FORSYTH: Across the State. Is it the same group of sites each time?

MR LING: Yes.

MS FORSYTH: And you have satisfied yourselves that this is a representative group of sites?

MR GOODMAN: Yes, we have.

MS FORSYTH: And how have you done that and how did you choose these sites?

MR GOODMAN: Based on what we saw is at least some high volume sites and sites geographically right across Tasmania.

MS FORSYTH: I think you have already answered this question, how many sites was it in total that you looked at each day?

MR LING: I couldn't tell you off hand but we they are all listed here.

MS FORSYTH: They are listed.

MR LING: Yes, yes.

MS FORSYTH: Can you give us a ball park figure, just so I don't have to flick through and waste too much of the Commission's time?

MR LING: One has to do about - - -

MS FORSYTH: You are looking at about 50 sites, 60 sites, something like that?

MR LING: Yes, it would be in that order.

MS FORSYTH: Now, we don't have a price cycle down here in Tasmania as we do perhaps in other parts of Australia, but on average how often do prices change per day in the sites that you have looked at?

MR LING: Well, we only collect it once a week.

MS FORSYTH: Once a week, yes.

MR LING: And we do have a variation, particularly over the last twelve months where the price can go up 10 cents during the day. In recent times that tends to happen on a Thursday afternoon after we have posted our prices.

MS FORSYTH: I will come back to the issue of price cycles later but just in terms of this data that you have presented to the Commission, I am just trying to look at some of the use we can make of that. Because it is only a once a week price it is a once-off price for the week, but obviously there will be other changes so it doesn't take account of those changes, I presume?

MR LING: No.

MS FORSYTH: You don't update that on any more regular basis?

MR GOODMAN: Yes.

MS FORSYTH: And from the evidence you have just given me, which we will get to later, it seems as if on a Thursday prices might go up, so this might pick a lower end of – perhaps this is at - - -

MR LING: No, that just happens, couldn't really make a general statement on that. Up to sort of 12 months or so ago the prices in Tasmania really didn't vary much other than on a weekly basis.

MS FORSYTH: So we have got some prices here from a variety of sites collected on a weekly basis, but there are some limitations to that information because it is only once a week.

MR LING: Yes.

MS FORSYTH: We will take it on that basis and we can assess that. So thank you very much for providing that. In terms of your members, I asked you about information gathering techniques and you have mentioned how you gather information about prices. Do you gather any information from the members as to their views so that we know that when we are speaking to you, you are speaking on behalf of the broader group of people?

MR GOODMAN: Yes, we do, we often run polls on our website that the members can correspond to and we have just done one re petrol.

MR LING: We asked whether our members would benefit if retailers should paste the retail price and the wholesale price on a daily basis and we had a 97 per cent response to that.

MS FORSYTH: Okay.

MR GOODMAN: Also we do a national – a survey that is undertaken by RMIP- - -

MS FORSYTH: Yes.

MR GOODMAN: - - - and that was done earlier this year.

MS FORSYTH: That is under the head of the ....., is that right?

MR GOODMAN: Yes.

MS FORSYTH: Yes.

MR GOODMAN: And the Tasmanian motorists were more concerned about the current petrol prices than the national average, against the - - -

MS FORSYTH: Right. And you have some surveying – some of that is done from your peak body?

MR GOODMAN: Yes.

MS FORSYTH: And some surveying done by your website?

MR GOODMAN: Yes.

MS FORSYTH: Okay. Now, you haven't made any formal submission to the inquiry, is that correct, in relation to this inquiry?

MR GOODMAN: That's correct, we have fallen behind the AAA submission - - -

MS FORSYTH: That's right.

MR GOODMAN: - - - as we are a constituent member of AAA and so at a national level our submission we are in full support of it.

MS FORSYTH: So you fully adopt the AAA submission that has been put before the inquiry?

MR GOODMAN: Yes.

MS FORSYTH: We will note that for the record. You have, however, I think, provided some media comments. I think, Mr Ling, you have provided some comments around about during this year when the inquiry was announced and I thought what we might do is to work first of all through some of those comments and explore them a little further and then move onto some more general topics, but we will give you an opportunity to comment on.

MR GOODMAN: I have a summary here that I could just read to you and I could read that out, just to – I can even read the – I see the market is - - -

MS FORSYTH: If you could just pass it over. What we might do is move straight into a discussion of that and then we can have a quick glance at it. Mr Chairman, would that be the most convenient way to go?

THE CHAIRMAN: Yes, that would be helpful, yes.

MS FORSYTH: Unless I give the Commission an opportunity just to scan it briefly to see what we need to do. We can in any event take some of these comments under oath and put them on the records along with the additional document. Mr Ling, if I could perhaps address you for a moment in relation to some of the comments that have been made in the media so that we can explore them in some detail. I think you are responsible for a media release that was put out in June this year, is that correct?

MR LING: That could be, yes.

MS FORSYTH: Yes, that's right. That's one that I have got so presumably it is the correct one. There are quite a few specific comments made in that release that I wanted to discuss with you. The first one was – I think this was your comment, Mr Ling, it was attributed to you in the release that says:

> *Our monitoring indicates that petrol prices have been trending up in Hobart at a time when international oil prices have been generally stable and the oil companies need to be brought to account for this anomaly.*

Do you still stand by that comment?

MR LING: Yes, yes.

MS FORSYTH: Now, Mr Ling, are you aware that the Australian wholesale petrol price is based on import petrol pricing?

MR LING: Yes.

MS FORSYTH: Yes, you are and that that is the cost to import the product to Australia rather the cost to produce it?

MR LING: Yes.

MS FORSYTH: So on that basis you would also be aware presumably that the Australian wholesale price is benchmarked against the Singapore MOPS 95 price, rather than against the price of crude oil?

MR LING: Yes.

MS FORSYTH: You accept that? So we also – well, I guess then that the Singapore MOPS 95 benchmark is influenced by international crude oil prices but it doesn't directly match it and follow it, is that the case?

MR LING: Yes.

MS FORSYTH: Some times it moves quite independently in different directions? So on that basis, Mr Ling, would you accept that under the import parity pricing system, Australian petrol prices don't necessarily always follow the international crude oil price?

MR LING: Yes.

MS FORSYTH: That's right. So I just wanted to confirm that, but when you made the comment to the media that the oil companies need to be brought to account for this anomaly, it is not really an anomaly if import parity pricing is being used in Australia, is that correct?

MR LING: Yes, yes - - -

MS FORSYTH: That's right.

MR LING: - - - other than one there.

MS FORSYTH: The operator, that's right.

MR LING: The one that you have just read, yes.

MS FORSYTH: Wanted to confirm because the import parity pricing for good or for bad is the system which has been adopted in Australia - - -

MR LING: Yes, yes, yes.

MS FORSYTH: - - - and that is not necessarily the same thing as crude oil prices, so that some times the public needs to understand the difference because it is a little difficult. The second comment we wanted to drill down on - - -

THE CHAIRMAN: Sorry, just before we move off that topic, Ms Forsyth, I just note here you have got some graphs that have been presented – which have just been presented this morning.

MR LING: Yes.

THE CHAIRMAN: I noticed the first graph there is headed, “RACT Petrol Price Trend,” and it looks at Hobart unleaded petrol prices compared with the Australian dollar exchange rate and the world oil price. I am just wondering why that graph has been presented in light of the comments that just occurred between Ms Forsyth and yourself.

MR LING: Well, it’s a fair point but the AAA submission has done the tracking against the Singapore price. I guess we have used that as – to reflect what has been in the media as far as comment on the relevant oil price.

THE CHAIRMAN: Yes, I am just bit concerned about that though, because that has been presented to the Commission as part of this inquiry as an appropriate comparison, where you say that you have adopted the AAAs submission, which makes a comparison against the Singapore MOPS price and I think in answer to questions from Ms Forsyth you indicated that you considered the appropriate comparison was the Singapore MOPS price, so I am just wondering why then you would be submitting to the Commission a graphical comparison with the world oil price, which I think by your own admission is probably much less relevant into the comparison of Hobart Prices.

MR LING: Yes, I accept that point, yes.

MS FORSYTH: So just to note for the record, it has been accepted that the international oil price is less relevant to the price of petrol in Australia, Tasmania or any other state than the international crude oil price and that Mr Ling has accepted that for the record. In relation to the same media release, you noted - I think this would be you also, Mr Ling, but correct me if I am wrong, this hasn’t been attributed to anyone in particular, but the RACT says that on its reckoning:

> *Tasmanians are currently paying at least 26 cents per litre too much for their petrol compared to what they were paying in early January this year, based on the world price and exchange rate.*

Now, Mr Ling, I just wanted to ask you where you got that 26 cent figure from so we can explore it in a bit more detail?

MR LING: Well, to what was compared to what the prices were in January.

MS FORSYTH: So you had done a comparison between a Hobart bowser price in January and a Hobart bowser price in June?

MR LING: Yes.

MS FORSYTH: Do you have those figures available?

MR LING: No, but we can provide those.

MS FORSYTH: You can provide those for the Commission.

MR LING: Yes.

MS FORSYTH: Are you saying that - - -

MR LING: We have been collecting prices for around ten years I think, yes.

MS FORSYTH: So the comparison was between bowser prices on the two occasions and in making that calculation did you account for any changes in any of the international prices, such as the Singapore benchmark price and whether or not they had moved?

MR LING: Not in that comparison, but we did compare the information we had back in January.

MS FORSYTH: So you are comparing pure bowser prices – so in fact perhaps it would have been more accurate to say, Tasmanians are paying 26 more for the petrol than they were paying in January rather than saying they were paying 26 cents per litre too much for their petrol, would you agree with that?

MR LING: I guess so, yes.

MS FORSYTH: Because it may in fact be that the price of petrol has been required to be increased for other reasons other than simply that there has been an increase in petrol prices in Tasmania. The third comment - - -

THE CHAIRMAN: Sorry, could I just interrupt for a minute, Ms Forsyth, because I was trying to understand this particular reference made by the RACT. Perhaps Mr Ling could help us just explaining it. The words used are that Tasmanians are currently paying – currently was the date of this media commentary, which is – I am sorry, I haven't got the exact date here, I think it was - - -

MS FORSYTH: It was 18 June 2007.

THE CHAIRMAN: 18 June, right. So on 18 June or thereabouts Tasmanians are currently paying at least 26 cents per litre too much for their petrol compared to what they were paying in early January this year, based on the world oil price and the exchange rate. Could you – I am sorry, I am just a bit confused about what that is trying to say, could you perhaps help me?

MR LING: Well, that was based on what it was back in January at that – you know, what the retail price was and what the world oil price was and what the exchange rate was back in January.

THE CHAIRMAN: So is it suggested – again I am going to this chart that you have submitted and just looking at January and just trying to do some very quick – because I am not sure the change is happening with that, but perhaps you could just help me and take me through it - - -

MR LING: Yes.

THE CHAIRMAN: - - - because you have got three lines on the chart, one is the Australian US dollar exchange rate, the other is the crude oil price and then the top line is the Hobart price. Now, if I again take the two dates, so 18 June is at one line on the chart and the other one, I think you have said is since January this year and I am not sure whether it is the beginning or the end of January, but I am just trying to understand what it is - - -

MR LING: It is the beginning of January.

THE CHAIRMAN: Beginning of January.

MR LING: Yes.

THE CHAIRMAN: I am just trying to understand what it is that you are comparing, because I think – and you seem to suggest when you are answering Ms Forsyth's question, what you are doing is comparing the bowser prices in January with the bowser prices in June where, if I have got it correct, just having a quick look and just trying to work this graph, the bowser price in January shown on this graph was about 118 cents and in June was – I am just trying to work it off the graph, was about 132 cents or thereabouts, say about 132 cents. Now, I am just trying to understand where you get the 26 cents from. The difference between 118 and 132 is what, 14 cents a litre, so it is clearly not just the simple comparison of the bowser prices.

MR LING: Well, the exchange rate had gone up significantly from about 77 cents up to - - -

THE CHAIRMAN: About 85.

MR LING: Yes, about 85.

THE CHAIRMAN: Right. And then - - -

MR LING: So taking that into account, there was – it is about - for every dollar increase it was traditionally represented around a cent at the petrol bowser.

THE CHAIRMAN: Right. Well, let us – what, you say it has gone from 70 – just looking again at that, it looks around about 79 cents or thereabouts on 4 January to about 80 – say 85 cents, so that is a six cent differential is set there. But then I note that the crude oil price has gone from a – just so – again this graph is not a – it is hard to get accurate figures but it looks like the crude oil price is sitting at about 65 cents versus – that is 70 cents or thereabouts, it looks like it is about 70 cents. So we have got a $5 increase in the crude oil price and we have got a six cent movement in the exchange rate; what do they do to each other? I am just trying to see what they do to each other and how you got to your 26 cents. I am sorry, I am just having difficulty; Ms Forsyth, you might want to pursue this question but I am just trying to understand how we got to that 26 cent statement that has been made in your statement.

MR LING: I would have to go back to the calculations I did at the time and which particular date that I was comparing in terms.

THE CHAIRMAN: Well, certainly, just to take your analysis through so I am familiar with the sort of analysis you are doing, if you took the bowser price differential of 14 cents and then you said well, they ought to be six cents less because of the exchange rate movement. So that would pull it back by – pull it back to say eight cents, but because of increase in crude oil price it ought to go up by five cents, so that is 13 cents. On that basis or on that analysis it would seem that there is one cent differential, wouldn't it?

MR LING: Yes, I guess so.

THE CHAIRMAN: Well, it would certainly help - - -

MR LING: I have taken care to have a closer look, it was about 118 cents compared to 144 cents.

THE CHAIRMAN: Yes.

MR LING: The difference required.

THE CHAIRMAN: Certainly, there is nothing on this - - -

MS FORSYTH: We have got some - - -

THE CHAIRMAN: - - - chart that would suggest what petrol price that your chart suggests here that on 18 June, which is when the statement was made, the price was – what have I got here, I am just trying to read it, about 132 cents, not 144. I just – it would be helpful if you could reconcile those matters, because I find it – sorry, I just don't follow them, but of course it goes back to the fundamental question Ms Forsyth first asked, which is the use of the crude oil price, which would appear to disregard the comparison that the AAA acknowledges is the appropriate comparison, which is the Singapore refined petrol price.

MR LING: Yes, but the – it was designed to call it and the world oil price is about the same as it was in June.

THE CHAIRMAN: Yes, I am sorry, but I think you said you adopted the AAAs view which is that the world crude oil price is much less relevant than the Singapore refined petrol price, but the reason I am just pursuing this, I am sorry, Mr Ling, is just this; that we have had evidence or a submission from AAA which acknowledges that the appropriate benchmark for Australian petrol prices is the Singapore MOPS 95 or the Singapore unleaded 95 gas price and yet a couple of members of the AAA have been using the public commentary the crude oil price, yet have acknowledged in evidence that in fact that is the inappropriate comparison to be making.

And so I just wanted to have a look here – I think the president of the NRMA, Mr Alan Evans, indicated that the reason he used that comparison was because everyone else seemed to be using it even though he thought it was wrong. And produced the crude oil price, even though that he seemed to have acknowledged that was the wrong comparison to make, but I think you have acknowledge in the beginning that it is perhaps what the correct comparison to make.

MR LING: I guess we are determined to use it because that is what we have done for many years, so we have picked some comparison over the years, but that is arrived at sort of from ten years of it but - - -

THE CHAIRMAN: Well, certainly as you say you have adopted the AAA submission which gathers the Singapore oil price. Okay, thank you. Sorry, Ms Forsyth.

THE CHAIRMAN: No, that is okay, Mr Chairman. Feel free to ask a question at any point in time. It is probably important also for Mr Ling to acknowledge that there is some danger in taking bowser prices and comparing them without necessarily fully evaluating the underlying factors which might in fact be of relevance in the gas price, as well as movements in the exchange rate price and that those things might have an impact. Did you just acknowledge that, Mr Ling?

MR LING: And that is the reason that we have the exchange rate there.

MS FORSYTH: That’s right.

MR LING: The movement exploits the understanding what effect the exchange rate has, to see it if it goes up, but should have a positive effect.

MS FORSYTH: I quite understand that. We are simply seeking to drill down on some of the comments that have been made so that we make sure that we are properly informed as to what people who are submitting matters to the Commission in fact say on the basis of those matters.

MR LING: Yes.

MS FORSYTH: The third comment that was made in this media release that we want to just raise with you before moving onto some more general topics was the following comment which stated:

> *Regional Australians have often been forced to pay much higher prices for petrol to subsidise price discounting in places like Melbourne. Melbourne's average price for unleaded petrol yesterday was 128.2 cents per litre compared to Hobart's 139.9 cents a litre.*

Now, this was obviously made – a statement made back in June. Now, that is a difference of almost 12 cents a litre, is that right?

MR LING: Yes. It was settled often where supply gives a comparison between the - - -

MS FORSYTH: It is because of comparisons.

MR LING: - - - average in Hobart and Melbourne.

MS FORSYTH: Thank you for that. In relation to this particular comment, you would acknowledge, wouldn't you, Mr Ling, that Melbourne has a price cycle but Hobart does not, is that correct?

MR LING: Well, we have got a weekly price cycle.

MS FORSYTH: A price cycle and that Melbourne's price and that Hobart's price have some volatility?

MR LING: Yes, particularly in Hobart over the last 12 months. At times the Hobart prices have been cheaper than the Melbourne average price.

MS FORSYTH: That's right and I can see from the graph that it is quite volatile.

MR LING: Yes.

MS FORSYTH: Some times the Hobart price dips below Melbourne, some times Melbourne is above Hobart.

MR LING: Yes. But that is – prior to that we were consistently sort of 10 to 12 cents dearer than Melbourne prices.

MS FORSYTH: Well, I am just wanting to question about the consistently 10 to 12 cents. Would you agree that because prices are perhaps more volatile in Melbourne than in Hobart that it is perhaps better to make a comparison on a weekly or monthly average basis than on a day-to-day basis?

MR LING: Well, we make it on a weekly basis.

MS FORSYTH: Make it on a weekly basis.

MR LING: Yes.

MS FORSYTH: But in terms of the comment that you made to the media in June which was taking a price in Melbourne on a certain day and taking a price in Hobart on a certain day, that is not necessarily the most accurate way to represent the price, because it would probably be better to take it on an average basis.

MR LING: Yes, and that's what this graph shows.

MS FORSYTH: That's right.

MR LING: The situation in Tasmania prior to the last 12 months was that the reason another competition here so prices were very steady. Over the last 12 months we have had competition in Tasmania and that has created a situation where the Tasmanian prices have been much more aligned with Victorian prices.

MS FORSYTH: On that basis, yes. Well, I have some figures for - - -

MR GOODMAN: I just happened to have those figures. In the past when we didn't have the ability to compare the same retailer and since Woolworths and Coles are now distributing fuel, well, you know, there are, you know, a site – a Melbourne site with equivalent to say, our Hobart site of which say Coles, there are vast discrepancies on a daily basis and plus we found it very difficult as an organisation on the basis that we would assume the buying power for these distributors is a national buying power that they have.

MS FORSYTH: Well, we will come back to that in a minute. I just wanted to complete my question on this one issue, which was the comparison on one particular day of a certain price. The figures which I have for June 2007, which were a monthly average, put Hobart at 136.9 and Melbourne at 129.3, which was a difference of about 7.6 cents a litre. Would you accept that that was an accurate figure?

MR LING: Well, over a month as an average, yes.

MS FORSYTH: And the Tasmanian Government, which has also put a submission into this inquiry compared the Hobart price with regional Victoria, because it was seen perhaps as a similar market and in the four weeks ending 24 June 2007, they found that the Tasmanian motorist paid 3.6 cents a litre more for their unleaded fuel than Victoria regional motorists; would you accept that figure as well?

MR LING: Yes.

MS FORSYTH: So the point I wanted to make and just see whether you would acknowledge that, just for the purpose of the inquiry was that there is a gap and we acknowledge there is a gap between the Victorian and the Tasmanian pricing, but that it is not necessarily the 11 or 12 cent gap that is some times referred to in media releases such as this. Would you agree with that?

MR LING: Yes. As I said, prior to the last 12 months there is generally that gap – we can go back several years that we have been paying there, and in the last 12 months we have had a fairly competitive situation, except in that sort of May/June period this year where we went back to quite a large variation.

MS FORSYTH: So is your submission to this inquiry – your evidence to this inquiry that the price differential between Hobart and Melbourne has in fact narrowed?

MR LING: On average?

MS FORSYTH: On average?

MR LING: Yes, yes.

MS FORSYTH: And that would presumably be a benefit to the Tasmanian motorist in 2007?

MR LING: Yes, there would sure to be more competition here.

MS FORSYTH: I was going to ask you about that. What do you put the decrease in price differential down to?

MR LING: The entry into the market of United Petrol.

MS FORSYTH: And what is your evidence of that, have you seen that in particular?

MR LING: Well, they have been consistent in the last – setting the last price and the supermarket chains have been trying to meet that price. There has been – over this last 12 months there has been quite a large variation in the retail prices in particular terminals, whereas previously they were virtually all the same price; a 10 cents difference from Hobart to the eastern shore.

MS FORSYTH: Sure. So if I look through the RTF that you have presented to us today, does that include the United petrol stations?

MR LING: Yes.

MS FORSYTH: And will I find a consistent pattern there that United is lower than the other retailers?

MR LING: Their terminals? And I guess turning up late of May/June period United seem to stop discounting during that period too.

MS FORSYTH: Do you have any reason to believe that once they might have not done so, simply not an anomaly in the market for a period of time?

MR LING: Well, it is just an observation.

MS FORSYTH: An observation.

MR LING: That the prices sort of jumped back up all of a sudden and I guess up to more the – the more common price that was being charged.

MS FORSYTH: Now, your evidence is that United seemed to be consistently lower than many of the other players. You made comment also about the supermarkets, could you just explain that, you were saying that they also follow the price, is that correct?

MR LING: Well, generally a couple of cents dearer than United, but with the discount dockets it means that they are a couple of cents cheaper than - in reality than United.

MS FORSYTH: And what about the remaining players, BP and Mobil? You don't seem to have any Mobil sites listed here, is that just simply because they have got a lesser presence, although I do see one here in Devonport?

MR LING: United took over the Mobil sites.

MS FORSYTH: That's right.

MR LING: Yes. And some of them were still signed as Mobil.

MS FORSYTH: And do you have any comments to make about non-aligned petrol stations, such as Caltex, non-aligned with Woolworths? Where do they sit in relation to the other players?

MR LING: I haven't got any comment on that, no.

MS FORSYTH: We don't look for a starter in any event, and that should assistance in that regard.

MR LING: Yes.

MS FORSYTH: Now, there is a - - -

MR LING: Just on that, that data is available for each week if you wanted that for - - -

MS FORSYTH: Certainly, we will take that on board and the Commission can request – presumably can request some further information from you if we require it?

MR LING: Yes.

MS FORSYTH: We discussed briefly earlier the fact that there is no price cycle in Hobart. Presumably there is some fluctuation, is that the case?

MR LING: Yes, particularly over the last 12 months.

MS FORSYTH: And what changes have you seen over the last 12 months in relation to price fluctuations?

MR LING: Well, and also I guess price variation, quite large variations between prices between different suburbs and within the retailers in the suburbs it can be – as I said, it can be 10 or 12 cents difference between one suburb and another.

MS FORSYTH: And are these the observations that you gather when you do a weekly drive around?

MR LING: Yes.

MS FORSYTH: So on a weekly drive around you will see – and presumably I will see this when I look through the data - - -

MR LING: Yes.

MS FORSYTH: - - - a large differential between various players, is that correct?

MR LING: Yes.

MS FORSYTH: And why do you think that there is no price cycle as such in Hobart compared to some other capital cities?

MR LING: Well, that is – the reason may be that the Tasmanians don't shop around. In the national survey that we did, 27 per cent of the respondents said that they shop around and the national average was 49 per cent, so people tend to go back to the service station that they really get their share forms.

MS FORSYTH: And do you have any evidence or opinion to give us to why that might be?

MR LING: Well, I guess traditionally Tasmania there has really been no – hardly any variation in prices between sites.

MS FORSYTH: Until - - -

MR LING: Until recently, yes.

MS FORSYTH: So is it your evidence that the consumers developed a habit of not shopping around?

MR LING: Yes.

MS FORSYTH: Is it perhaps also that with the lack of public transport or as much public transport as in other capital cities, Tasmanians may have less choices as to when they purchase their petrol?

MR LING: I couldn't comment on that.

MS FORSYTH: It is probably a specialty question.

MR LING: Yes.

MS FORSYTH: Do you think that a price cycle would benefit Tasmanians or are you content that there is no such regular price cycle in Tasmania? I am asking you to speak on behalf of your members, obviously not personally.

MR LING: Well again, I really couldn't comment on that.

MS FORSYTH: Sure. Now, you have mentioned the dominant players in the retail market are, as I understand it, the major oil companies, United and the supermarkets. Is that correct?

MR LING: Yes.

MS FORSYTH: And you have given some evidence as to where they approximately sit in relation to each other. Does that draw you to a degree or is it a fairly consistent pattern that you have observed?

MR LING: Well, it is – over the last 12 months it is fairly consistent, yes.

MS FORSYTH: And prior to the last 12 months, what was your observation as to the role those players played in the market?

MR LING: Where the supermarket chain operated outlets generally led the price.

MS FORSYTH: When you say led the price, what do you mean?

MR LING: Well, had the cheapest price.

MS FORSYTH: Had the cheapest price.

MR LING: Yes.

MS FORSYTH: When did the supermarkets open their business in say, Hobart?

MR GOODMAN: Woolworths were the first to come in about four years ago.

MS FORSYTH: Yes, 2003.

MR GOODMAN: Yes. And then Shell with Coles came in about two years ago.

MS FORSYTH: And at what point did it spread to other parts of more rural Tasmania, regional areas?

MR LING: About the same time.

MS FORSYTH: At same time?

MR LING: Yes.

MS FORSYTH: And did you notice any impact on pricing at that point in time or was it only in the last year?

MR LING: No. They tended to be the price movers – when they were introduced, yes.

MS FORSYTH: So prior to say 2003 prices were fairly stable and correct me if I am wrong, there have been some statements too, prior to 2003 the prices were fairly stable in Tasmania run by the four major oil companies. Then in around 2003/2004, with the entry of the supermarkets you observed better competition and can I say lower prices at that point in time, was there more discounting?

MR LING: Well, yes, we were sort of saving when Liberty moved into Tasmania.

MS FORSYTH: And when did Liberty move into Tasmania?

MR LING: I don't recall.

MS FORSYTH: Sometime between 2003 and now?

MR LING: No, they were here before the supermarkets - - -

MS FORSYTH: Before the supermarkets?

MR GOODMAN: And then the supermarkets took out Liberty.

MS FORSYTH: The supermarkets took out Liberty and you saw some increased discounting at that point in time? Was that as between the players in the market, as inn there being a differential between - - -

MR LING: Yes.

MS FORSYTH: - - - prices being – because presumably petrol prices might go up but there would be a differential? And then when did United become a presence in the Tasmanian market?

MR LING: I am not too sure, but it was early last year, I think.

MS FORSYTH: And is your evidence that you have witnessed an increased differential between the prices between the players since the entry of United into the market?

MR GOODMAN: Probably what we are saying is there is more fluctuation.

MS FORSYTH: More fluctuation and how big is that fluctuation now?

MR GOODMAN: Anything up to 10 cents.

MR LING: Yes, sometimes it would be 10 cents a litre, yes.

MS FORSYTH: As between the players or would one player raise its prices by approximately 10 cents a litre?

MR LING: Well, between the players but then there is the price that brings every – sort of discounting, put the price back up, sort of 10 cents some times, yes.

MS FORSYTH: So you have seen some price matching in relation to those fluctuations?

MR LING: Yes, over the – I guess so, yes. You can see those from the figures, yes.

MS FORSYTH: Have you seen any rationalisation of sites in the Tasmanian area - closed sites?

MR LING: There has been but we don’t keep a record of that.

MS FORSYTH: You don’t keep a record of any of that. Do you have any comments to make or do you have any evidence of any changes in relation to increase of convenience stores moving into the service station, or is that again something that you wouldn’t keep a close eye?

MR LING: Well, just from observations there has been quite an increase of convenience stores, yes, but we really have no comment on that.

MS FORSYTH: Now, clearly an amount of concern to yourselves and to Tasmanians is the difference in price between Tasmania and mainland Australia and potentially between Hobart and some of the regional centres. Do you have any reasons that you can give as to why there is a difference between the prices and anything which can be done about that?

MR GOODMAN: Well, we think the Western Australian model is a pretty sound model where oil comes and it is split up and their price – they allot their price 24 hours prior.

MS FORSYTH: Yes.

MR GOODMAN: The advice that is going into the market and we think that, you know, to take the kink out of this whole exercise is if there is more transparency with the wholesale price versus the bowser price, so that - - -

MS FORSYTH: If we can just take that back one step, so you are supportive of a fuel watcher price, the 24 hour rule as it is in Perth - - -

MR GOODMAN: Yes.

MS FORSYTH: - - - which requires retailers to identify price and stick with that for 24 hours? How do you think that would impact on the difference between the price – sorry, I will re-phrase my question. Why do you think that that system would improve or decrease the difference between price in rural and urban areas or regional and urban areas?

MR GOODMAN: On the basis that the decision has got to be – somebody has really make a decision, so the companies would – they would have to make a decision to, you know, put their price, say in a wholesale range, to me the lesson is the opportunity to – for the converted – the oil companies to match each other's price unless they - - -

MS FORSYTH: So why would that be a difference, for example, if the 24 hour rule applies in Hobart and the 24 hour rule applies down at Coles Bay? Why would the 24 hour rule mean that the price differential between Coles Bay and Hobart would be any different? I am just testing the proposition as to - - -

MR GOODMAN: Yes.

MS FORSYTH: - - - how it might impact. It may impact on prices generally, but why it might impact on the particular issue, which I understand is a concern, which is the differential?

MR LING: Well, Coles Bay, I think there aren't more outlets so it really would have no benefit there.

MS FORSYTH: I am obviously picking this as an example, but as I said you must correct me if I have given a wrong example.

MR LING: That's correct. So I mean the main centres in Tasmania being Launceston, Devonport and Burnie; the larger towns, where there is a significant number of outlets but it would have a benefit in those locations.

MS FORSYTH: So your evidence is that the 24 hour rule might benefit the urban centres but it might not have any impact on the differential between the urban and the regional centres?

MR LING: No.

MS FORSYTH: It is not your evidence or do you agree with my proposition?

MR LING: Well, we agree with your proposition.

MS FORSYTH: You agree with the proposition. Just making sure for the transcript that we have that on the record. The Tasmanian Government, I am not sure whether you have had an opportunity to read the submission of the Tasmanian Government, they have put forward some propositions that might influence the reason for different prices in Tasmania, including population size, geographic location, type of retailer. We have also received evidence from various parties of things like lack of competition, lower volumes, increased transport, are all reasons for high prices in say, Tasmania than in some other – do you have any comments to make about that, for example - - -

MR LING: Well, we would say that lack of competition, we have that over the last 12 months and it has shown the differential between Hobart and Melbourne, if you take the capital cities as that as being reasonable situations.

MS FORSYTH: So is it your position now that the price differential is a lot less of a concern to you?

MR LING: Yes, providing that competition continues and where it stops and if we go back to the, you know, 10 cents difference between Hobart and Melbourne, that obviously becomes a concern when that happens.

MS FORSYTH: So the evidence of the RACT as I understand it is that you are satisfied that there is a difference in price between say Melbourne and Hobart, that it might be accounted for with something such as in the transport cost and it is less of concern to you now than previously because now there has been increased competition in Hobart, you feel more comfortable that the natural competitive forces are in operation, is that a correct assessment?

MR LING: Yes. I mean, the transport cost is being given with one or two cents so - - -

MS FORSYTH: And where was that given?

MR LING: Well, the State Government have made that statement, so that is – I think it is, you know, acceptable. Certainly that doesn't cover the 10 cents so it is also a bit of an additional - - -

MS FORSYTH: It doesn't cover 10 cents but I think your evidence was that we no longer have in Hobart, for example, the 10 cent differential that was so obviously there.

MR LING: Well, it has only been over the 12 months we haven't, but we had that in June and July, so - - -

MS FORSYTH: But on occasion - - -

MR LING: Yes, yes.

MS FORSYTH: On occasion it does - perhaps not an average. And in terms of volumes, do you accept that if there is a lower volume in a city such as Hobart that means that there needs to be higher margins on a cents per litre basis?

MR LING: There has been quite a lot of rationalisation in Tasmania of sites, so there are a lot of sites that have truly significant volumes.

MS FORSYTH: Okay.

MR GOODMAN: You know, the question I asked earlier on is that, you know, the Woolworths of this world and the Coles of this world are now buying their fuel nationally and so I wouldn't think that the price of fuel that goes into a Shell service station in Sandy Bay Road is any different to what goes into the Shell service station in Victoria Parade.

MS FORSYTH: Now, on what basis do you submit to the Commission that the supermarkets buy their fuel nationally?

MR GOODMAN: I have no evidence on that.

MS FORSYTH: You have no evidence of that.

MR GOODMAN: No.

MS FORSYTH: So it is probably not something you can submit to the Commission on evidence?

MR GOODMAN: No, not at all, no, that is an assumption.

MS FORSYTH: It is an assumption you have made?

MR GOODMAN: It is a reasonable assumption, I think.

MS FORSYTH: Why do you think it is a reasonable assumption?

MR GOODMAN: Well, other players that you see as market industry buyers are on ..... basis and the procurement is they are all now centralised and you know, one area of the business is responsible for procurement, you know, and if you read, you know, the Woolworths annual report, you know, that gives you an indication that - to a shareholder that in getting their fuel across the town and centralised and then having them across the country the same has been very good for all the shareholders.

MS FORSYTH: You have no evidence that fuel is purchased nationally rather than on a - - -

MR GOODMAN: No, I don't and that is something that I think – I hope that that this inquiry will look at.

MS FORSYTH: If fuel was not purchased on that – I am asking you to assume for a moment that fuel is not purchased on a national basis, for example, if Caltex supplies fuel to Woolworths and supplied it on a state by state basis through the various refinery, would you accept at that point that your comment might be – might hold true less? Probably – let me re-phrase my question, but that there is less of a reason for prices at the supermarket chains to be uniform if fuel is not purchased on a national basis? You would have to accept that surely?

MR GOODMAN: Yes, I would.

MS FORSYTH: Yes, thank you. Moving on from that comment in relation to supermarkets and the shopper docket scheme, I am wondering if one or either of you gentlemen is in a position to comment on what the impact has been in Tasmania on your members and whether or not you support the shopper docket scheme?

MR LING: We believe it has reduced the prices and created competition in the market and I can't comment on whether the consumers are – how that affects the consumer, the cost of other goods at the supermarkets; we have got no evidence to be able to make any comment on that. And up to now there is no evidence that that has caused an increase in the price of fuel; it has reduced prices. That is obviously popular amongst consumers and provides a genuine discount.

MS FORSYTH: Do you see any impact on the independents with the advent of the shopper docket scheme?

MR LING: Certainly.

MS FORSYTH: What have you witnessed?

MR LING: There have been comments that we have had from independent retailers that have had discussions with us that it – that they can't compete with the – a discounted price that the supermarket controlled outlets give, so that they see it as putting an added pressure on them for their viability into the future.

MS FORSYTH: Sure. Now, taking that comment back to the comment you made previously, which was that you were more comfortable with the status of the retail petrol market in Hobart because of the presence of independents, does that mean you have any fears about the future of the retail market in relation to shopper dockets if that has an adverse impact on independents?

MR LING: I took independents as being the independent retailer, like the one person operated retailer.

MS FORSYTH: I see, I am terribly sorry.

MR LING: Not the - - -

MS FORSYTH: Not the retail, but the independent chain?

MR LING: Not United petrol, no.

MS FORSYTH: Do you – have you seen – sorry, I will re-phrase my question. That was my fault in not making that clear.

MR LING: Yes.

MS FORSYTH: Have you seen any impact – adverse impact of the shopper docket scheme on companies such as United or is your evidence, which it sounds as if it is, that United have still maintained a very low price and been competitive?

MR LING: Yes, well, they are still in the market. Yes, but overall we can only go on what prices we have seen here, we don't have any evidence other than that.

MS FORSYTH: Sure. Now, I think Mr Goodman, you mentioned earlier and I can see from my brief look that my helpful assistant has made here in relation to the transparency of wholesale costs, I wanted to just draw out what you mean by that and I think you mentioned earlier a survey that had been undertaken of displaying on board prices the wholesale price. Can you just explain what you mean by that and what you say the lack of transparency is and how you see that could be resolved in the Tasmanian market?

MR GOODMAN: Well, I think that really the wholesale price of petrol is not transparent, you know, is it - - -

MS FORSYTH: When you say it is not transparent, do you mean that - - -

MR GOODMAN: Is it the price when the oil enters the refinery, is it the price when the oil comes out of it - the petrol comes out of the refinery and you know, what is the refining margin and then where is the – and there is another margin for the distributor. If that is the case, well, I just don't think that it is very clear to the consumer of what the real cost of the litre of petrol is from the refinery and I think, you know, one of the issues we have in Tasmania as well is that the other states have a fuel watch of some description that actually minders fuel on a daily basis. Like a lot of things in Tasmania, you know, we get left off the map on the basis of percentages, or whatever it may be and the fact that the only opportunity a consumer has got to compare prices in Tasmania is by going to the RACT website on a weekly basis, which, you know, we would love to do it on a daily basis but it is just physically not affordable for us to do that as an organisation.

MS FORSYTH: So if I could paraphrase your evidence just to confirm that we have got it accurately. Your concern is that the consumer is not properly aware of the division of costs from refinery to the bowser and where, you know, the profits lie and your concern is also that Tasmania being a small state doesn't have sufficient monitoring, is that a fair assumption?

MR GOODMAN: Yes.

MS FORSYTH: Okay, thank you. I don't have any further questions for these witnesses, Mr Chairman. Is there anything further that you wish to raise that you want to - - -

THE CHAIRMAN: Just one question, and I appreciate, gentlemen, that your interest is for the Tasmanian motorist and therefore follow the focus on petrol, but I just want to take some – because the statement you have made here is here is two things. One is greater transparency of wholesale and retail prices and the other is the fuel watch scheme of WA. I will come back to that in a moment, the fuel watch scheme of WA, but in terms of the transparency of wholesale and retail prices do you believe petrol should be treated any differently to any other commodity, such as apples and oranges or bananas?

MR GOODMAN: Yes, I do because it is a resource that – and particularly in Tasmania where there is no alternate transport - public transport, but you know, the car is a very important part of a person's mode of transport here and it is a substantial cost as well and so we feel that, you know, the consumer should be informed of - you know, because this – you can't – you can go and buy, you know, a bunch of oranges on the side of the road but you cannot do that with fuel.

THE CHAIRMAN: But you normally do, don't you, buy your fuel on the side of the road?

MR GOODMAN: Yes, and at an approved site and obviously the petrol stations don't appear over night and come in and out of the business; it is a really structured distribution network and you know, so we feel that the motorist deserves to have a little bit more transparency on what in actual fact the cost of this product is before it gets to the bowser.

THE CHAIRMAN: Yes. And if the motorist knew that the wholesale price was, on any given day, three cents less than the retail price, what would you then say?

MR GOODMAN: Well, I would say that if that is the case and that information was valid and transparent I think the motorist should be very comfortable with a three cent margin on a litre of fuel.

THE CHAIRMAN: On the price - - -

MR GOODMAN: I think – like, that is – I can't – I think that the motorist would be happy with a margin, you know, what percentage I - you know, how long is a piece of string, I don't think I can answer that.

THE CHAIRMAN: I guess that was the reason I was asking the question because I am not sure whether – you came back pretty assertively that you thought the motorist should be happy with the three cent margin, but five cents you are a bit more dubious, seven cents you would be even more dubious and I guess one cent they would be elated. I am just trying to understand the basis of choosing three cents, which I actually pulled right out of the air I have to tell you, but the basis of choosing three cents as being a happy medium point.

MR GOODMAN: Are you saying per cent or cents?

THE CHAIRMAN: I was going to come per cents in a moment, but I was just using cents at the moment.

MR GOODMAN: You know, it is – people understand that to run a distribution network and to pay people to pump – well, they don't pump it any more, but to store it and transport it, that, you know, there is a cost in doing that and I think that if that cost could be seen as being a reasonable mark up and a reasonable profit to the company distributing it, I think the consumer would be quite pleased. At the moment they don't know and I think the unknown is half the issue.

THE CHAIRMAN: And what would be "reasonable," the words you have used?

MR GOODMAN: As far as a - - -

THE CHAIRMAN: You have talked about a reasonable mark up and I am just wondering what you regard as a reasonable mark up?

MR GOODMAN: I would say somewhere in the vicinity of 15 per cent.

THE CHAIRMAN: Okay. Fifteen per cent probably on $1.20 is something less than three cents though, isn't it?

MR GOODMAN: It is about three cents, yes.

THE CHAIRMAN: Even though it is some instances about two cents, so two cents is probably more reasonable, while three cents is getting unreasonable, because 50 per cent on a – I am just - the reason I am testing is because I am just trying to understand the value of having the wholesale and retail prices up there, but - - -

MR LING: If I could just make a comment on it, talking about being transparent is that if there is a 10 cent increase in the price of fuel, so that during the day – people get very upset about that because they say a rise had gone up 10 cents and when there hasn't been any, you know, general medium, world price or the Singapore price, they just assume that the retailers have taken the extra money or they just don't know who is getting it, so they get very – our phones just run hot when that happens.

THE CHAIRMAN: Tell me, in the period prior to it being hiked up by 10 cents as you have described it, if the wholesale and retail price showed that the retailer was actually losing money, what would the consumer say?

MR LING: Well, they would be very concerned.

THE CHAIRMAN: They would probably be elated too if they feared their own pocket. But if it showed that for a period of time they were losing money and then the price was hiked by 10 cents, so that they were making money, would they take account of the loss beared or they would just simply reflect on the big differential between the – that is the reason I asked the question - - -

MR LING: Yes.

THE CHAIRMAN: - - - because some times, you know, there can be a selective use of information which can - - -

MR LING: Yes. I mean, unfairly the consumer takes it out on the retailer and not the distributor or the wholesaler and the oil companies; they tend to – it is where they buy their petrol that they express their concerns. I guess what we are asking from them is a bit more transparency so that the margins that are made through the industry are fair and people are more comfortable with it if they understood what the structure was.

THE CHAIRMAN: The judgment of what is fair will be made by?

MR LING: Well, to put it at this stage, the consumer has got no idea what is fair or who is getting what.

THE CHAIRMAN: You know, just trying to understand who will charge what is fair once the wholesale and the retail price are put up, the RACT or the consumer or - - -

MR GOODMAN: The consumer.

MR LING: The consumer.

THE CHAIRMAN: Okay.

MR GOODMAN: I think the other thing is that, you know, you have got a Coles Shell site that is on one side of town there can be a 10 cent difference from one service station to the other, which is the same distribution chain and I think our members find that very difficult to comprehend that they are going to drive, you know, from one side of the city to the other, a kilometre, and there is going to be a 10 cent a litre difference and it is not – this is not – you know, this is just – this happens consistently. So it is – and that is why I think the consumer gets very confused.

THE CHAIRMAN: Okay, the only absent voucher is that of the FuelWatch scheme, the Western Australian scheme which has two elements. The first is the posting of the price onto a publicly available website and commentary of a daily basis by the news media as to what are the lowest priced sites, etcetera; that is the transparency issue. The other is the fixed price for 24 hours. Now, I just want to bring these up, I take it that you are clearly in favour of the first element, which is the transparency and the information available to motorists. In terms of the fixed price for 24 hours, do you favour that as well?

MR GOODMAN: Well, in my view we have been watching it very closely and talking to our colleagues in Western Australia and we – there are circumstances – there is superficial evidence that the price of fuel in that capital city is on an average about 1.7 cents less than other averages in capital cities around the country. I think that as far as that price being fixed for 24 hours, that is debatable. I think it is more on a basis of making sure that the consumer is informed where the prices are, whether you fix them or not, although the price is lodged and then there is change within the next hour, I think the consumer is going to make their decision - - -

THE CHAIRMAN: Yes.

MR GOODMAN: - - - quicker when they see that that price is being changed, been put on the site at least, and when they drive around the corner it is changed, well, the consumer is going to make their decision, but the lack of information to the consumer here is our concern in fact and that is why we spend a lot of money each year doing this survey on a weekly basis and we provide that on our website for our motorists to be able to go in and view it.

THE CHAIRMAN: So really to summarise then, the movement - or the development of what you are currently doing on a weekly basis to a more comprehensive analysis on a daily basis, or even real time, what would be a benefit to the motorist but you have been equivocal about whether a 24 hour fixed price is significant.

MR GOODMAN: Yes, that is it, yes.

THE CHAIRMAN: Thank you very much, gentlemen.

MR GOODMAN: Thank you.

THE CHAIRMAN: Appreciate your assistance.

<THE WITNESSES WITHDREW [12.09 pm]

THE CHAIRMAN: Could I call forward now Mr – I think it is Mr Malcolm Little, General Manager of the Tasmanian Automobile Chamber of Commerce.

MR LITTLE: Good morning.

THE CHAIRMAN: Good morning. Mr Little, although I have just named you and identified you, just for the record, if you could state your name and role with the Tasmanian Chamber.

MR LITTLE: Malcolm Little, General Manager, Tasmanian Automobile Chamber of Commerce.

THE CHAIRMAN: Thank you. And are you happy to take an oath or affirmation?

MR LITTLE: Oath, thank you.

THE CHAIRMAN: Thank you, if you could take the bible in your right hand and read the oath.

<MALCOLM LITTLE, SWORN [12.10 pm]

<EXAMINATION BY MS FORSYTH [12.10 pm]

THE CHAIRMAN: Thank you. Ms Forsyth.

MS FORSYTH: Thank you, Mr Chairman. Mr Little, can you start by explaining to the Commission what the Tasmanian Automobile Chamber of Commerce is and who the members are and how many members there are?

MR LITTLE: We represent the retail automotive industry; that being from right the retail end of a car from cradle to grave, the dealer, through obviously the service stations, the repair network and even right down to the recyclers. Our membership is 340 and of those around about 80 are service station members.

MS FORSYTH: And are those 80 service station members scattered throughout urban and regional areas?

MR LITTLE: Yes, they are.

MS FORSYTH: So your members consist from a petrol perspective of consumers of the product and some sellers of the product, is that correct?

MR LITTLE: Consumers in the sense of any member of the – any of my general membership that, yes, they consume petrol, but in the circumstances today are the 80 members that are retailers of petrol.

MS FORSYTH: That's right, so in terms of the people who are not retailers of petrol, their interest in this inquiry would be broadly as a consumer; there is really nothing else that - - -

MR LITTLE: Correct.

MS FORSYTH: That don't they have a role – they are not transporters of petrol or - - -

MR LITTLE: We do have one or two members that do transport petrol but I am not – I don't seek to represent them today.

MS FORSYTH: And on what basis can you represent what views of your members - have you spoken with them? Do you have regular meetings where you gather views? How have you gone about getting a unanimous voice, if I can call it that?

MR LITTLE: I don't think there is such a thing as a unanimous voice.

MS FORSYTH: No, it is different, but they have one representative here today so I am just trying to work out where it comes from.

MR LITTLE: We seek the view of our members from various ways, including we do a member – what we call a "briefing" and - - -

MS FORSYTH: How do you gather that?

MR LITTLE: We do those quarterly.

MS FORSYTH: Yes.

MR LITTLE: And have them – we collect them around the State, but more particularly it is the members that contact me with their views and over time, of course, we will get information talking to members over various subjects particularly that relate to the media.

MS FORSYTH: Right. So you have gathered some information both from quarterly meetings and through informal information gathering processes and therefore you feel equipped to be able to represent the views of those groups today?

MR LITTLE: Yes.

MS FORSYTH: Well, if we can first of all move to the service station operators as a group of your members, because I think they are probably the group we are most interested in as distinct from the other members who are more the general consumer. We have heard from organisations such as the RACT, who represent Tasmanian motorists. Can you tell the Commission the sort of arrangements that your members have in relation to selling petrol on a broadly - what I would call, small independent service station operations, or are they part of aligned groups?

MR LITTLE: That is quite an interesting one because there are so many diverse relationships with the oil companies.

MS FORSYTH: Exactly.

MR LITTLE: I would say that we don't directly represent oil company operated sites – directly operated sites. We represent those that hold franchise, are commission agents, those that are on supply agreements and the very few in this state who are genuinely independent.

MS FORSYTH: Right. So some of your members are aligned but they are not dealer or oil company owned sites?

MR LITTLE: Correct.

MS FORSYTH: So they might receive branding from say, Caltex and they might receive – well, on commission agents who actually who don't even own the petrol, is that right, they - - -

MR LITTLE: Yes.

MS FORSYTH: The commission agents will in fact walk up and get the commission on what is sold and perhaps get the revenue from the convenience store.

MR LITTLE: Yes, that is correct.

MS FORSYTH: So the larger number of category of members that you represent. Now, do you have any view from the members and I understand that they are necessarily broad, as to the wholesale market in Tasmania and any difficulties or otherwise in obtaining supply at a price?

MR LITTLE: At a price. The issue in Tasmania is that there is effectively no competition at wholesale level.

MS FORSYTH: Could I just get you to explain that because we are all just sitting and hearing about that?

MR LITTLE: Yes, okay. No competition in a sense of we have very few genuine independent operations in this State that buy – spot buy and therefore that via various arrangements most of the resellers in this State are on some form of contractual relationship with an oil company or distributor.

MS FORSYTH: Can you let me know who are the resellers that you are talking about and what their links are so we know?

MR LITTLE: Well, those resellers are those that are on supply agreements, franchises and agency agreements.

MS FORSYTH: Are you talking about the service stations as agencies?

MR LITTLE: The service stations. So because of those relationships they are bound to a particular supply, so therefore they have no choice as to where they buy, so therefore there obviously there is no competition and in this State there is to be very few independently branded supplier – shall we say, resellers. Obviously I remind you there is one who is in the market today, along with validity, with a one-man band to be able to spot buy; very, very few.

MS FORSYTH: Now, in terms of the difference between Tasmania and other centres you mentioned that many of the resellers are – can I say, aligned to a particular brand. That is the case in most other capital cities as well, is it not?

MR LITTLE: That's correct.

MS FORSYTH: So why is Tasmania different in terms of the wholesale market having less competition or was your comment that the wholesale market generally in Australia doesn't have sufficient competition?

MR LITTLE: Whilst I don't endeavour to speak from a national standpoint, I don't really believe that there is any competition in the wholesale market in that the relationship in this industry is very one lined and because we don't have those independents that exist on the mainland, you know, the Gulfs and the like, who can negotiate various purchase agreements, so in Tasmania particularly it is a very – there is virtually no competition because of those alignments.

MS FORSYTH: So because most of the stations are aligned already to an oil company with some kind of supply agreement that is your concern, is that correct, that there is no move?

MR LITTLE: I wouldn't suggest that there is a concern because firstly, because of that – I suppose you could say because of the lack of competition at the wholesale level, it puts most of my members on a relatively even playing field at that point so they need only really worry about the competition at a retail level for them.

MS FORSYTH: Right. So there is a lack of competition is that there is not much choice of supply?

MR LITTLE: Correct.

MS FORSYTH: Okay. Do you have any comments to make from your members as to how competitive any negotiations are on price in Tasmania if you are a reseller of fuel?

MR LITTLE: From a wholesale point of view?

MS FORSYTH: Yes, I meant from a wholesale perspective, in obtaining the fuel?

MR LITTLE: My understanding is that there is no negotiation to be had.

MS FORSYTH: And can you explain to the Commission what you mean by that and any evidence that you have of that?

MR LITTLE: The oil companies have a daily price, which is not negotiable and then the purchaser then obviously has to pay transport and other administration and potentially the marketing costs as well.

MS FORSYTH: Are you saying that most oil companies in Tasmania sell on a terminal gate price basis to your members?

MR LITTLE: Terminal gate price isn't particularly relevant here, it is probably to be only best used as a gauge.

MS FORSYTH: A benchmark?

MR LITTLE: As a benchmark.

MS FORSYTH: But what price do – and obviously it is different for all the 80 service stations, but what sort of arrangements are in place for your members in terms of obtaining fuel, is it a wholesale list price, at a TGP plus a certain cents per litre; how does it work?

MR LITTLE: Well, I can't speak directly to that and maybe as others could, but more so the oil companies have a dictated wholesale price on a day by day basis and that is the price that my members will be paying to obtain supply.

MS FORSYTH: You said on a day by day basis, are you saying that your members tend to buy on a spot basis rather than on long term supply contracts?

MR LITTLE: I can't answer that question.

MS FORSYTH: If they are on long term supply contracts, presumably it wouldn't be a day by day basis price, or it may be a formula which is based on a daily rate.

MR LITTLE: I would suggest that, given the nature of my most of my members being – and their relationships, there is almost nobody, I would think, would be on a long term agreement, so therefore - - -

MS FORSYTH: But you don't have any evidence of that for the Commission, Mr Little?

MR LITTLE: Correct, I can't give you any evidence, but on that assumption, therefore they are effectively spot buying as required.

MS FORSYTH: Okay. Do you know where fuel is supplied from for your members? Now, I ask that question and I am asking it in terms of all the way back to the refinery, do you know whether or not fuel is supplied say from a Shell refinery in Altona or Geelong down to Tasmania, goes to a terminal, is picked up there; do you know whether it comes from anywhere else in Australia? Do you know who is supplying the fuel?

MR LITTLE: Not accurately. Having spoken to some terminal managers my understanding is there are various places, including overseas that our fuel is dealing to and that at times, even in the various terminals in the State depending on the route of the tankers, that could – we could have fuel from overseas or from Shell or it could be from anywhere.

MS FORSYTH: But you can't give any actual evidence to the Commission as to where the fuel that your members obtain comes from as a general rule?

MR LITTLE: No.

MS FORSYTH: In any event it might come from a variety of places and you are not sure?

MR LITTLE: Correct.

MS FORSYTH: Correct. Okay. Now, presumably your members have asked service station operators to frequently set board prices, is that correct, because most of them are not company owned sites?

MR LITTLE: They are not – just be careful here, they are not company owned sites but many can be influenced by - - -

MS FORSYTH: Or the commission agents presumably will - - -

MR LITTLE: The commission agents supply and the like, so from a generalisation most of my members are able to set their own board price.

MS FORSYTH: Now, can you give the Commission any indication as to – I understand that it is necessarily difficult, but perhaps you can give me some examples or using your mind, some examples that you know about of how board price is set in Tasmania and what the make up of those costs? And if we need to go into any confidential session to do that I can do so, but I would have thought you might be able to give us an indication as to the cost of overheads of running a site, the cost of the transportation of the fuel if the service station operator has to pay for that directly and it is not provided by an oil company, how much accounts for margin; those sorts of things? Can you give the Commission any indication as to how the Tasmanian system operates, both country and urban?

MR LITTLE: No, I couldn't give you any information on that subject.

MS FORSYTH: Is there any way you could obtain some of that information from your members, even on a confidential basis and provide that to the Commission?

MR LITTLE: Possibly. It is not a relationship that we seek to hold with our members, many wish to keep that information to themselves.

MS FORSYTH: And perhaps – I don't know if it would be useful to the Commission if you could perhaps make some investigations to find out whether or not that will be - - -

THE CHAIRMAN: That would be helpful if we could - - -

MS FORSYTH: Yes, it would be helpful.

THE CHAIRMAN: - - - just to get a bit of substantive information.

MR LITTLE: I gather you would try to get - - -

MS FORSYTH: What we might be able to do is to set out for you what - there is no desire, but it is useful for us to be able to see in some of these locations the make up, say for example, of transport costs. Frequently there are allegations made that the board price doesn't reflect the difference in transport costs and to would be useful for us to see exactly what the actual board price is and those various make ups.

MR LITTLE: Yes, I will be happy to do that.

MS FORSYTH: So make the inquiries and we can follow that up. Can you give the Commission an indication as to whether or not ..... costs for running a service station in Tasmania might be higher or lower than in say, Melbourne? Is that again something that you might be able to - - -

MR LITTLE: No, look, I couldn't answer that one. I mean, again it is not only that we seek to deal with our members.

MS FORSYTH: It might be something we can follow up in a separate session. In terms of retail, you may have already heard my questions to the RACT on this issue, but in relation to price cycles in Tasmania, do you have any views as to why there is no price cycle in Tasmania and whether that is a good or bad thing?

MR LITTLE: I think it is actually a good thing that we haven't had the price cycle.

MS FORSYTH: And why do you think it is a good thing?

MR LITTLE: Probably - if I could, I would probably jump to possibly a question that is to follow, which you asked the RACT about why does the mainland have a price cycle - - -

MS FORSYTH: Certainly.

MR LITTLE: - - - and I have often found myself dealing with the media locally trying to explain that - the RACT often use very peak prices in their comparisons and

I have had to try and explain to the media, who are obviously unaware locally of the distance of the price sale from the mainland, that none of the areas that is direct over basically who own the back of public transport and demand and supply, that there are so many people on the large petrol pump areas are being – by week day, like other transports, therefore not using fuel and not in a position to fill their car up, so therefore the demand is decreased on those - particularly the first four days of the week and as a result to keep up – to increase the demand, the price is reduced. So it is important that we explain – we have had to explain that locally because the media gets confused and things get a bit out of hand, the whole things gets hyped up.

MS FORSYTH: Although in Melbourne prices generally as a rule go up on Wednesdays, is that right?

MR LITTLE: Look, without being an expert on the subject it has moved over the years.

MS FORSYTH: If it does go up on a Wednesday, how does that hold true with your argument that it is as a result of people not using their cars during the week?

MR LITTLE: I am speaking there – I would suggest that it commenced from a historic basis - - -

MS FORSYTH: Right.

MR LITTLE: - - - and not necessarily today reflective of its proper original.

MS FORSYTH: So it is historically based and now the consumer has got the habit, is that how - - -

MR LITTLE: I don't know if it the consumer or the retailer or oil company to be honest.

MS FORSYTH: Or both?

MR LITTLE: That is my – the foundation from my books, so going back to Tasmania, we have had very stable prices over the years and the community has benefited from that stability. In recent times we have – we have no competition in the market, it was very competitive in 2000 – around about 2000 when we had Liberty come to Tasmania; that died off and then more recently with United coming, so we now do see discounting cycles but not in a weekly cycle and interestingly the community is upset – has been disturbed by that. I receive many a call where people don't understand why that is so one of the benefits of – sorry, disadvantages of cheaper prices has been the discounting cycle that we now find ourselves in.

MS FORSYTH: So is the situation in Tasmania now, there is some cyclical movement that is not regular and therefore there is discounting followed by a price hike?

MR LITTLE: Yes.

MS FORSYTH: Or is it more a regular fluctuation up and down?

MR LITTLE: There is discounting followed by a price hike with no rhyme or reason to the cycle.

MS FORSYTH: To the timing or the hike?

MR LITTLE: Correct.

MS FORSYTH: And is your evidence that Tasmanian consumers are not used to that and doesn't like the hike or perhaps like the discounting?

MR LITTLE: Absolutely, they don't like the hike but they don't mind the discounting and of course they don't understand what is going on with that discounting.

MS FORSYTH: Now, we have heard some evidence today which we haven't really had an opportunity to digest properly. The RACT has provided a scattering of sites and various prices around Tasmania. Their evidence was that consistently United is probably the biggest discounter as the lowest price, followed perhaps by the supermarkets and then the remaining players above that obviously, some of the oil company branded sites. It is difficult because there are various different categories of sites and I accept that. Is that something that you also agree with from your observation?

MR LITTLE: Yes, I would agree that the market is presently is being – in recent times has been set by United.

MS FORSYTH: Do you represent any United service station owners?

MR LITTLE: I do represent some of the United service station owners.

MS FORSYTH: And would they – do you think they would agree with that comment too that they would consistently be one of the bottom of the market?

MR LITTLE: Without disclosing the relationship that they have with United, possibly.

MS FORSYTH: Do any of your members receive support from the oil companies?

MR LITTLE: Yes, some on a regular occurrence, yes.

MS FORSYTH: And is that presumably dependent on the category of a relationship that they have?

MR LITTLE: Yes, they would have to be either a franchisee or on a supply agreement.

MS FORSYTH: Do you think that has had any impact on the recent fluctuations or has that been – the price support been in existence for a long period of time?

MR LITTLE: No, it does, from the point of view that the price support allows the oil companies to basically take control of the situation and allow below cost selling to happen, but also - of course it also enables an oil company to withdraw support and effectively force the oil price back to a genuine retail price.

MS FORSYTH: Well, from the viewpoint of your members, and I understand this might be a difficult question, but just picking up on what you yourself said, is the withdrawal of price support effectively – I will re-phrase my question. If price support is withdrawn do your members feel they effectively need to raise their prices to stay competitive – sorry, to maintain their margins?

MR LITTLE: Given that generally if price support is involved the retail price is less than cost, then my members aren't in a position to throw their money away, so they are bound to increase their price; how far up is their choice.

MS FORSYTH: Their choice, right. Now, in relation to the shopper docket scheme, do you have any members who are service station owners that honour the scheme?

MR LITTLE: I don't have any members that are directly involved in the scheme. There are some members about, or there were – I can't be specific right now, for competition sake, have actually accepted effectively the competition's vouchers. I am not sure if that continues.

MS FORSYTH: So what has been the impact of the shopper docket scheme on your members?

MR LITTLE: The shopper docket - - -

MS FORSYTH: I am talking about the service station members, not the other organisation's members.

MR LITTLE: Yes, yes.

MS FORSYTH: Sorry to do that but it is simply – probably more relevant to this inquiry.

MR LITTLE: No, no, I do – I am not, I am not – I would tell you if I am speaking for anyone other than the service stations.

MS FORSYTH: Right, thank you.

MR LITTLE: The problem here is that we really don't know, because you don't know if – what percentage of the shopper docket sales relate to shopper docket or in fact they are really the board price and of course there are various percentages of cents – varying cents per litre of the discount. Have they had – how is that impacted, yes, the margin – or should I say the percentage of supply by Coles and Woolworths has impacted the market.

MS FORSYTH: And how has it impacted the market?

MR LITTLE: They have got more supply and my members have no doubt had less, however, the members, they are still battling to – everyone has been battling to maintain their share.

MS FORSYTH: Just sitting back and you said, "My members have had less supply." Do you mean they have received less fuel from - - -

MR LITTLE: No, no.

MS FORSYTH: It is not that they have received lesser volumes at their sites?

MR LITTLE: No, a lesser portion of the market.

MS FORSYTH: So their volume is down, would that be correct, their proportion of the market is down?

MR LITTLE: In a sense, yes, but it has also been resolved – partially resolved by the number of sites that have closed.

MS FORSYTH: Well, perhaps you can explain to the Commission what you mean by that, or what has happened, which sites have closed and how that has impacted?

MR LITTLE: Look, I will actually refer to the State Government's paper - - -

MS FORSYTH: Yes.

MR LITTLE: - - - I think they probably encapsulated it a little better.

MS FORSYTH: They provided tables, which gives the number of sites that have closed.

MR LITTLE: They did. In 1993 there were 325 sites in the State, by 2003 that was down to 285 sites and - - -

MS FORSYTH: It went down to 214.

MR LITTLE: Okay, maybe I - no, 285 in '93 and 2006, 214.

MS FORSYTH: 214, that's right.

MR LITTLE: So we have seen quite a rationalisation which obviously means that there is a slightly larger portion for the remaining sites.

MS FORSYTH: So is your evidence that the volume decrease that mightn't have occurred as a result of shopper dockets has been somewhat balanced out by the closure of some smaller sites?

MR LITTLE: To some extent, yes.

MS FORSYTH: To some extent. How have your members responded to the shopper docket schemes?

MR LITTLE: Initially there were – there was lots of talk about finding alternative marketing schemes. There is – some were involved in Servo Savers and a myriad of others that followed. I think most of those have pretty much disappeared today. The way that - - -

MS FORSYTH: Why have they disappeared, they didn't work?

MR LITTLE: I can't answer that, if they disappeared I am assuming they didn't work; they weren't working.

MS FORSYTH: Probably a fair assumption.

MR LITTLE: To be honest, most of my members aren't too fussed now about shopper docket schemes, they seem to sort of – even in Coles and Woolworths, while people obviously use the things, it is not a – there is not a lot of hype about it and Coles and Woolworths tend not to price setters, they are price followers, so you know, they are not the ones out front, they just rely on that discount to attract their custom and generally my members haven't said to me in recent times that they are concerned about the shopper dockets per se.

MS FORSYTH: Okay. Mr Chairman, I don't have any further questions for this witness. Is there anything that need to be raised by the Commission?

COMMISSIONER MARTIN: Just on the issue of the oil prices, I just wanted to get clear in terms of – some of your members who are franchisees would set their own board prices.

MR LITTLE: Generally not, not as a franchisee, but they can.

COMMISSIONER MARTIN: But the commission agents - - -

MR LITTLE: I would say – I can't speak accurately on the case of franchisee because there is, I think from the top of my head there is only about 12 in the State that are directly franchisees.

COMMISSIONER MARTIN: They own the fuel and - - -

MR LITTLE: Yes.

COMMISSIONER MARTIN: And they are buying the fuel?

MR LITTLE: Okay. The involvement of a number of groups there, you have got those that are directly run by the oil companies, they entirely control the process. You have got franchisees and those on supply agreements who are a large portion of the market, who buy their fuel and own their fuel in their tanks and can control their price and then you have got the – a growing number of commission agents who have little or no control over the price of fuel.

COMMISSIONER MARTIN: And you said in relation to the wholesale price that there was no competition at wholesale price, does that mean that TGP is the same for all the - - -

MR LITTLE: No, there is a variation but most of these people can't buy from, if you like, the opposition. If you are bound by an agreement to Caltex you can't buy from anyone else.

COMMISSIONER MARTIN: Well, for instance, United have come in – they must be seeking – who do they source their fuel off?

MR LITTLE: I – without having first hand knowledge, I understand they have capacity to – they have agreements with two of the oil companies to take supply.

COMMISSIONER MARTIN: So obviously there is a bit of competition there?

MR LITTLE: In – for them there is, but for everybody else there isn't. There would only be – if we looked for a genuine independent, leaving alone branded independent, we only have two branded independents in Liberty and United. There are very, very few others in this State, unlike the mainland, of Mum and Dad businesses that can have any control whereby the – that have whole control over where they buy their fuel.

COMMISSIONER MARTIN: Yes. And you may not have this information, but generally are your members saying that their margins at retail now are sufficient to make them viable; I mean, I know there has been some rationalisation, but from the fuel side?

MR LITTLE: Yes, I agree that from the retail end that they are doing reasonably. Of course they normally rely on other services, shop, workshops and the like more so than their making anything out of the fuel. With the discounting cycle it would seem, because we are seemingly meeting margins from losses through 10 cents, so trying to find the average in there is probably the real question.

COMMISSIONER MARTIN: Yes.

THE CHAIRMAN: I just wanted to test you a bit on the approach to the discount cycle, the price cycle. Actually we have been around Australia at the moment, getting toward the conclusion of our initial inquiries, but we have been getting some interesting views from consumers, motoring groups and suppliers and retailers and the views appear to be on the following lines; in some regional areas where they don't have a price cycle they wish they did and they tell us that their urban cousins in having a price cycle. The suppliers, that is the retailers are saying – they have been equivocal, they are ambivalent about it, but they don't mind whether there is a price cycle or not.

One retailer tried to get rid of the price cycle, tried to dampen it in Adelaide two or three years ago, but found resistance from every one else. So it appears that everyone else seemed to like the price cycle, and the main influence didn't like the price cycle. You have indicated though that your initial experience here in Tasmania is that the advent of a relatively mild price cycle is proving to be a source of disaffection for consumers. Can I just understand that? Is it because they are not used to it, because they are not being advised to buy at the bottom of the cycle or when the bottom of the cycle might be or what is causing the disaffection, because it seems out of sync with the views that we are getting on the mainland?

MR LITTLE: Because the Tasmanian community is used to having very stable pricing, recently with the introduction of discounting cycles they – the phone doesn't ring when the price is on the way down, the phone rings when the price goes up and I think as the RACT suggested that the community doesn't understand how it works. Now, I have spoken with my members and we have often had this discussion. The reality is that the consumer only cares about the retail price. We could spend enormous amounts of money trying to educate the community on who is making what, when and how, but the reality here is there is only thing that matters and that is the retail price on that day.

So the Tasmanian community needs to be, if you like, re-educated that you don't drive past a service station that – first you have to understand where the bottom may be and take the opportunity when it is there, but they are not used to that and I mean, I would suggest that Tasmanians are best set in their way and as they fill up every Friday that is probably what they are going to want to do and as the RACT suggested they are liable to go back to the same service station.

THE CHAIRMAN: All right. That's it, thank you.

MR LITTLE: Thank you. Thank you very much indeed.

<THE WITNESS WITHDREW [12.41 pm]

MS FORSYTH: Mr Chairman, could we have a five minute break between this and the next witness.

THE CHAIRMAN: Yes, sure. And then as soon as we come back – we will just take five or ten minute break, just perhaps have a cup of coffee or whatever and then we will have Mr Batt from the Tasmanian Government.

MS FORSYTH: Thank you, Mr Chairman.

THE CHAIRMAN: Thank you.

ADJOURNED **[12.41 pm]**

RESUMED **[12.51 pm]**

THE CHAIRMAN: All right, Ms Forsyth, I think we have had more than five minutes, I think we have taken ten. Mr Batt, I welcome you.

MS FORSYTH: Thank you for the five minutes, Mr Chairman.

THE CHAIRMAN: Could you just for the record, please state your name and role within the Government?

MR BATT: My name is Chris Batt, I am the Director of Consumer Affairs and Fair Trading.

THE CHAIRMAN: Which is part of the Department of Justice, is that right?

MR BATT: Yes, that is correct.

THE CHAIRMAN: Good, thank you. Now, do you wish to give evidence under oath or affirmation?

MR BATT: Affirmation.

THE CHAIRMAN: Affirmation. The card is there if you could - - -

<CHRIS BATT, AFFIRMED **[12.51 pm]**

THE CHAIRMAN: Thank you. Ms Forsyth?

<EXAMINATION BY MS FORSYTH **[12.51pm]**

MS FORSYTH: Thank you, Mr Chairman. Mr Batt, we have received – or the Commission has received a submission from the Tasmanian Government dated July 2007. Can I confirm that that is the document which you have provided – the only document you have provided to the Commission in relation to this inquiry?

MR BATT: That's correct.

MS FORSYTH: That was a very useful submission, thank you for providing that. What I thought we would do this morning, or this afternoon I think it might be now, is to work through some of the things raised in that submission briefly and then go on to some more general issues for discussion.

MR BATT: Yes.

MS FORSYTH: And I would be pleased to receive any comments you have in relation to the various aspects of this inquiry from the Government perspective. Do you have a copy of that document in front of you?

MR BATT: I do.

MS FORSYTH: It might be most useful if I can take you to some various parts of it so that we can get some clarification of some of the matters that you have raised. Does the Commission have a copy of the inquiry – just so that it may be easier to follow?

COMMISSIONER MARTIN: Thanks for that, yes.

MS FORSYTH: In the introduction on page 3, that in the opening statement it was made there:

> *That the Tasmanian Government has long been concerned that the price of petrol in Tasmania was consistently higher than in other Australian jurisdictions and that this differential cannot be explained by the costs of transport and petrol to the State.*

I was wondering if you could tell the Commission whether or not you have got any evidence about the cost of transporting petrol to the State and whether any studies have been done, investigations undertaken by the Government about that issue?

MR BATT: No we haven't – we don't have any specific information about the cost of transport.

MS FORSYTH: So that is more a concern that you have raised for the inquiry for us to investigate rather than something you can put forwards and with evidence.

MR BATT: That's correct.

MS FORSYTH: So I thought we had – wanted to confirm a fact. Moving down through this page, you have also noted - I think it is in paragraph 4, the paragraph which starts, “It is also noted,” the last sentence you have noted:

> *Price variations –*

Sorry, I should confirm, were you responsible for the preparation of this document?

MR BATT: No, but I contributed to it.

MS FORSYTH: You contributed to it, so you are able to speak to it to an extent?

MR BATT: Yes, I am happy to do that.

MS FORSYTH: You noted in this document:

> *Price variations within Tasmania suggest that there may well be structural factors within the Tasmanian market place that prevent the price of petrol from settling at competitive levels.*

MR BATT: Yes.

MS FORSYTH: Again, if you could explain to the Commission what those structural factors are that we may be able to take account of?

MR BATT: The simple answer is we would not be aware of the structural factors, but it is our view that the competition isn’t as good as it could be and we think that some of the emerging trends are indicative of increasing competition and so we draw from within a broad sense about the fact that we believe that the market has a capacity to be more competitive than it is at the moment.

MS FORSYTH: Right. So the structural factors are perhaps that there has been historically less competition, but that that situation is improving, to use a point in a word.

MR BATT: Improving, but we think still has some way to go.

MS FORSYTH: Still has some way to improve. And the follow up sentence to that comment is that:

> *The price of petrol appears to be strongly influenced by the conduct of the sellers as well as international market forces.*

Can you explain to the Commission anything about the conduct of the sellers that you wanted to portray in this comment?

MR BATT: Well, I think it is relevantly detailed in the subsequent paragraphs and certainly the conduct of the sellers in terms of diversification of products, in terms of the diminution of digress services for example, the concentration of another in the reduction of a number of sites and therefore the greater focus on volumes rather than increasing volumes. All of these are things again which are – which go to the actual competition and so it is the conduct of the sellers and the increase in the level of competition which is really the message which I would put forward.

MS FORSYTH: Thank you. Now, you have provided a very useful summary at pages 3 and 4 of the submission as to those factors that you consider have influenced the level of the competition in Tasmania. And I see the first two in that list are population size and geographic location. Now, I can understand those in relation to Tasmania, that makes perfect sense as a small population site and a different geographic location. On page 4 you have noted three other elements you consider might have influenced the competition in Tasmania and that is the extent to which discounts are provided by oil companies, the scope of the retailers' business operations and the type of retailer. Now, could you explain to the Commission how these factors are different in Tasmania as distinct from other parts of Australia and why this might impact on the level of competition in Tasmania?

MR BATT: With respect to the first and the last of those three, I am not sure that there is a significant variation between Tasmania and other states.

MS FORSYTH: There is a moderate effect of competition across Australia but they also affect Tasmania?

MR BATT: I suspect so. But certainly with respect of the scope of the retailer's business operations, I think that is the principal thing that we would observe and again with the relevance to that the diversification of product range and subsequently a lesser reliance on petrol sales and also the diminution in drive way service. I think that is - - -

MS FORSYTH: You did explain that in the submission but perhaps if you could just summarize it very briefly for the benefit of the Commission.

MR BATT: Well, until recently many service stations just simply sold petrol; that was their primary product and I think now it is not difficult to find service stations in Hobart that sell a whole range of grocery goods, including firewood, briquettes, and sell all manner of pet food, coke; that is the predominant common range. Also until recently it was probably difficult where self-serve stations were probably here five years ago and it is now becoming increasingly difficult, I think almost on a working basis there is a disappearance of a self-serve – a driveway service and there appears to be a trend towards, you know, presumably because it is no longer competitive to provide that service, I don't know, but that is a presumption on my part. So those are the trends that we have observed.

MS FORSYTH: Over what period of time have you observed those trends?

MR BATT: We haven't actually documented that but I would say from the first it would probably over the last two to three years it has been particularly noted.

MS FORSYTH: So since the entry of the supermarkets and perhaps a player such as United entering the market?

MR BATT: I think that is probably the case, yes.

MS FORSYTH: Would it be correct to say that the increase in competition caused by the entry of those players in the market, if I can call it that, might have put pressure on the service stations to need to derive some more income from non-fuel sales, is that - - -

MR BATT: I think that is clearly the case, yes.

MS FORSYTH: That appears to be the case - - -

MR BATT: Yes.

MS FORSYTH: - - - in many parts of Australia. I think that is what you referred to on page 4 inn relation to diversification towards non-petrol products. Just by way of some further clarification, have you seen this move toward non-fuel size across the board or is it specifically related to types of brands or outlets or is it fairly common?

MR BATT: Again I am not sure. My personal sort of observation is that there is probably a predominance with some outlets - - -

MS FORSYTH: And what sort of outlets are those?

MR BATT: - - - with particular brands - with particular companies.

MS FORSYTH: Do you have any - - -

MR BATT: Well, BP springs to mind.

MS FORSYTH: BP?

MR BATT: Yes. As I say that is not sort of in our analysis but that is my observation.

MS FORSYTH: BP obviously doesn’t have a supermarket alliance?

MR BATT: No.

MS FORSYTH: Do you think that might have had an impact on the fact that it has upgraded its convenience stores?

MR BATT: I suspect it has created a certain opportunity.

MS FORSYTH: On page 5 of your submission you have looked a little bit more at this increased competition and noted:

There are 15 service stations in Tasmania operating under the Coles Express brand.

Now, I just wanted to get some clarification as to where those are located. Are they urban, rural or across the board?

MR BATT: I don’t specifically know, I think they are generally spread.

MS FORSYTH: Generally spread?

MR BATT: But I am not absolutely certain.

MS FORSYTH: Right. And then you have noted in table 4 - - -

THE CHAIRMAN: Mr Batt, I am sorry, we have a bit of competition here from the refrigeration units; it is just getting a bit hard to hear. Okay. Would you mind just sort of – perhaps if you could pull the microphone a bit closer to you. I am sorry about that, but it is.

MR BATT: Is that better?

THE CHAIRMAN: That’s better.

MS FORSYTH: That’s possibly better. And if necessary you can address your answers to the Commission rather than to me.

MR BATT: Okay.

COMMISSIONER MARTIN: If he does we will all hear him.

MS FORSYTH: That’s right. On table 4, I think I was referring to, which is on page 10 and also referred to on page 5 of your submission, it notes a decrease in the number of service stations, which is an interesting thing that is referred to by the Chamber of Commerce previously, but the number of service stations has gone down from 325 in 1992 to 214 in 2006, which is quite a significant decrease. Now, I understand there used to be a roster system in Tasmania in relation to service stations, is that correct?

MR BATT: Yes, that’s correct. There was some statutory framework that had to be required - - -

MS FORSYTH: And that required certain service stations to be open at certain periods of time, is that right?

MR BATT: There was an arrangement whereby service stations opened and some agreed not to open.

MS FORSYTH: And did that result in there being perhaps more service stations in Tasmania than was required for the venue, a fair assumption?

MR BATT: There was a view that that prohibited competition and the Government acted to dismantle that roster system in order to increase competition. I think there was a clear intent for the Government to do that in around about 1992.

MS FORSYTH: And does that mean that the – I guess the point I am getting to is, are some of these closures as a result of a throw over from your roster system and there perhaps being more service stations in the market than the market can in fact bear from a competitive point of view, is that a fair comment?

MR BATT: I think that is certainly the case in issue and we suspect that the continual answer of the continuation of that trend and we think increasing competition at this end is probably accountable for that.

MS FORSYTH: Are you able to hear adequately at the moment with the refrigeration?

THE CHAIRMAN: Yes, if you could – if you could over compensate it would assist us.

MR BATT: I will do what I can.

THE CHAIRMAN: Thank you. Sorry, about this but it is just outside our control.

MR BATT: Usually if you speak too close it muffles your voice.

MS FORSYTH: That’s right. We just have that competition.

THE CHAIRMAN: We have tried to have that turned off but I suspect that it will result – it would be a bit too warm, so - - -

MS FORSYTH: Okay. Well, we will have that little problem until lunch time. Moving on to this issue just again on rationalisation of the sites, I guess the question I had is to what extent is it your view and if you can’t express any view of this, don’t do so, but the closure of sites is a bit of a natural progression as a result of perhaps one element being an overthrow from the roster system, perhaps a natural rationalisation which is occurring in Tasmania. And to what extent do you see it as a result of other factors and if there are factors what those factors are?

MR BATT: I am not aware of any other factors. I think it is a continuation of that change from the roster system and competition, I think that really is sufficient to explain the manifestation.

MS FORSYTH: So from the Government perspective you don’t see anything particularly sinister in the site closures from a competition point of view, it is something that just happens fairly naturally?

MR BATT: No, we don't.

MS FORSYTH: Thank you. You have also commented at page 5 of the submission and this is consistent with the other evidence we have heard this morning that with the entry of United, United has undertaken aggressive discounting. Do you – I am not sure – you wouldn't have seen this data which has been presented by the RACT and I haven't yet had an opportunity to go through it, but do you see it as a consistent pattern throughout Tasmania that United is at the bottom of the market?

MR BATT: In terms of price?

MS FORSYTH: Yes.

MR BATT: As I understand it, yes.

MS FORSYTH: Do you ever take any price monitoring as part of the Government process?

MR BATT: We haven't done any price monitoring recently since we ceased – since the Government Prices Oversight Commission ceased pricing.

MS FORSYTH: And so where do you obtain your information in relation to prices?

MR BATT: We have not formally been gathering information about prices recently, so it is simply observation.

MS FORSYTH: Observation?

MR BATT: Yes.

MS FORSYTH: But your observation or the Government's observation has been that United have undertaken aggressive discounting?

MR BATT: Yes.

MS FORSYTH: And have you seen the entry of United into the market as a – at last we have - - -

THE CHAIRMAN: Sorry, is that you talking, is it?

MS FORSYTH: It is not new when the problem – you can hear perhaps - - -

COMMISSIONER MARTIN: I can hear you, Ms Forsyth.

MS FORSYTH: I will retrace my steps. What has been the impact of United, do you think, in the Tasmanian market.

MR BATT: It is our understanding that there has been a subject of reduction in price.

MS FORSYTH: And do you see it as a positive move in the market that there is an additional competitor there?

MR BATT: Well, I think we see competition as a positive thing per se. I might add that the general observation has been that might – I mean the question is to whether that is going to be long lived - - -

MS FORSYTH: Yes.

MR BATT: - - - or whether that is – and I think we made a comment in our submission that discounting is not always a long term thing and that things were unstabilising over time.

MS FORSYTH: But at this point in time your view is that the discounting has been beneficial to the Tasmanian consumer?

MR BATT: Yes, well, that is our view.

MS FORSYTH: On page 7 of your submission you have made a very useful chart which shows the price differential between Hobart and the mainland and it is quite useful to see the way that has moved since 1994. On the bottom of that page you have made a comment that:

> *The entry of discount fuel retailers into the Tasmanian market –*

I presume there you mean United and perhaps the supermarkets, is that correct?

MR BATT: Yes.

MS FORSYTH:

> *have resulted in temporary reductions in the price difference.*

And then you have noted:

> *However, this difference then tends to increase again. It is unclear whether there is any long term trend towards the smaller price difference.*

I think that is what the comment that you were just making to me then.

MR BATT: Yes.

MS FORSYTH: But the graph in your opinion does seem to be in 2007 a move down, can you explain the comment there that there has been a trend to increase again? I am just not certain that I have understood the graph properly there.

MR BATT: I think we were saying from past experience and so we can see a reduction in prices now. I suppose that is a cautionary note to say that in the future that differential may increase again.

MS FORSYTH: I see, so your comment is not that it has started to increase again, but that in your experience these things are reciprocal and they tend to move up at a certain point in time.

MR BATT: That’s correct.

MS FORSYTH: So it is more a, we need to be wary that this may not continue. What is the Government’s view currently in relation to the price differential? We have heard some evidence this morning from the RACT, which was that they were happy about the fact that the price differential, which they previously saw as being quite wide, has now seemed to narrow and that that is a benefit to the consumer; is that also the view of the Tasmanian Government in relation to that or are there still some concerns?

MR BATT: We probably – we haven’t expressed any concerns about the price differential per se. Our concern is whether the price differential is related to costs – you know, relevant costs for example. The price differential is what it is. Our observation is that over time there have been indications that the price differential is subject to competition in the market place.

MS FORSYTH: Thank you. Now, we are moving on to perhaps - - -

THE CHAIRMAN: Sorry, just before you move on. Mr Batt, I just wanted to check something. When I look at this chart and I see that you have actually expressed in percentage terms as well which reflects of course the per cents per litre may not necessarily reflect what is really happening in regard to the increase in the price of petrol that has been occurring generally across the board. But when I do look at this chart I see that the peak level of price differential occurred in 2004/05 when it was just over 7 cents a litre and then since then it has come down fairly steeply to its current level in 2007. I am just trying to reconcile those figures with those put to us by the RACT a bit earlier today where they were indicating that before – over the past 12 months, which is I think the time of United’s entry into the market, that the price differential tended to be – and I don’t want to misquote, but I think it was tended to be between 10 and 12 cents a litre.

MS FORSYTH: Something like that.

THE CHAIRMAN: Can you assist you? I just can’t reconcile it with the numbers that you have given us there.

MR BATT: Well, I can only comment on what we have – on the information that we have given to you. I mean, we are fairly confident with the patterns that we have demonstrated in our graph.

THE CHAIRMAN: Okay. And that is the actual Fuel Track and on ABS?

MR BATT: Yes.

THE CHAIRMAN: Okay

MR BATT: And it seems to reflect the patterns in the other graphs that we have provided in our submission.

MS FORSYTH: And also, I would say, it is a comparison with mainland Australia as a whole, not a specific city, is that correct?

MR BATT: That's true.

MS FORSYTH: So it is an average across a number of cities rather than one specific city I think.

COMMISSIONER MARTIN: Are they based on sort of weekly average prices or - - -

MR BATT: I understand it is a weekly average price.

COMMISSIONER MARTIN: Yes, yes, which is what the fuel tracked – the total run indicates that for all – against all the capital cities.

MR BATT: Yes, I think that the prices are comparable – the stats are comparable.

MS FORSYTH: And just to confirm again, I am sorry, mainland Australia, I think I mentioned something just to clarify, is that an average of capital cities or an average across the country? Do you know mainland Australia is calculated?

MR BATT: I am not absolutely sure but I presume it is an average across Australia; its capital cities, I presume.

MS FORSYTH: The capital cities.

MR BATT: Yes.

MS FORSYTH: The table 2 on the next page – sorry, hold on.

THE CHAIRMAN: No, table 1 is the one – Ms Forsyth, again while I am just trying to do some very quick mental calculations - - -

MS FORSYTH: Table 1 is the capital city petrol prices which includes some averages - - -

MR BATT: Yes.

MS FORSYTH: - - - in cents per litre, that is on page 6 of capital cites. So it may in fact go that it is the average of those prices which is being compared - - -

MR BATT: It would seem so, yes.

MS FORSYTH: - - - but I am not one hundred per cent certain.

THE CHAIRMAN: I can't pick up on those prices any differential that is anywhere near 10 to 12 cents a litre. In fact I am just puzzled, there is nothing more than about five, four and a half cents a litre, so I am just trying to understand what is – I mean that is just not a one cent differential, we are talking about RACT as saying that there is ABS and Fuel Track figures. I think I can apply from what RACT are saying that these – Australian Bureau of Statistics and Fuel Track pricing figures are out by as much as 100 per cent.

MS FORSYTH: That's right, it appears that these figures on table 1 - - -

THE CHAIRMAN: Where these figures are produced by the Bureau of Statistics and Fuel Track are correct, then it is either the RACT or these ABS Fuel Track figures, have got a major spanning, because none of these are showing in any of the years from 1994 to 2007 price differentials between Hobart and any of the major capital cities, and leave aside Brisbane because Brisbane has the State subsidy there, I think it is just over eight cents a litre.

MS FORSYTH: That's right.

THE CHAIRMAN: But if you adjust for that, none of them are showing anything like a 10 to 12 cent differential. What they are showing on - - -

MS FORSYTH: The highest is 2007, which is about five cents.

THE CHAIRMAN: About five cents a litre. And if you look at previous years, which is the years where the RACT were commenting upon, because they indicated 2007 it might have come back, but if you look at previous years, yes, we are still talking four or five cents a litre.

MS FORSYTH: That's right.

THE CHAIRMAN: Okay, thank you.

MS FORSYTH: Thanks for clarifying those issues. I will move into quite a different issue. One that I think the Commission would be assisted with your comments of the extent you can. On page 9 of the report you have noted and I accept that it is the GPOCs comments, but that ones that you have also reported, are that the principal reason for the higher prices in Hobart is a lack of wholesale competition and wholesale price support by the oil companies in the Tasmanian market. Now, I wanted to explore this in a little bit more depth with you to the extent that we can to see to what extent you can provide us with any information on who it is that supplies fuel to Tasmania in the wholesale context, where it comes from? Does – are you able to comment on any of those matters? Are they things which the Government can provide assistance with?

MR BATT: No, I don't understand the basis behind those comments, other than to simply reporting them.

MS FORSYTH: That is something we would need to follow up on in terms of – so you can't provide any assistance to us as to whether or not there is a lack of competition at the wholesale level in Tasmania?

MR BATT: No, I don't understand the line in which that part of the line is made.

MS FORSYTH: Okay. There is no notice as to where the fuel comes from in terms of which state or anything like that or how many tankers come in?

MR BATT: A very, very vague knowledge, so it would be unreasonable to say anything.

MS FORSYTH: Certainly and we won't press you on that one.

MS FORSYTH: Do you have any comments for the inquiry as to import parity pricing and the impact that that has on the Australian market or the Tasmanian market to any extent or is that something which is really beyond your scope?

MR BATT: It is beyond my scope I am afraid.

MS FORSYTH: I won't press you again on that one then either. I will however ask you about price cycles, which probably is something within your scope, because it is something within the direct – it directly impacts the Tasmanian consumer. We have all heard this morning – we have asked many witnesses for their views as to why there is or is not a price cycle in various places and we wanted to know your views as to why there is not a price cycle say in Hobart and whether you have undertaken any studies or have any views from the Government's perspective.

MR BATT: We don't have a view and I guess in the absence of understanding why the price cycles occur in other areas, it is very difficult to determine what those are – why those elements are absent in this area. I think beyond that we don't really have a comment.

MS FORSYTH: I understand from the other evidence we have had this morning that prices are starting to fluctuate more in the Tasmanian market. Is that something that you have also witnessed?

MR BATT: It appears to be the case but we don't know any particular – we are not aware of any particular cause for that fluctuation.

MS FORSYTH: Do you see the lack of a refinery in Tasmania as being any reason why there may or may not be a price cycle?

MR BATT: I think it is a possible explanation but I can’t say with absolute certainty that it is certainly the cause for explanation.

MS FORSYTH: The lack of a refinery being a lack of a dominant player perhaps in the market?

MR BATT: Well, yes.

MS FORSYTH: Do you think Tasmanian motorists would benefit from a cycle?

MR BATT: Only if it was resulted in lower prices and I mean that might seem self evident in response, but I guess what I am saying is I am not certain that a cycle produces lower prices.

MS FORSYTH: If you - - -

MR BATT: Over a period of a week, for example, I mean yes, it clearly does on a particular day but you know, whether it produces a lower average price over a period of time, I am not aware – I am not that that is the case.

MS FORSYTH: If it did produce the same average price, so for example if it was going to be a dollar a litre for a week and instead it is going to fluctuate between $1.20 and 80 cents - I think that is lower than the current prices but it is much easier from an example perspective, would you see that as beneficial to the consumer because the Tasmanian consumer could then decide when they would purchase their fuel. Is that something the Government has a view on?

MR BATT: We don’t have a view on, but a person could shop around in the short term but that depends on them having information to do that shopping around, so I am not sure from a practical point of view how consumers would benefit.

MS FORSYTH: Do you have any view as to whether or not the Tasmanian consumer is less able to choose when they can purchase petrol perhaps because of less public transport and more of a need to use their cars?

MR BATT: I don’t understand the connection between the lack of public transport and the ability of people to use their cars to buy petrol. I am not aware of any structural reasons that would prevent people from being able to shop around.

MS FORSYTH: I think the point that I was making was that if you are using a car more often you might need to put petrol in whenever you needed it. If you are only using it on a limited occasion, because you are not driving to work every day, you might be able to pick which day of the week you can put petrol in the car. Do you agree with that from a – in terms of that impact on Tasmania?

MR BATT: I am not sure that that is an impact. It is plausible as in - - -

MS FORSYTH: It is plausible but it is not something that you necessarily would see as a reason. What do you see as a reason for higher prices? I understand that you are basing it as a concern and you may not be able to provide us with the evidence or answers, but do you have any view – does the Government have any view as to why prices are higher in Tasmania than in the mainland and anything that can be done about that?

MR BATT: We generally have – again repeating the earlier comments, we generally have concerns about as to whether the market is as competitive as it should be and our view is that increased competition may in fact impact on price.

MS FORSYTH: It seems to be that we still have got some issue with that.

THE CHAIRMAN: I think cold beer is taking priority over petrol pricing at the moment; It has come back on.

COMMISSIONER MARTIN: If you just look at us.

MR BATT: Okay. But I think the difference in the petrol pricing submission, we did say that there appeared to be fluctuations in prices which weren't connected to the international oil price and rather than postulating from our point of view what the reason for that is, simply suggesting that there needs to be further analysis to try to determine what those causes are and in that sense we are saying that we think this inquiry was important, we don't have the answers that perhaps are on the same questions.

MS FORSYTH: You mentioned the international oil price, do you mean instead the Singapore benchmark

MR BATT: I do.

MS FORSYTH: The MOPS price, thank you. Just to clarify, there has been throughout this inquiry some divergence on that point and we will – just to clarify which benchmark is being used in - - -

MR BATT: No, that's good.

MS FORSYTH: Thank you, Mr Batt. I will move onto a different issue, which is the shopper docket. Again, I am asking this question with the perspective in the Government and on behalf I guess of the Tasmanian public. What is your view of the shopper docket system and the scheme of how it has impacted on the Tasmanian consumer?

MR BATT: I t would appear to be fairly self evident that it has resulted in lower prices and we have seen responses by others in – competitive in Hobart, from getting the conduct and therefore there is clearly a benefit. I guess it has - - -

MS FORSYTH: So it has been a good thing?

MR BATT: Yes.

MS FORSYTH: You support the continuation of the shopper docket scheme for the benefit of the consumer?

MR BATT: So long as that increases competitive conduct in the market, we think that is something that should continue.

MS FORSYTH: Have you seen any adverse impact of the shopper docket scheme independence? And when I say independence I mean independent chains such as United or would you consider that chains such as United have managed to maintain a competitive role in the market?

MR BATT: I think it has been, as earlier indicated, the volumes by competitors – the volumes of sales has decreased and surely an impact on other players in the market, but we don't see that as an adverse impact on consumers and on price, which is our primary concern.

MS FORSYTH: Certainly. From a longer term perspective, if a scheme such as the shopper docket scheme had the impact of perhaps forcing a United or a Liberty out of the Tasmanian market, would you see that as a bad effect on competition?

MR BATT: Well, clearly a reduction of competition or a reduction of players mean lack of competition and might ultimately result in the detriment but that remains to be seen.

MS FORSYTH: So your view is that the shopper docket scheme is a benefit to the consumer but you are always concerned to maintain an adequate number of players in the Tasmanian market, to also maintain competition, is that a fair assessment?

MR BATT: I think that is, yes.

MS FORSYTH: Thank you. Mr Chairman, I don't have further questions for this witness. Is there anything that you specifically raise?

THE CHAIRMAN: I just want to go to the section here in recommendations on pages 10 and 11 of the submission from the Government, Mr Batt. May I just comment, by the way, or observe how useful it is to get a well researched document from the Government because it is this sort of information that is going to help us get to the bottom of some of the issues rather than some of the unsubstantiated claims that we do get from others, so I appreciate very much the work that you and others – I see Mr Lock is here, so I acknowledge his contribution as well, having known him for many years.

MS FORSYTH: My lack of questioning is not lack of interest, it is because we have already had the answers.

THE CHAIRMAN: Yes. You have made some recommendations there, one of which I can assure you we are pursuing, which is the review of the Trade Practices Act, but I won't take that up here, but I did want to ask you about the suggestion that we assess the impact of the price disclosure requirements in Western Australia. But I put the question before, I think to Mr Little and just wanted to assess with you – or it might have been to Mr Ling. You have recommended that the ACCC assess whether the Western Australian price disclosure obligation led to more competition and petrol prices being lower than they would otherwise be. Is your focus in terms of the Western Australian scheme on the disclosure obligations or the fixing of price for 24 hour obligation?

MR BATT: I think it is largely on the advent of the scheme. We hear that has been said though in Western Australia and we claim that it was a 2.4 cents per litre differential between them and the rest of Australia. What we don't understand is why or in fact whether this would be in evidence to argue that that particular scheme is producing that result, so before – so from our point of view, yes, we observe the phenomenon but we would like some evidence that it is actually doing something before we embraced it too enthusiastically.

THE CHAIRMAN: The reason I am asking is this, because I am noting earlier in your submission that you have – I don't want to overstate it, but you have noted with the pool board the advent of United and its entry into the market, you have indicated that that has led to a discounting process or cycle and you have also noted that a potential concern that that might be short term as has occurred with other entrants into the market. And of course the discounting cycle works on the basis of a movement of prices, some times on a tri day basis, rather than a day by day basis, so I was just trying to assess whether you had considered whether the provision of a 24 hour fixed price notification issue might diminish the ability of for example, a United or a Liberty as the case may be, to conduct that discounting.

MR BATT: Well, it is something that we are concerned about it and that would actually reduce flexibility in terms of price setting within that day.

THE CHAIRMAN: Yes.

MR BATT: And yes, so it would see it as a possible restriction.

THE CHAIRMAN: But on the other hand a price disclosure obligation which gave much more transparency and information to the motorist would be of some assistance. The Tasmanian Government does its own monitoring through GEPOC, is that the beginning of a potential Government sponsored – I don't want to put the Government in on this, but of a Government site to provide information to motorists?

MR BATT: Well, GEPOC actually ceased performing that price monitoring I think in 2000 and – well, it is some time ago.

THE CHAIRMAN: That's right, yes.

MR BATT: So there are no plans at this stage to fill that void or formalise any price monitoring, but naturally we would watch with interest any further information or evidence that arose from Western Australia.

THE CHAIRMAN: Yes. Thank you.

COMMISSIONER MARTIN: Now, Mr Batt, just back a bit on the structure of the market in Tasmania. I notice that between 2003 and 2006 it seems as though from your figures it would show the number of service stations going down. The throughput has increased by about 30 per cent, so there has been fairly significant volume increases as well as the rationalisation. Is that all fuels; that is gas and - - -

THE CHAIRMAN: Diesel.

MR BATT: I think this is just unleaded petrol.

COMMISSIONER MARTIN: Just ULP. Just while we are checking that - - -

MR BATT: I will take it up later.

COMMISSIONER MARTIN: Or something that you can do - - -

THE CHAIRMAN: Perhaps you can do – take that on board and - - -

COMMISSIONER MARTIN: Actually it just goes more to where the fact that there has been a very significant increase at retail. In terms of wholesale, do you – are you aware of the terminal arrangements?

MR BATT: No, I am not – I don't fully understand those structures.

COMMISSIONER MARTIN: I know counsel started to explore that, but it would be handy to know what the break up of that number is just to understand the Tasmanian market a bit more.

MR BATT: Okay, well, we will organise something.

MS FORSYTH: I have no further - - -

THE CHAIRMAN: Thanks, Mr Batt and – sorry, do you have something else to ask?

MS FORSYTH: I have no further questions, Mr Chairman.

THE CHAIRMAN: No. Thanks, Mr Batt, appreciate you coming here today and the help and the effort that has gone into putting this submission together.

MR BATT: Okay, thank you.

THE CHAIRMAN: Thank you.

<THE WITNESS WITHDREW [1.26 pm]

THE CHAIRMAN: All right, call Mr Bennett. Now, I have Mr Terry Bennett and there is Mr Troy Bennett as well?

MR BENNETT: No.

THE CHAIRMAN: No, just Mr Terry. Thanks, Mr Bennett, could you just state for the record your name and your involvement with Bennetts Petroleum?

MR BENNETT: Terry Bennett, Managing Director of Bennetts Petroleum.

THE CHAIRMAN: Thank you. Now, do you wish to give evidence under oath or affirmation?

MR BENNETT: Under oath.

THE CHAIRMAN: Thank you. If you take the bible in your right hand and the oath is there on that plastic card.

<TERRY BENNETT, SWORN [1.27 pm]

THE CHAIRMAN: Thank you. Ms Forsyth.

<EXAMINATION BY MS FORSYTH [1.27 pm]

MS FORSYTH: Thank you, Mr Chairman.

Mr Bennett, could you explain for the Commission the business of Bennetts, in fact what it does and I presume there is a distributorship and a retail element to that, is that correct?

MR BENNETT: I think you must have done some homework.

MS FORSYTH: No.

MR BENNETT: We are aligned with Caltex, we have a franchise with Caltex. Up until 12 months ago we were called distributors. That was nationally and then they changed our name to Resource, so we still call ourselves distributors. So our role is we buy fuel off Caltex at a price and we sell it, we supply the – probably 45 independent service stations, mainly in the country areas, agricultural, forestry, mining and we virtually cover half of Tasmania from Coles Bay to Derwent Bridge on the west coast, Coles Bay, Bicheno on the east coast.

MS FORSYTH: And you also have a retail part of the business as well?

MR BENNETT: We do own some service stations and we do have franchises on other service stations from Caltex.

MS FORSYTH: Is there – I think the figure I was given was about 30 sites, is that about correct?

MR BENNETT: That would be supply or what we are involved in?

MS FORSYTH: That you are involved in?

MR BENNETT: No, no, no, actually, no, nothing there, we are not as big as United.

MS FORSYTH: How many would you have? Perhaps you supply approximately 30 sites a month?

MR BENNETT: We supply 40 to 45 - - -

MS FORSYTH: Yes.

MR BENNETT: - - - ones that we call sponsored sites, where we maintain the pumps and some of those have been at Caltex, some of those are not branded and then we would probably operate 10 sites under a Caltex banner where we own probably eight or nine of those service stations and we would have franchises on the other two or three service stations.

MS FORSYTH: So what is the structure of the service stations that you have? You have got some that you own, some are the owner-operated and commission agents, can you just explain to the Commission?

MR BENNETT: We don't have any commission agents. We do own some service stations that we lease out; they are not big enough for us to operate ourselves, so we have an operator in those who pays us rent and we just supply the fuel and he sets his own price.

MS FORSYTH: Do you set the price at any of your service stations?

MR BENNETT: We do.

MS FORSYTH: And how many are those?

MR BENNETT: Probably nine.

MS FORSYTH: And are they scattered throughout rural areas?

MR BENNETT: They are scattered throughout some – I am not – am I speaking loud enough. Am I on here, am I?

MR ?: You are going Tasmanian.

MR BENNETT: Sorry, can I just have that question again?

MS FORSYTH: Certainly. How many sites do you set the price at and where are they located?

MR BENNETT: We only set the price at the sites that we operate ourselves and they are – some in Hobart, some in country areas, yes.

MS FORSYTH: So they would vary a fair amount in terms of competition and volume, is that correct?

MR BENNETT: No, the volumes of the sites that we actually operate has to be quite big to make it viable for us to operate them.

MS FORSYTH: Yes. So you choose a higher volume site to operate yourselves?

MR BENNETT: Yes.

MS FORSYTH: And then, as I said, in other sites you only supply to them and leave the operation to another party?

MR BENNETT: Yes, yes.

MS FORSYTH: Well, moving first of all – that is very helpful for the general overview. I will come back to many of those issues. Coming back to the distributorship, if I can call it that, or the wholesale business, you said you obtain your fuel from Caltex. Can you tell us where you actually physically get it from?

MR BENNETT: From Selfs Point, where the terminal is.

MS FORSYTH: And is that – and do you know where the fuel comes from?

MR BENNETT: It mainly comes out of Geelong. The Caltex terminal is still owned by Caltex; that's where our head office is. Three years ago Caltex done a joint venture – or hosting situation with Shell where Shell closed their terminal down, which was along the road from Caltex, and so in relation to the terminal now, we have Shell draw out of the terminal, Caltex draw out of the terminal, United draw out of that terminal on some occasions and it is – but everybody is still run by Caltex, but the tanker that comes in is actually a Shell tanker - - -

MS FORSYTH: Yes.

MR BENNETT: - - - and then the product goes into the tanks and then a bit comes into the loading rack, I had better get that in there.

MS FORSYTH: Now, where does it come from, it comes from Shell's company Altona refinery?

MR BENNETT: It comes from Geelong, yes.

MS FORSYTH: Does it - - -

MR BENNETT: Sometimes - we have had huge problems the last two months with supply. Last week from since we were – we bridged probably 250,000 litres from Devonport and Bell Bay because Hobart was virtually out of diesel and we are pretty heavily involved in the trucking area where a lot of trucks and also our freight vehicles and we just had to keep our diesel pumps, so our cart stops as we call them, full of diesel so we were carting from all over Tasmania. So maybe in that case, if they couldn't get in here quick enough from Victoria and there was one probably coming from overseas somewhere they would divert the overseas tanker into Hobart.

MS FORSYTH: I see. But it is really – it is a Shell tanker so it is a Shell controlled supply that comes in and then it goes - - -

MR BENNETT: It is a joint venture.

MS FORSYTH: A joint venture. And is it the same tanker that then goes to other terminals in Tasmania?

MR BENNETT: I believe it also goes to Devonport. It comes to Hobart first and goes to Devonport. The reason it comes to Hobart first is that the river at Devonport is not deep enough to take a full tanker in so it has got to offload say at least 50 per cent of the product in Hobart and then goes around the coast to Devonport.

MS FORSYTH: I see. And then your supply – so it comes from Melbourne, from the refineries in Melbourne?

MR BENNETT: I would say, yes, yes.

MS FORSYTH: Victorian refinery, it comes down by tanker, then it goes to Caltex, it becomes a Caltex fuel in the terminal - - -

MR BENNETT: And Shell fuel and - - -

MS FORSYTH: - - - and Shell fuel, but in your case it is Caltex.

MR BENNETT: Yes.

MS FORSYTH: And your supply agreement is with Caltex?

MR BENNETT: Yes.

MS FORSYTH: Now, I don't know whether you can answer this, if necessary we can go to a closed session. If I ever ask you any questions which you consider need to be dealt with confidentially we can just put them aside and deal with it separately in a close session. But can you give us any indication, if you know, that if you purchase from the Tasmanian terminal – I presume that is where your costs are incurred from – you know, incurring the costs of the distribution from Melbourne, from Geelong?

MR BENNETT: There is a freight component from Melbourne, but I would rather not say what that is.

MS FORSYTH: Well, I was going to say whether we can get any indication as to what the increased costs are from purchasing from say, Tasmania or from Victoria. If it needs to go into closed session we can, but if you can give any kind of ball park indication in a public session?

MR BENNETT: I can say that if I was – and it will also be something that on a bare view, we also supply all the other Caltex and some Woolworths service station with Caltex fuel on the service we – our trucks actually cart fuel from there, so we actually work on a freight component to deliver that fuel to those service stations. So what, to put it baldly, if we were going from Selfs Point, which is only say 2 ks away from there to Huonville, which is another 38 ks south, that freight component, which would also take in the Melbourne freight component – say, Melbourne to Hobart would be about 1.2 cents per litre.

MS FORSYTH: Right.

MR BENNETT: I won't – I can't – I won't give you the breakdown of the Hobart area.

MS FORSYTH: No, no, I understand. We can go to that in closed session if that is convenient, but in terms of – and that is – so it is going to a service station which is not far from the terminal itself?

MR BENNETT: It is cheaper – it is like a taxi rank, the further you go out the dearer it gets.

MS FORSYTH: That's right. So you can imagine that it would increase across Tasmania but that is that component. Now, presumably you have a long term supply contract with Caltex, do you?

MR BENNETT: We have a supply contract with Caltex, yes.

MS FORSYTH: Is that you prefer to discuss confidentially, the terms - - -

MR BENNETT: It is probably three years with options.

MS FORSYTH: Three years. And presumably with the price it is something you won't be able to explain to us in open session, but can you tell us what broadly the price is? When I say broadly, I mean is it on a formula plus something basis?

MR BENNETT: No, it is not a separate, but on a daily price.

MS FORSYTH: So on a daily price?

MR BENNETT: Off the CPR, which is the Caltex Reference Price, which is what the Caltex franchises would buy in to the service station.

MS FORSYTH: Yes. So there is a Caltex Reference Price and you are given a price which is referable to that and it changes on a daily basis, is that right?

MR BENNETT: Yes.

MS FORSYTH: Okay. And can you say how much choice you have in terms of who to get supply from? Is it a fairly competitive market that you decided to go with Caltex in order to get your supply or is it something which is fairly limited as far as Bennetts is concerned?

MR BENNETT: Bennetts Petroleum have been in operation since 1 April 1977, so that has been aligned with Caltex. So we have a pretty big history with Caltex. We do buy outside Caltex from time to time. Like last week, there has been a lot of independent fuel suppliers – a couple of independent fuel suppliers named here today. We actually bought in excess of a quarter of a million litres off Liberty last week; we had to. They were the only ones with fuel.

MS FORSYTH: Yes.

MR BENNETT: So we are not really – we are tied to Caltex and may I say the price probably wasn't as good off Liberty as it was off Caltex, but we had to do that. But we always let them know what we are doing as in – but there are other independent fuel suppliers out there in Liberty and United at this point in time.

MS FORSYTH: And you said that you didn't get as good a price from Liberty, presumably because it was a spot price and it was a distressed purchase of some sort. Do you find or have you – can you say whether or not as a general rule you obtain a better price if you get something direct from Caltex than from getting something from what, one of the independents?

MR BENNETT: The independents are on the COD, which means they give me a bank account and they mightn't even take the money; other than that give us seven days from the date of purchase. Our current arrangement with our supplier is a lot better than that, than seven days from date of purchase.

MS FORSYTH: You get better terms?

MR BENNETT: We get better terms, which means on the volume of fuel we buy, because we are not just straight retailers we were getting the cash back when it goes out the nozzle. With the farmers and some of the forest industry people they would prefer credit terms to a – they might be above 2 cents a litre to get that extra 10 or 15 dollars in credit terms.

MS FORSYTH: And so that has got to pass up the chain as far as you are concerned, so that you can maintain it?

MR BENNETT: Yes.

MS FORSYTH: Just actually on that point, I know it is deviating slightly from my questioning, you mentioned there are some industrial groups – or agricultural groups that you supply to as well. Is that predominantly diesel?

MR BENNETT: Predominantly diesel.

MS FORSYTH: Do you supply – how much of your supply – and I say from a wholesale level, would be diesel and how much would be ULP?

MR BENNETT: We would be in around 50/50 in our diesel and our petrol. I mean, diesel is growing at about five to six, seven per cent per year for us. And our petrols, 60 per cent of our petrol sales would go into the retail market.

MS FORSYTH: Okay.

MR BENNETT: Either through our sites or through sponsored sites.

MS FORSYTH: Sure. Well, coming back into the issue of supply, have you ever dealt with any of the other major oil companies?

MR BENNETT: On a purchasing?

MS FORSYTH: Yes.

MR BENNETT: Yes.

MS FORSYTH: And was that a regular arrangement or a once-off arrangement?

MR BENNETT: No, a once-off arrangement when things go a bit haywire with whether we can supply.

MS FORSYTH: The same issue of why you went with Liberty, but generally you - - -

MR BENNETT: The same as we did last week, the week before when we couldn't – when nobody had diesel.

MS FORSYTH: But you haven't changed your major supplier at any point in time?

MR BENNETT: No.

MS FORSYTH: Again, only to the extent that you can answer this and if we need to we can move into closed session, but why did you choose Caltex over the other majors? Has it been just simply a long term relationship? Has it been beneficial arrangements for you? Is it something structurally about Tasmania which means that Caltex has been a predominant player and a more favourable player for the Tasmanian market?

MR BENNETT: I think I said at the start I have been a Caltex distributor – Bennetts Petroleum has been since 1 April 1977, so for 30 years. I think once you get over the ten years in marriage it is anything permanent there, but once you get over 20 years in an association of a commercial arrangement you are probably looking at permanent too.

MS FORSYTH: So the relationship has been a good one?

MR BENNETT: If it wasn't for Caltex I probably wouldn't be – Bennetts Petroleum wouldn't be as big as it is today. In the last 10 years for instance – or I would say, the last 15 years it was Caltex, Caltex or Golden Fleece, then it was as a Golden Fleece distributor in '92 and '93 and then when Caltex merged, it was Caltex and we all thought it was going to end up as Ampol. The thing there was that the Ampol liquidated operations – so really I mean in 15 years we have virtually put three major – we have put two other major companies - in a way it has been Golden Fleece and Ampol, which have vanished from the market place these days.

MS FORSYTH: Have you ever sought to obtain fuel from an importer?

MR BENNETT: No. For instance, where there is no other terminal apart from the company terminals so we couldn't discharge it.

MS FORSYTH: So there would be a problem for you from a terminalling point of view in actually importing fuel or doing any deal there?

MR BENNETT: Well, I believe United have done a joint venture with a New Zealand chemical company. I believe they have got a big slice of the old Mobil Bell Bay terminal, so you could see United importing their own fuel pretty soon.

MS FORSYTH: But in terms of terminal space in Tasmania, do you have any comments to make about - - -

MR BENNETT: It is all controlled by majors.

MS FORSYTH: It is all controlled by the majors, apart from this slice that you are referring to?

MR BENNETT: Look, that is only hearsay but I am pretty sure it is – the growth point is pretty good in Tasmania.

MS FORSYTH: So apart from the slice that you have just mentioned that United might have at Bell Bay, you have referred to - - -

MR BENNETT: Well, there is no other tankage in Tasmania.

MS FORSYTH: So what impact does that have on the wholesale market in Tasmania in terms of some positiveness? You have mentioned that the terminals are all pretty much stitched up by the majors. You have also mentioned that one tanker comes through from Victoria, which is the Shell tanker, which presumably then on-sells to Caltex to - - -

MR BENNETT: No, no, you have got that wrong there. Caltex hosts them, the Shell product and Caltex hosts it, Caltex wouldn't be buying their share, it is a joint - - -

MS FORSYTH: It is a joint venture then?

MR BENNETT: So what has happened there, there has been – in costs agents between Shell operating at the terminal and Caltex operating at the terminal, and the same in Devonport, you may have got two majors putting their money into one terminal.

MS FORSYTH: So sharing the terminal?

MR BENNETT: They share, they both take – well, apart from other things, but they – Shell take their product out of the Caltex terminal.

MS FORSYTH: Right. So - - -

MR BENNETT: And they actually pay towards maintaining them. I believe then – you know, I am not a Caltex person, but I believe the maintenance of the terminals is shared by the two companies.

MS FORSYTH: Right. And is this information that you have just from your drilling team?

MR BENNETT: Well, not – from my offices, it is that the Caltex terminals are happy.

MS FORSYTH: That is significant at the end of it.

MR BENNETT: I think they were.

MS FORSYTH: But in terms of the – simply away from that, if I misrepresented the situation in any way, how competitive do you see the wholesale market in

Tasmania is the terminals are locked in and there is perhaps a limited arrangement in terms of tankers coming in. Do you see that as a problem for the Tasmanian wholesale market?

MR BENNETT: Well, no, not really. Look, I am a member of a part of it, which is the Oil Distributors Association nationally I would say and we have regular meetings. Not that some of them are part of the ..... Insurance Company, but the price that some of the guys buy it on the mainland as in my counterparts – the CRP price, you know oil based, would not be a lot different to what I buy it here in Tasmania.

MS FORSYTH: So you say the prices - - -

MR BENNETT: I don't see it being detrimental that there is not another independent terminal such as there is in Hastings in Victoria in Tasmania.

MS FORSYTH: So you said that the price that you pay at the wholesale level is not broadly different to what might be paid in mainland Australia?

MR BENNETT: No.

MS FORSYTH: Now, you mentioned a couple of times that there have been some problems with supply in relation to why you went to Liberty or why you might have previously gone to another company. I think you made a more general comment about a problem of supply. Is there a problem with supply in Tasmania?

MR BENNETT: There has been over the last two years.

MS FORSYTH: Could you explain that a bit more for the Commissioners, what that has caused and how that has come about?

MR BENNETT: We have never had a complete – the service stations have never had a complete fuel out here in the last two years. You may get one or two sites run out of fuel for two or three days, but we have the ability with the three terminals around the State, being Hobart, Bell Bay, Devonport – there always seems to be fuel in one of those terminals, which we can – Caltex can buy off Mobil at Bell Bay and we bridge the product down here or the northern people will come down to Hobart and get product as they have been doing this week. And of course Devonport is low in diesel again, I think and so we have the ability because – to move the product around the State in trucks but it just gets very daunting some times when, you know, you have got a major site that rings up and says, "I don't think I – I need 5000 litres of product." And if it is Friday I mean they are not going to get product until Monday, but that is something out of my control.

MS FORSYTH: So do you know what causes the problems in supply?

MR BENNETT: Scheduling of return ships. It is something that is - - -

MS FORSYTH: So what do you mean by the scheduling - - -

MR BENNETT: Well, we run on – Selfs Point probably runs on a three day buffer.

MS FORSYTH: Okay.

MR BENNETT: And say there was going to be a return ship on Monday and let us say that there was a bad storm in Bass Strait, we would have enough fuel for next Monday to get through to say Wednesday to Thursday next week.

MS FORSYTH: Yes.

MR BENNETT: Now, if that tanker breaks down or when the people went on strike at Geelong or something happened to the motor coming across Bass Strait, if we couldn't get another tanker within three days, which we couldn't do, then we would be out of product. So you know, it is not always three days, but the worst scenario is probably three days and the last two or three months it is probably – you know, we have been out of – not all products, but if we run out of unleaded you can always put Vortex 95 and replacement and okay, it may be cost you another four cents a litre but to keep the stuff up – keep the site operating you can always come down from – come from a product down to the lower product, but you can't go from a lower product to a higher product and with diesel, diesel is diesel, so there is no alternative. So if you are out of diesel you are in trouble.

MS FORSYTH: And do you see that as being something which is specific to Tasmania, have there been the same problems in other states in Australia in terms of perhaps - - -

MR BENNETT: Others on the mainland aren't – has problems from time to time and even in Victoria they have problems from time to time.

MS FORSYTH: So there is a general problem – once supply is short there is not a great deal of option?

MR BENNETT: Well, there is no option really. If product is short here you can't drive to New South Wales or get in the truck and drive to Victoria and get it.

MS FORSYTH: Now, in terms of your distribution network, could you explain to the Commission how the distribution chain works. Presumably you purchase the fuel at the terminal. Is that how it works and then you own it throughout the chain?

MR BENNETT: Yes.

MS FORSYTH: Perhaps if you explain it. So it comes onto your trucks presumably at the terminal here and - - -

MR BENNETT: Well, we would load at the terminal, we would take it our service stations, discharge it, we take it to our depot on the east coast, which we have there, in the middle of the forestry industry there. We take it – we have stand alone truck stops where some of the trucks fill up and they are mainly diesel, but at any given time we would probably have two and a half million litres of fuel out in southern Tasmania that we would own, that we have bought of Caltex.

MS FORSYTH: So you own the fuel while it is on your trucks, presumably and then when you arrive at the various points of distribution - - -

MR BENNETT: You have got two scenarios there. If we go to one of our own sites or one of our depots, we own the fuel from when we drive out the gate until it comes out of the nozzle of a petrol pump or it is pumped into the farmer's tank. With the service of our business, yes, the product is charged to us as we load it and let us say we took it to our Caltex franchise site, which we are not in control of, that would then be – that invoice would come back, that would be a Bennetts Petroleum invoice and that would be lodged back into system and Caltex come into our computers, they might take it out and then they give us a credit in 13 days for that product, but originally the product gets charged to Bennetts Petroleum.

MS FORSYTH: So from what you were saying earlier about freight charges overall, you bear the cost of - the freight cost – absorb the cost to Tasmania and then - - -

MR BENNETT: No, no, no, we don't really absorb the cost of Tasmania oil company, we buy X at the terminal - - -

MS FORSYTH: Yes.

MR BENNETT: - - - but the price we buy it includes a freight component - - -

MS FORSYTH: Yes, yes, so you absorb - - -

MR BENNETT: - - - to the terminal and then there is another freight component goes on top of that towards - - -

MS FORSYTH: So it is absorbed into your purchase price and has a freight component in it and then you would pay for the transportation costs from the terminal to wherever you deliver it.

MR BENNETT: Yes.

MS FORSYTH: And presumably you would have on-selling agreements to your various customers, is that correct?

MR BENNETT: Are you talking retail or commercial?

MS FORSYTH: Well, perhaps talk me through both of them.

MR BENNETT: Mainly our commercial is done on a handshake, with retail and there are our sponsored sites, we do have a commercial agreement.

MS FORSYTH: And are they – do they tend to be long term contracts, spot sales? Only if you think you can; if we need to go to a closed session to discuss this issue - - -

MR BENNETT: Well, maybe those would be three years and an option.

MS FORSYTH: Three years and an option.

MR BENNETT: Mm.

MS FORSYTH: And presumably you can't tell me in open session that the margin that you - - -

MR BENNETT: No, I can't talk some prices out – to answer some of the other questions that you have asked here today that we would think – RACT and people ringing up and complaining about a jump in price on the retail pumps. I can quote some numbers.

MS FORSYTH: Certainly, we can - - -

MR BENNETT: No, I don't want to give them up, they are just handwritten. I can quote some numbers to you and just to cover, you know, the 10 cent write off.

MS FORSYTH: Certainly, if you are going to address some of those concerns they would briefly be of assistance.

MR BENNETT: Back on 22 August the Caltex CRP in Hobart with trade was about $1.22 per litre. Some of the major supermarket chains were selling fuel for $1.11.9 with a four cent voucher gap on that. Now, the CRP was $1.22 a litre; that is a difference of 13 – well, that to me is 13.2 cents a litre under the CRP price. Now, that is unsustainable, we all know that. Now, we have got – even to get back to a CRP to a wholesale price, you have got to get back to $1.22 and then you have got to take a margin on top of that, so you are taking the 13 cents to really get back to wholesale and then you have got to take another four or five cent margin on that.

MS FORSYTH: So your point that you are making is that frequently the supermarket or some other players are selling below the wholesale price that you can obtain it?

MR BENNETT: Yes, frequently. And that to me is probably one of the reasons I am here today, not to – and I am probably speaking for 40 to 45 small retail sites out in the country that we supply that we can't – well, they can't match that price; even we can't match that price and none of our sites ever compete down at the bottom end of the market on those numbers that I have just said. You know, that is predatory pricing, but maybe we have got to – I don't think there is any law against that but it puts a nasty feeling in the stomach when you have got to deal in the supplying – a country dealer and he says, “Look, I can go to Sandy Bay and I can buy it 14 cents a litre cheaper than you are selling it to me for,” you know - - -

MS FORSYTH: Well, we will take those views on board but what your basic point as I take it in and we would be assisted if you can provide some of those figures to the Commission perhaps rather than just one. I don’t want to take up too much time now going through a number of them.

MR BENNETT: Yes. I just wanted to bring that up to say that – in the general public’s eyes, they believe when that happens they are being ripped off, they get used to buying at $1.11; that is unsustainable, you have get back to your wholesale price and then take a margin on top, so you are looking at a fairly big increase; that is one of the extreme occasions that that happened.

MS FORSYTH: Mr Bennett, if you could perhaps provide us with a number of examples over several months of the CRP price and some board prices to illustrate your point that would probably be of assistance to the Commission, but the - it has probably a little easier to do that on a number of days. It might have taken too much time now doing it but we do take your point. So is the point that you are essentially concerned about – and it would a concern that other service station operators in your position would be that the – is it the supermarkets or is it any other players that you are concerned about supplying what you see as a price that you are unable to compete against?

MR BENNETT: No, it only ever happens in Hobart really because that is where the high volume sites are, so you know, the oil companies are not going to go to a place like Orford, Triabunna, Oatlands where these little sites are that sell 80,000 litres a month, but at least the people that reside there can buy petrol, they won’t have to drive into Bridgewater or somewhere - - -

MS FORSYTH: So your concern is mainly Hobart?

MR BENNETT: Yes, mainly Hobart, yes.

MS FORSYTH: And which are the players who you see as the aggressive discounters, if I could put it that way?

MR BENNETT: Mainly the supermarkets. Liberty were when they first come, but it - - -

MS FORSYTH: And when you talk about the supermarkets, are you talking about the board price or the board price in a four cent discount?

MR BENNETT: No, I am talking about the board price, less four cents and in some instances eight cents if you spend $4 in a – in an rural suburb at the moment you would probably get eight cents actually.

MS FORSYTH: The figure that you are dealing with there – the example that you gave, which you said was an extreme example but it was an example was where the supermarkets were charging $1.11, is that a board price, or $1.15 - - -

MR BENNETT: That was a board price of $1.11, less four cents - - -

MS FORSYTH: Less four cents, okay.

MR BENNETT: - - - on the shopper docket, which brought it down to $1.07.9, where the CRP in Hobart on that day for Hobart was $1.21.9.

MS FORSYTH: Well, we will get some examples of that. So your – when you are talking about the board price you are doing it extra with the discount and then you are saying that the discount is added on?

MR BENNETT: Yes.

MS FORSYTH: I just wanted to make sure I get my figures correct in relation to that. Now, some evidence that we heard earlier today from RACT and I think from the Chamber of Commerce was that United was also an aggressive discounter, would you agree with that proposition?

MR BENNETT: United are a very aggressive discounter.

MS FORSYTH: Do you have some - - -

MR BENNETT: Being an independent is a bit hard, isn't it, but – like I am so – look, I am still learning about United. United came in, they were getting ..... they did. I think they use it as advertising. They don't really advertise on a radio station, TV station. Where we at Bennetts may spend 5, 10,000 dollars some months on advertising, I think they do their advertising on the price board, which is – we are probably looking at changing our strategy too, but yes, you know, they are very aggressive.

MS FORSYTH: So you evidence to the Commission is that both United and the supermarkets are pricing at a level which is sometimes difficult to compete with from your perspective?

MR BENNETT: Not all the time. Six weeks ago United brought in a product called E10, which we all know is 10 per cent ethanol. They are the only ones in Tasmania to have E10. They got that price two cents a litre below ordinary unleaded petrol. The supermarkets have decided not to match their unleaded price, but to go down to the E10 price and not always take half a cent under whatever the closest site is, so what you have got now is - - -

MS FORSYTH: I will stop you there, but you say that they always do that, a policy that you have - - -

MR BENNETT: No. This is what I see as I drive around. I believe – and can I say it again, I believe United possibly take at least point 7 to half a cent under the oil price.

MS FORSYTH: That is what you witnessed - - -

MR BENNETT: That's what I have witnessed.

MS FORSYTH: And how often would you drive around the city?

MR BENNETT: We have had businessmen that have come from Sandy Bay to Bridgewater probably twice a day.

MS FORSYTH: So twice a day you have seen prices and your observations - - -

MR BENNETT: Where we are witnessing prices, yes, generally.

MS FORSYTH: That generally United is about half a cent below everyone else?

MR BENNETT: Yes.

MS FORSYTH: Okay. So carry on with - - -

MR BENNETT: So I was saying the market will be there, when the supermarket goes down and then United go another half cent underneath that again. But since the inception of E10, which they believe is probably say two cents a litre cheaper than unleaded as a cost product, on the mainland they say four and by the time they freight it to Tasmania they are probably saying two, so they have decided to take two cents a litre under the normal price of the E10, so now the supermarkets are not much in the unleaded price, they are matching the E10 price.

MS FORSYTH: Right.

MR BENNETT: Which is driving the price down further.

MS FORSYTH: And do you see them – from the evidence we have heard earlier today, it seems as if while there might not be a price cycle in Hobart, for example as such, this aggressive discounting is leading to an eventual price hike. Are you seeing that?

MR BENNETT: Sure. Yes, you know, that will happen now and by the end of next week we could be down another – the average board price around Hobart would be about $1.27.9. CRP today is $1.24.61; that is the Caltex CRP; that would give the normal franchisee a margin of 3.2 cents a litre, but what you will see happen is that by this time next week it may have crept down to virtually cost in half a cent increments or a cent increments and then will go back up again. So it is cycling but it is cycling over a two or three week period. It is not cycling on a weekly basis as it is in Sydney and Melbourne.

MS FORSYTH: Sure. Do you match those prices when you see them go down? I know that is probably a difficult question to answer. In the sites where you control the price board, do you match the prices as they go down; this discounting cycle?

MR BENNETT: If we can afford to do that, yes, we do.

MS FORSYTH: What does it mean, "if we can afford to do that?"

MR BENNETT: Well, it all depends where the board is when it starts to go down; at 27.1, that is a good match but once it gets down to a certain area, no, we can't go there.

MS FORSYTH: Is it influenced largely by the wholesale price, your buy price, as to whether – how low you can go?

MR BENNETT: Well, how low I can go is in the spot where I can buy the product at.

MS FORSYTH: Yes.

MR BENNETT: Unless I get it below cost. I don't get support, I have got to pass.

MS FORSYTH: You don't get any price support from Caltex?

MR BENNETT: No.

MS FORSYTH: No. now, you mentioned a number of occasions and you have brought with you I see the CRP, which is the Caltex Reference Price. To the extent you can, can you tell us whether or not you buy at or below, higher or lower than the Caltex Reference Price?

MR BENNETT: I buy below the Caltex Reference Price.

MS FORSYTH: Does anyone – who actually would purchase at the Caltex Reference Price

MR BENNETT: Any franchisees.

MS FORSYTH: The franchisees.

MR BENNETT: Any of the retail sites, and there are only about four of those in Hobart.

MS FORSYTH: So the Caltex Reference Price is used for a benchmark in terms of when you are providing these differences, but it is not in fact probably the buy price that say, you, or other players in the market might actually deal with, but there would be some kind of a discount that will be attributed to that, is that the correct assumption?

MR BENNETT: Yes.

MS FORSYTH: Yes. So when we are looking at some of these differences we have to account for the difference in fact from a margin perspective it might be smaller than the pure figures that have been given then?

MR BENNETT: Correct.

MS FORSYTH: Thank you. Now, in terms of setting the board price, again I am talking about sites where you do have that control, again to the extent you can and if the Commission wants to delve into this further we can go into closed session, can you give us some kind of indication and I will give you some ideas, as to what influences the board price in terms of things like your wholesale price, competition, volumes, transport? Can you give us any kind of broad percentage make up of how that would sort of be calculated?

MR BENNETT: Of what influences the board price but as in the same price or as in the board prices going down of the major competitors on the make up of the price to arrive at a board price?

MS FORSYTH: That's right. In terms of if you have got a Bennetts operated service station, you have got a board price say of $1.20, can you give us an indication as to what percentage of that price – just broadly, might be made up of your wholesale price, what might be made up of some transparent costs. If you prefer to do this in closed session we can. How much - - -

MR BENNETT: Yes, I didn't really realise you – I would have to sit down and look at both - - -

MS FORSYTH: It is something that the Commission – what we might do - - -

MR BENNETT: I pretty would – relative from a board price, but the makeup of the board price, what influences our board price is what the competitor down the road is doing.

MS FORSYTH: That is what I am talking about, so you might have the wholesale price that you can buy it and may have some impact on it but it may also be impacted by what the person next door is doing.

MR BENNETT: Yes.

MS FORSYTH: How about volumes, does that have an impact on how you assess prices, whether it is going to be a high volume day or a low volume day?

MR BENNETT: No, because we don't cycle.

MS FORSYTH: How about cost of transport, freight – not really freight transport?

MR BENNETT: Where in the cost of the make up of the board price?

MS FORSYTH: Yes. Do you have to factor that in or does it account for part of your buy price?

MR BENNETT: That doesn't become part of my buy price because my buy price is set and I cart that product myself and so I don't pay a transport cost; the transport cost is inherited by the company because they are our vehicles.

MS FORSYTH: Does it become one of the costs you have to consider in terms of where you set your board price so that you know what your margins will be?

MR BENNETT: No, I come back again, to put it fairly plainly, our board price is purposely set by the competitor, as long as that doesn't fall below our buy price, so one day we may be making two cents a litre, another day we may be making five cents a litre, so in a costs make up without a cost it is different every day, it is what the competitor puts on the board. Now, everyone knows that you walk down the road and there are two ice cream vans there and one is selling ice creams at 50 cents and the other one is selling them for $1; who is going to have the most business, the one selling them for $1. I would say 50 cents.

So that is probably an extreme example but it is the same thing with the service station industry. We are prepared to match – and this is at hindsight, we have no control over the other sites board prices that we will supply, but we never undercut a competitor. Some times we do but not that – everyone has to make a certain percentage. Some time of the year – not all the time but probably some times though, those times now are starting to diminish a little bit, they are getting fewer all the time, so we have to match the competitor next to us to keep our volume because we do have some quite good convenience stores where, you know, perhaps someone had said to me 10 years we are going to sell Cherry Ripes and ice creams and charge up phone cards and sell power cards in the service station, that we wouldn't be making much on petrol, I would have laughed at them.

MS FORSYTH: And that is what I ask - - -

MR BENNETT: So today, in some of our bigger convenience stores, when they make more money out of the convenience store than they make out of petrol sales.

MS FORSYTH: Can you give the Commission any kind of indication of the proportion of your revenue that comes from fuel and non-fuel sales? Again, we can do this in closed session if you want, just to give - - -

MR BENNETT: No, I would rather not, I would rather not.

MS FORSYTH: We will do that in closed session. Again, this might be something for a closed session or for follow up, do you keep specific profit and losses for individual service stations?

MR BENNETT: Yes, we do.

MS FORSYTH: We might follow that up again in closed session, because again that might be useful to see how some of the break up goes.

MR BENNETT: I didn't say I was going to give that to you.

MS FORSYTH: I will allow the Chairman's discretion in relation to that, I will not purport to exert any influence.

THE CHAIRMAN: We will deal with some of those things in closed session.

MS FORSYTH: In closed session. We can deal with these issues in closed session and discuss what would be useful to the Commission and I will be guided by the Commission as to the extent to which we will want to seek any further information. A them that we have heard a lot this morning in other regional areas, I can call – Tasmania has some relationship with some of the regional areas, we were concerned about higher prices in the country rather in rural – urban areas and perhaps the difference between Tasmania and the mainland. Do you have any views, because you are obviously someone who has been involved from the terminal down to the bowser, as to why prices are higher in Tasmanian than they are in Western Australia – not in Western Australia but in certain parts of Australia?

MR BENNETT: In the country or in Hobart?

MS FORSYTH: In Hobart first of all?

MR BENNETT: Well, Hobart as a capital city is really only about as big as Geelong, isn't it, so population booms have a big bearing on it. I can't really see the volumes have gone up in the service stations over the last four or five years and nor they have, but I suppose a big service station on the mainland would do a million litres a month, an average station in Tasmania, if you are talking Hobart I suppose the average service station would probably pump 3 to 400,000 litres a month; where days going back it was probably 280,000. There are some big pumpers in Hobart, just one or two that do over a million litres a month. Now, come to the supermarkets, yes, all of a sudden you have got the rural sites that become the major – the bigger pumpers in Hobart areas but not in the country.

MS FORSYTH: So your point is that higher volume means you can get perhaps a lower margin per litre because you can reach that ultimately.

MR BENNETT: For us to run a service station – now I did make a phone call during the break and got these numbers because I thought they may have come on. An average service station of ours has done 450 to 500,00 litres a month in volume.

MS FORSYTH: So you say the average service station?

MR BENNETT: No, I said we have one – I am basing some numbers - - -

MS FORSYTH: Yes.

MR BENNETT: - - - on the cost of running a service station.

MS FORSYTH: What sort of a service station are you talking about?

MR BENNETT: A self serve service station.

MS FORSYTH: A Hobart one?

MR BENNETT: A Hobart one.

MS FORSYTH: Okay.

MR BENNETT: So doing half a million litres a month, doing $145,000 a month in a convenience store, employing eight to ten people on a rotation roster, our outgoings per month on that site are 33 to $35,000 a month; that is what it costs just to operate that site.

MS FORSYTH: And – so in terms of – your point was that volumes are the - - -

MR BENNETT: I mean I can add back to value now. Those same people, without the cost really going up to 50 or $60,000 a month, the only thing that really changed there would be your power component because you are pumping a lot of petrol, but for that same costing here, you could probably pump an enormous amount of petrol through that same site.

MS FORSYTH: So you are saying that - - -

MR BENNETT: You can still do it for 33 to $35,000 a month in outgoings.

MS FORSYTH: So is it correct that your - the evidence - - -

MR BENNETT: So what am saying is that - - -

MS FORSYTH: The costs are the same but the volumes are lower?

MR BENNETT: Yes.

MS FORSYTH: Yes. So the same cost, lower volumes that need to get higher cents per litre to - - -

MR BENNETT: Higher cents per litre to cover those costs.

MS FORSYTH: Is that – do you think that is the key reason for the difference in price? Do you have any comment to make about the level of competition in the market?

MR BENNETT: I think the competition in the market place at this point in time is greater than it has ever been.

MS FORSYTH: Do you think the competition in the market is good if there are still fairly low volumes compared to say other capital cities?

MR BENNETT: No, it is the competition in the market place is as hard as it has ever been at this point in time, with the supermarkets and with it being the other turn in appearance.

MS FORSYTH: Well, what about comparisons to other regional centres. I don't have specific figures of individual regional centres, but I think that the Tasmanian Government submission – the figure was that Tasmanian motorists on average pay 3.6 cents a litre more for their unleaded petrol compared to motorists in regional Victoria. That is not a comparison to Melbourne it is a comparison to regional Victoria.

MR BENNETT: That was Hobart in comparison to regional Victoria?

MS FORSYTH: That's right. And I thought Tasmania – I may have misrepresented the evidence. I think it was Tasmanian motorists generally. I will have to confirm that.

MR BENNETT: Well, you see, when you go to some of our country sites – what we call our sponsored sites, a lot of those are just corner stores, they are not major supermarkets, they are probably a corner store with a couple of pumps and you know, their costings are far greater than any Hobart site.

MS FORSYTH: Can you talk us through some of those costs, because again we would be very assisted by the fact that you have got involvement over quite a diverse part of Tasmania? And again I am not asking for specific - - -

MR BENNETT: I know what the Commission is up to and I .....

MS FORSYTH: No, that is fine, but we are assisted by what you can give us but in terms of these outer centres, what are some of the increased costs and obviously the transportation costs?

MR BENNETT: Well, probably got a cent and a half extra on transport costs. They probably don't get as big a – as good a buy price as a site in Hobart that turns 300,000 litres a month if it is sponsored site, so that - - -

MS FORSYTH: If I could hold you up just there. They don't get as good a buy price, is that – if you are talking about just an independent service station or are we talking about say someone who is part of your network and presumably - - -

MR BENNETT: No, I am talking about an independent service station that we are supplying. What I call a sponsored site is a site that somebody owns the site, other than Bennetts Petroleum and we just supply their fuel. We own the pumps, they probably own the tanks, we might do a bit of painting for them, we do their RNM on the pumps, but if you get to the country, you know, some of those sites only do 40 to 50,000 litres a month, so they don't get as good a buying price as a site doing half a million litres a month in Hobart, because of the volume.

MS FORSYTH: The volume.

MR BENNETT: So therefore there could be – and I am just using figures here, there might be two three - a leak in disparities – you know, a higher price in the country that they are paying from a site in Hobart.

MS FORSYTH: And what we might be assisted with and again we will do this in closed session, is perhaps getting some comparisons with some of your sites as to some of the costs of urban and rural areas and of getting a comparison to see how that compares, if that would be of assistance to the Commission, but we can deal with the detail of that in closed session. In relation to the shopper dockets scheme, you have raised some concerns about the supermarkets, you have raised a concern with the Commission that you see the oil prices being already a significant discount on, for example, the CRP that is available and you have also noted that there is a discount attached to that. What is your view of the shopper dockets scheme and how has it impacted on your business?

MR BENNETT: Some service stations in Hobart, when it first started they just started – one, we started to accepted on one site the shopper dockets, give four cents off. And then as the prices got lower and we started to get down towards our root price as we call it, which is our buy price, there was no way we could set a board price and try and be competitive and give four cents off a litre off that because, you know, okay, I have already said that we had cycles – some good convenience stores, but a good convenience versus a good supermarket, where in my opinion and it is my opinion only that when you go and can load some of that four cents onto what you are selling as your main lines in the supermarket, on the Weetbix or your Cornflakes or the - - -

MS FORSYTH: Do you have any evidence - - -

MR BENNETT: No, no, I said it is my feeling, my feeling. I think everybody knows that when I said - you know, we don't have the huge convenient stores where we can load those prices by a cent or two cents per item, which no one would see because they are not buying 50 litres of it at that price.

MS FORSYTH: Getting back from how it is funded, because it seems that you don't have any specific evidence of how it is funded, but in terms of how it has impacted on your business in terms of volumes or - - -

MR BENNETT: It has impacted probably more on our country service stations.

MS FORSYTH: Right.

MR BENNETT: Not the ones we operate but our sponsored sites and you have got people buying at their corner store and filling this car up at Franklin, or Southport or Dover or seeing them they are now driving to Huonville, buying all their groceries from the major supermarket and getting four cents a litre off on the petrol, so in my opinion and it is my opinion again, but I believe they are using the petrol to go out further and further away from their main supermarkets to drag that petrol volume in and drag the grocery purchases in too, which is really hurting some of the smaller supermarkets in those country areas.

MS FORSYTH: So the impact that you have seen is that in country areas there has been a decline in volume, is that - - -

MR BENNETT: There has been, probably by 25 to 30 per cent.

MS FORSYTH: And how has that impacted on – has that impacted on the board price in terms of – you mentioned earlier that lower volumes mean that it - - -

MR BENNETT: No, no, no, with some of those sites, as I said before, only doing 50, 60, 70,000 litres a month, so they have come back to 45, 50,000 litres a month; their prices – they can't get their price any lower, they can't drop them and compete with the major supermarkets 30 or 40 ks away, they can't get their board price up any higher than what it is at the moment, so yes, he is saving - it takes a long time for someone to go broke, but all of a sudden - - -

MS FORSYTH: This is the relevant saving, that is all.

MR BENNETT: It is a relevant saving and when your wallet starts to hurt and you can't pay your overdrafts or something you really – you are going to see a lot over the next two or three years, the smaller country sites closed. Now, that could be good to the better petrol stations in Hobart but for the persons living in that area probably not so good. He may not buy his petrol there all the time but there is going to be times when they need something from that shop or that little petrol station and it is not going to be there.

MS FORSYTH: Sure.

MR BENNETT: And so the big get bigger and the small gets - - -

MS FORSYTH: You have mentioned the smaller service stations, which sound like they are independently operated, my question was also how it has impacted on Bennetts. Presumably you might have supplied some of these service stations, but what about the service stations that you have supplied or business generally, have you seen a decrease in volume as a result of the shopper docket scheme?

MR BENNETT: In the sites we operate, no.

MS FORSYTH: No. So you have seen a - - -

MR BENNETT: No, because in an independent market we can afford to market, we can afford to advertise, we run specials in the convenience stores. So we are probably one of Caltex resellers in Australia that sell their own and probably growing against the supermarket discount operations.

MS FORSYTH: Do you find – you are obviously a Caltex reseller but you are not aligned, do you find that you get people trying to present a shopper docket at a Caltex service station because there are - - -

MR BENNETT: People then go quickly, especially when they pull their car up and then walk in with their shopper docket and ask for four cents off, and we say that you have got to go down the road, but the car is already full, so they can't say, "Take the petrol back." They only do that once and they take the vouchers and he doesn't - - -

MS FORSYTH: That's right. Excuse me just one moment, I just want to confirm that I – I had a number of questions I wanted to ask but I think a lot of it is to go into more confidential matters. The only other question, I guess, I did have on the shopper docket scheme was what responses you had to the shopper docket scheme; you mentioned just briefly before that there were some matching of discount that you offered for a period of time and perhaps some convenience store offers. Could you just explain on those for the Commission?

MR BENNETT: No, no, we just go for instance – all right, if I have someone drove in with a Woolworths or a Coles voucher, we would give them the four cents off.

MS FORSYTH: And when was that?

MR BENNETT: That's going back four years ago now when Woolworths first started in Tasmania.

MS FORSYTH: And then you ceased - - -

MR BENNETT: Well, we had to cease it then because we were losing entirely because of oil prices started to come down and it was costing too much.

MS FORSYTH: And since that time you haven't undertaken any other schemes?

MR BENNETT: We went into Servo Savers, I think, which was a mainland company that had come over, but as somebody said to me this morning, it was too hard for the customer to work out so we still had Auto Savers sign up, but no, it doesn't really work.

MS FORSYTH: Now, the other issues that I wanted to discuss with you and I will just sort of identify them, I guess, because we perhaps didn't make it clear exactly how we were going about this and confirm whether the Commission would be assisted in going into closed session about these or whether or not you are satisfied that we have covered enough ground. The issues were to do with the purchase – the supply contract from Caltex and those sort of terms that Bennetts had with that, the term of price and the competitiveness in the negotiation, then with the margins with on selling arrangements and selling – Bennetts selling to customers and then moving into some of the specific elements of the price boards and profit and losses and the costs of individual sites. Are these things that the Commission would be assisted with us exploring in closed session or not?

THE CHAIRMAN: Look, I think whatever use it would be to have a look at the supply contract - - -

MS FORSYTH: That there may be something we can simply do in a closed session, that is the only reason that - - -

MR BENNETT: It is not a supply contract, it is a franchise.

THE CHAIRMAN: This is with Caltex?

MR BENNETT: Yes.

THE CHAIRMAN: Yes. I think that would be useful, I am just wondering about the value of that ahead of some of the other issues.

MS FORSYTH: That's why I am asking the question, Mr Chairman, whether or not these are some things we might want to do in writing and simply ask for some details of some prices and P&Ls.

THE CHAIRMAN: I think that perhaps would be more helpful because I know Mr Bennett may not have that information with him, but maybe we can put some questions to Mr Bennett in writing because they will have to come back confidentially in any event, they won't go into the public transcript. I should make that clear, Mr Bennett, there will be nothing that we ask you for in confidential form that will go into the public transcript at all or into the report.

MS FORSYTH: Would those be of more assistance then if we simply put that in writing. Would that be convenient to you?

MR BENNETT: That would suit me better, yes.

MS FORSYTH: But the reason I asked the question, I was concerned that it might be simpler to simply put in writing some things that we need.

MR BENNETT: Yes, put it in writing, yes, yes.

MS FORSYTH: Some of them will be – just as I indicated to do with various make ups of costs and transportation costs as between different sights and P&Ls and then we can simply obtain those from you on a confidential basis.

THE CHAIRMAN: I think that would be useful, it just gives us a bit of a picture of how the independents are distinct from the majors, who we are getting some pretty good pictures from back on the mainland, but as to how an independent distributor and retailer just operates in Tasmania and you are probably one of the more extensive ones, so that would be very helpful for us.

MS FORSYTH: Mr Chairman, do you have any further questions in open session though?

COMMISSIONER MARTIN: I just had a couple of clarification questions. The references to the terminals here in Hobart, you said the – it is all now going through the Caltex – or most, and the Shell one, is that closed?

MR BENNETT: There is only one seaboard terminal here in southern Tasmania and that is at Selfs Point, where the tanker actually comes in and pulls in to the wharf and discharges the product.

COMMISSIONER MARTIN: There is only one?

MR BENNETT: As far as storage goes, there are only two companies now that store fuel at that seaboard terminal; one is Caltex and they host Shell out of that terminal and then you have BP, who hosts Liberty.

COMMISSIONER MARTIN: So what I am getting at is, given all this increase in volume and it seems to be mainly diesel – say going back three or four years, is there less terminal storage space now than there was three years ago?

MR BENNETT: Yes, because Shell storage is off line, it is not being used.

COMMISSIONER MARTIN: And it was the other major - - -

MR BENNETT: That was the other major storage, yes.

COMMISSIONER MARTIN: And what about Devonport and - - -

MR BENNETT: I can't – I am only southern Tasmania, so I wouldn't know.

COMMISSIONER MARTIN: So you don't know?

MR BENNETT: No.

COMMISSIONER MARTIN: Okay. The other thing that I just wanted to clarify – two things that you spoke about, you mentioned the Caltex Reference Price and that you were – that they were sort of the reference point for buying. What – the transport – like, one of your customers would pay – just go about for us what a retailer would pay for you – what then pay your margin, plus a transport cost, would they?

MR BENNETT: Yes, yes.

COMMISSIONER MARTIN: Okay.

MR BENNETT: But not on top of the – well, probably not on top of the CRP. A lot depends on his terms, if he was paying cash or he was – it has a bearing on what you are asking ..... , yes.

COMMISSIONER MARTIN: Okay, because the problem that you face. The final thing was that I wasn't quite clear on was the scope of the sizes of retail outlets. You were giving us some examples around about half a million per month, what are now the largest retail outlets, like the Coles Express, what sort of volume

MR BENNETT: I can't really speak about Coles. I know that there would be - again, there would be three – two rural sites in southern Tasmania and one major company site doing over a million litres a month; that would be three sites.

COMMISSIONER MARTIN: Yes, okay.

MR BENNETT: And then it would come down from them.

COMMISSIONER MARTIN: Yes. Thanks.

THE CHAIRMAN: Thanks, Mr Bennett, you have been very helpful and we will send you some questions in writing and let me assure you they will be kept confidential, the answers.

MR BENNETT: Just one thing, can I say to them, the RACT gentlemen if you are still here, don't forget the 1.99 on diesel and the 1.94 on petrol that the State Government are pulling off on 1 October, so the wholesale price is going to be the lowest by that month, so if the board prices just happen to rise that may be the reason why.

COMMISSIONER MARTIN: Thank you.

THE CHAIRMAN: Thanks, Mr Bennett, that was not in response to a question I take it?

MR BENNETT: No, it was a joke.

THE CHAIRMAN: Yes. All right, thank you very much.

<THE WITNESS WITHDREW **[2.27 pm]**

THE CHAIRMAN: Whilst on that basis we will declare this hearing closed. Thanks, Ms Forsyth.

MS FORSYTH: If the Chairman pleases.

HEARING CLOSED at 2.27 pm INDEFINITELY

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