

## ACCC INQUIRY INTO THE PRICE OF UNLEADED PETROL

Public hearing – Mount Gambier, 11 September 2007

**Time:** 12 noon

**Address:** Quality Inn International  
Millicent Road (Princes Highway)

**Room:** Conference room

<b>Time</b>	<b>Witness</b>	<b>Submission</b>
12noon	Scott Group of Companies Mr Jeremy Clark, General Manager. Bruce Grubb, Chief Executive	-
	SA Farmers Federation Julie Lloyd, SAFF Board member for the South Eastern Region. Dale Perkins, SAFF Junior Vice President.	-

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**AUSCRIPT**

Level 10, MLC Court, 15 Adelaide St BRISBANE QLD 4000  
PO Box 13038 George St Post Shop BRISBANE QLD 4003  
Tel:1300 308 420 Fax:(07) 3503-1199  
Email: [orders@auscript.com.au](mailto:orders@auscript.com.au) Website: [www.auscript.com.au](http://www.auscript.com.au)

## TRANSCRIPT OF PROCEEDINGS

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O/N 63542

### **AUSTRALIAN COMPETITION AND CONSUMER COMMISSION**

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

### **PETROL PRICE INQUIRY HEARING**

**CONDUCTED AT:           QUALITY INN INTERNATIONAL  
MOUNT GAMBIER**

**DATE:                       12.29 PM, TUESDAY, 11 SEPTEMBER 2007**

THE CHAIRMAN: My name is Graeme Samuel. I'm the Chairman of the Australian Competition and Consumer Commission, and chair of this public inquiry into the price of unleaded petrol. I'm joined by Commissioner John Martin on my right and Commissioner Stephen King, who's on my left. I welcome you all and  
5 declare this hearing open. The hearing is convened under Part VIIA of the Trade Practices Act, pursuant to the Federal Treasurer's approval for the ACCC to hold an inquiry into the price of unleaded petrol. The inquiry is well advanced, and an immense amount of documentary evidence has been provided to the ACCC. We've also received around 40 submissions.

10 A vast amount of information also has been provided by major participants in the petrol industry in respect to notices issued by the ACCC, and of course information has been obtained through public hearings. While all this information is very useful, it's our view, and the advice of senior counsel assisting us in this inquiry, that further  
15 hearings will be required to enable the ACCC to inquire in more detail on a number of specific issues. This will involve the recall of some witnesses, and calling evidence from new witnesses. For this reason I wrote to the Federal Treasurer last week requesting an extension of time from the original reporting date, which was 15 October, in order to provide a rigorous and thorough examination of the emerging  
20 issues.

We've requested an additional eight weeks to complete the inquiry, and to submit our report to the Treasurer, which we expect to do if the Treasurer approves the extension. We expect to have the report to him by 15 December 2007. The terms of  
25 reference for the inquiry have been published on our website, together with an issues paper, and all public submissions that have been received. We've also published notes for witnesses at this inquiry, which outlines the procedures followed by the ACCC at public hearings. The names of the witnesses appearing today have also been published on our website. If time permits, following the questioning of  
30 scheduled witnesses, I may invite others here today to give evidence. But, as with scheduled witnesses, anyone planning on giving evidence to the inquiry will need to be sworn in and subject to questioning under oath.

We understand of course that the price of petrol is of immense concern to all  
35 Australian motorists. We do request that 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 current or past petrol prices. Witnesses appearing today will be questioned by counsel assisting the ACCC. Counsel appearing today is Fiona Forsyth. Some witnesses may also be represented by their  
40 own lawyers. I would note that the conduct of the inquiries will be at 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's been provided on a  
45 confidential basis. We 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. Now, we do intend to hold our hearings in public as far as

possible, but we also want to be able to ask witnesses about matters that are commercially sensitive. This means we may need to close the hearings at certain points.

5 A transcript of the hearing will be taken and made available on our website as soon as possible after the hearing. However, the evidence given in private will be recorded and transcribed, but will not be made available on the website. With those preliminary matters dealt with, I propose to begin by asking the witnesses from the Scott Group of Companies to please come forward to the table just here if you  
10 would. And could you, just for the record, state your name and position with the Scott Group?

MR CLARK: Jeremy Clark, General Manager of the Field Division, Scott Group of Companies.  
15

MR GRUBB: Bruce Grubb, CEO, Scott Group of Companies.

THE CHAIRMAN: Thank you. Have you got any legal representatives here today?

20 MR CLARK: No.

THE CHAIRMAN: No. Good. Could I just inform you about some of the rules regarding the giving of evidence at the inquiry. Firstly it's an offence to refuse to answer a question that you're required to answer by the inquiry chair. Secondly, it's  
25 an offence to give evidence that you know is false or misleading or omits any matter or thing without which it is misleading. You can give your evidence under oath or under affirmation, if you believe an oath would not be binding, or for religious reasons you're prevented from swearing an oath on the Bible. Could I ask you two, do you wish to swear under oath, or affirm the evidence you give?  
30

MR CLARK: I'm happy to swear under oath.

MR GRUBB: Under oath.

35 THE CHAIRMAN: Thank you. If you could take the Bible in the right hand, and the oath is there in the document you've the sheet.

40 <JEREMY CLARK, SWORN [12.34pm]

<BRUCE GRUBB, SWORN [12.34pm]

45 <EXAMINATION BY MS FORSYTH [12.34pm]

THE CHAIRMAN: Mr Clark, I notice that you're sort of leaning forward, which will probably strain your back after a while. Don't worry about it. The microphone can pick up your – if you sit back it will be fine.

5 MR CLARK: Thank you.

THE CHAIRMAN: All right. Ms Forsyth?

10 MS FORSYTH: Thank you, Mr Chairman. Could I perhaps start, gentlemen by asking you to explain to the Commission what your respective roles are within the Scott Group of Companies?

MR CLARK: All right if I go first?

15 MS FORSYTH: In terms of areas of responsibilities beyond the title.

MR CLARK: Certainly. I'm the General Manager of our Field Divisions for the Scott Group of Companies. It's a privately owned company. We have, I guess, three main areas in our fuel group. One is in South Australia, known as Scott's Agencies, which is a combination of wholesale and retail business. The second part of our business is in Victoria. It's known as Scott Petroleum, operates basically west of Ballarat in regional Victoria, wholesale and retail business. And we also have a major shareholding in a business in the Northern Territory based in Alice Springs, called Saban Petroleum, and I'm a - - -

25 MS FORSYTH: And can you explain to the Commission how that shareholding works, and your company's role within that structure?

MR CLARK: I'm a director of that company, just to finish my point. How that works – well, Bruce, you perhaps could explain our position of shareholding. I think we're 70 per cent shareholder.

MR GRUBB: 70 per cent shareholder.

35 MR CLARK: Yes. And there's a 30 per cent shareholder, who's also a director of the business.

MS FORSYTH: And what does Saban Petroleum do in the Northern Territory?

40 MR CLARK: They're involved in both wholesale and retail generally in the southern areas of the Northern Territory.

MS FORSYTH: And, Mr Clark, is your role then to – in running the fuel division, is responsibility for administering the wholesale distribution in all of those different company groups?

MR CLARK: Each of those groups has its own divisional manager - - -

MS FORSYTH: Yes.

MR CLARK: - - - that report to myself. So my role is overseeing those three people who look after those individual companies.

5

MS FORSYTH: Thank you. And, Mr Grubb, you're the Chief Executive Officer?

MR GRUBB: CEO of the Scott Group of Companies, the private group, and Deputy Chairman, chair, which is involved in logistics, fuel distribution, media, private investment. The private group is a 68 per cent shareholder of a public listed company called Scott Corporation, a logistics company in Sydney. I'm Deputy Chairman and a non-executive director of that, and I'm also a non-executive director of the K and S Corporation, another company of which Mr Scott is a major shareholder. Each of those business units have MDs or general managers, who report to me, so it's an overall responsibility.

10  
15

MS FORSYTH: So would it be correct to say that you have an overseeing responsibility, but perhaps Mr Clark has more of a hands-on role in relation to fuel?

20 MR GRUBB: That's a fair comment, yes.

MS FORSYTH: For that reason I'll probably be directing a lot of my questions to you, Mr Clark, but by all means, if at any point in time one or other of you thinks that the other is better placed to answer the question, please feel free to do so.,

25

MR GRUBB: Sure.

MS FORSYTH: Sometimes it's difficult to identify who would be the most appropriate person, in terms of their responsibilities. In addition, as already mentioned by the Chairman, and as we discussed prior to the hearing, to the extent we can we would like to put things on the public record in a public hearing, but if at any point in time I ask you a question which you consider would be better answered in a confidential session, just indicate that and we can come back to it, but we'll try to the extent we can to deal with things on the public record as far as possible. Could you explain to the Commission to start off with what Scotts actually do in its business, in terms of distribution and retail?

30  
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MR CLARK: We're probably involved in up to 50 retail sites throughout our whole network, some directly, some indirectly. By that I mean some we do operate ourselves, some are owned by the Scott Group of Companies and leased out, and we're in a supply only position in those cases, and some are just customers who buy from us, own their own service stations. So that's throughout all of those areas.

40

MS FORSYTH: I have a list here, but I'm not sure whether it was provided by - - -

45

MR CLARK: It was.

MS FORSYTH: - - - your company, which lists approximately – actually 50 sites, and it says here that there are 19 Scotts-owned leased and operated. This is not confidential, I presume?

5 MR CLARK: No, that's okay.

MS FORSYTH: 16 Scotts-owned leased and on lease, and 15 Scotts supply.

MR CLARK: Yes.

10

MS FORSYTH: Which makes up the 50, and they seem to be scattered throughout the Northern Territory, Victoria, South Australia; is that – that's the full list of all your sites?

15 MR CLARK: That's correct.

MS FORSYTH: Could you explain to the Commission these various categories, in terms of Scotts-operated, Scotts-on lease and the sites customer owned, what the arrangement is in terms of supply arrangements, who owns the fuel, who owns the sites, whether it's a commission-based arrangement?

20

MR CLARK: Okay. Firstly ones that we operate – own and operate ourselves, we buy the fuel from our supplying companies, have our own staff in those sites who manage the business for us, and sell the fuel.

25

MS FORSYTH: So Scotts owns the fuel - - -

MR CLARK: Which Scotts owns.

30 MS FORSYTH: - - - and supplies it to the site?

MR CLARK: That's correct. And the second category, those that we on-lease we have a commercial arrangement with that lessee to supply the fuel, but they run those businesses completely independently of us. They set their own prices, make their own margins in both shop and fuel.

35

MS FORSYTH: So you have a supply agreement with them - - -

MR CLARK: Correct.

40

MS FORSYTH: - - - to supply the fuel, and that's where Scotts involvement ends?

MR CLARK: Correct. And the third one, where the customer is – owns his own service station, buys from us, again that's – we're removed from any involvement in their business. We're simply the supplier of the fuel to the site.

45

MS FORSYTH: So what's the difference between the second and third categories, the leasing arrangement that you have in terms of the site?

MR CLARK: We're the landlord, as well as the fuel supply.

MS FORSYTH: I see. So there's only about 19 sites where you're actually involved in setting the price; is that right?

5

MR CLARK: That's correct.

MS FORSYTH: Now, in terms of your distribution arrangements, could you explain just generally – we'll come back and deal with it in more detail – how those arrangements operate?

10

MR CLARK: We have a number of depots that we own and operate distribution vehicles out of.

15 MS FORSYTH: And where are they located?

MR CLARK: They are located in Ballarat, Hamilton, Camperdown, just out of Warrnambool, here in Mount Gambier, a couple of smaller depots close to Mount Gambier, and Alice Springs.

20

MS FORSYTH: And where do you get your fuel from to fill those depots?

MR CLARK: We have two suppliers, Mobil and Shell, supplied out of Adelaide and out of Geelong and Melbourne.

25

MS FORSYTH: And you presumably have supply agreements with those.

MR CLARK: And we have supply agreements with those.

30 MS FORSYTH: And then once the fuel comes to the depots, how does the distribution network work for Scotts?

MR CLARK: Some is direct delivered. We don't take everything back to depots. Some might be picked up from the refinery gate and taken direct to the customer. That fuel that is brought back to depots we have our own small tanker fleet that will take that out to rural-type business, industrial business.

35

MS FORSYTH: And how – roughly what's the capacity of your depots?

40 MR CLARK: Volume-wise?

MS FORSYTH: Yes.

MR CLARK: On a depot by depot basis the biggest one would be here in Mount Gambier, probably six million litre capacity, and they probably go down to depots of only half a million litres, such as the one at Hamilton.

45



MS FORSYTH: And to whom do you sell this, in terms of category? Are they retailers, wholesalers?

5 MR CLARK: Can be retailers, rural, fishing, forestry, industrial. We do take some fuel to smaller retailers out of our depots, country store-type operations.

MS FORSYTH: Is it true then to say that your depots operate as a type of hub - - -

10 MR CLARK: You could put it that way.

MS FORSYTH: - - - so that most of the fuel comes through there and then gets on-sold out of there?

15 MR CLARK: Yes.

MS FORSYTH: And what proportion – is that not quite correct, as you do do some direct - - -

20 MR CLARK: That's right. I mean, for - - -

MS FORSYTH: What proportion would come through your depots and what proportion would be simply distributed?

25 MR CLARK: Well, we try to maximise as much direct to customers as we can for a cost-saving benefit.

MS FORSYTH: Okay.

30 MR CLARK: It probably is 60 to 70 per cent direct delivered.

MS FORSYTH: And is the direct delivery done by trucking?

MR CLARK: It is.

35 MS FORSYTH: And where does your fuel come from? You said some of it came from Victoria and some of it came from South Australia.

MR CLARK: Yes.

40 MS FORSYTH: Which – so it comes from the Victorian refinery?

MR CLARK: Shell Geelong.

45 MS FORSYTH: Shell Geelong.

MR CLARK: Shell and Mobil out of Melbourne, and Mobil and Shell out of Birkenhead and Adelaide.

MS FORSYTH: Right. And what proportion of the fuel that you deal with is diesel, and what proportion is unleaded or something else?

5 MR CLARK: Diesel makes up the large proportion of our business. It's probably as high as 70 per cent.

MS FORSYTH: Yes. And how much would be unleaded?

10 MR CLARK: Probably 25 per cent would be unleaded.

MS FORSYTH: So most of the remainder.

MR CLARK: And we've got 5 per cent of incidentals.

15 MS FORSYTH: And do you find that most of your industrial shall I say customers and rural farming customers are dealing in diesel?

MR CLARK: Yes, that's correct.

20 MS FORSYTH: That's the majority of the - - -

MR CLARK: Yep.

25 MS FORSYTH: - - - where that's going. Do you have supply agreements with all your customers, or do you also operate on a spot sale basis?

MR CLARK: We have both. Larger customers, we might have a supply agreement with them. Smaller business, farming, that type of thing is on a spot basis.

30 MS FORSYTH: Who would be the largest group of your customers?

MR CLARK: In terms of trade class?

MS FORSYTH: Yes.

35 MR CLARK: Probably retail.

MS FORSYTH: And what subcategory - - -

40 MR CLARK: Sorry, if I could come back to that, in volume it would be wholesale, probably followed by retail.

45 MS FORSYTH: I see. Well, moving on from your retail general issues to a wholesale area of questioning, could you explain to the Commission the broad arrangements that you have with Mobil and Shell? I understand that we might need to cover these off a little more in the confidential session.

MR CLARK: Yes, we'd like to get into that in private, but broadly speaking we have contractual arrangements with both Mobil and Shell, with volume commitments attached.

5 MS FORSYTH: Which percentage - would you receive more from one or from the other, or is that confidential?

MR CLARK: We do, and we'd like to perhaps talk about that after.

10 MS FORSYTH: Okay, we will deal with that confidentially. And what sort of supply contracts do you have in terms of - can you say publicly what the term of those contracts is?

MR CLARK: Probably would rather keep that in-house.

15

MR GRUBB: We would rather keep it confidential.

MS FORSYTH: And is it possible to discuss in open session how much choice Scotts have in terms of suppliers? Is there a restriction on who you can obtain fuel from, just in terms of where refineries are located or trucking capacity or terminals?

20

MR CLARK: I think we're geographically bound. We're lucky that we're between Melbourne and Adelaide and so can go either way to those suppliers. We're not restricted with who we can deal with. I can't think of any company that isn't able to supply, so we pick the best fit for ourselves. I think it's fair to say publicly that we choose to have two suppliers for security of supply, as well as any other commercial reasons that we might - decisions we might make.

25

MS FORSYTH: And have you been limited at all by the ability of any suppliers to supply to you on the basis of long-term contracts they may have with other retailers?

30

MR CLARK: No.

MS FORSYTH: No. So you found it simply a negotiation that you've had and the best outcome for Scotts?

35

MR CLARK: Correct.

MS FORSYTH: Do you have any comments as to how competitive the wholesale market is from your perspective?

40

MR CLARK: I find it reasonably competitive. I think that's another reason for having two suppliers, to perhaps make sure that we are getting the best deal we possibly can. I have no issue with the competitiveness of suppliers.

45

MS FORSYTH: Have you always obtained your supply from a major oil company?

MR CLARK: Yes. The only exception to that was a very small foray into dealing with Trafigura out of Sydney.

MS FORSYTH: And when was that?

5

MR CLARK: That would be I'm guessing four or five years ago. The reason for that was they were the only ones that could supply 98 octane petrol at the time, but now the majors can supply that and they're closer, so we don't deal with those.

10 MS FORSYTH: And is it fair to say that you're happy with dealing directly with a major oil company?

MR CLARK: Yes.

15 MS FORSYTH: And that will be your preference of the future, if you can say that?

MR CLARK: Yes.

20 MS FORSYTH: Do you have any comments about the transparency of the wholesale market and the use of terminal gate prices?

MR CLARK: Again, without wanting to get into confidentiality about what our arrangements might be, TGP is out there in the public domain for everyone to see. We do use TGP, both as a benchmark for enabling us to set prices to sell and also use it as an instrument for buying with some suppliers.

25

MS FORSYTH: Has Scotts ever embarked on any importation supply arrangements, as in tried to obtain any fuel from overseas from an importer?

30 MR CLARK: No.

MS FORSYTH: Is that something that you would be interested in doing, or is it something we should discuss more in closed session?

35 MR CLARK: Well, I think if you're leading me to Port Bonython, that's something we would be prepared to talk to you about in private, so that's something that's a concept that the company is looking at at the moment.

MS FORSYTH: But in the past, Scotts has never obtained fuel from an importer?

40

MR CLARK: No, no.

MS FORSYTH: Is there any reason for that, other than convenience?

45 MR CLARK: Other than Trafigura that I mentioned earlier. Other than convenience, yes, that's correct.

MS FORSYTH: So there are no limitations on you obtaining fuel from an importation?

5 MR CLARK: Well, the only one I'm aware of is an opportunity to buy out of Hastings, east of Melbourne, but that's 100 kilometres lead, 50 down 50 back before you start, so it really economically didn't stack up for us to look at that as a real option.

10 MS FORSYTH: Is all the transportation undertaken by Scotts by way of overland trucking, or do you have any pipelines?

MR CLARK: The only – no, we don't have any pipelines. We have trucking, we do have rail, we have our own rail cars that service Alice Springs out of Adelaide.

15 MS FORSYTH: So it's all overland transport?

MR CLARK: Correct.

20 MS FORSYTH: And what's the rough capacity of a truck?

MR CLARK: B-Double's 55,000 litres.

25 MS FORSYTH: Did the closure of – or mothballing of Port Stanback have any impact on Scotts?

30 MR CLARK: Has an impact from the point of view that Birkenhead is limited in what it can provide as far as service, difficult for trucks to get in, long waiting times to get your vehicles loaded. Port Stanback was certainly more convenient from that point of view. Supply issues have always been a concern of ours with the loss of Stanback and limited capacity of Birkenhead. That would probably be it.

MS FORSYTH: Have there been any increased costs for you in terms of not obtaining fuel directly from Port Stanback?

35 MR CLARK: There's not direct costs; there's probably indirect costs, the ones I just described, with trucking down time.

40 MS FORSYTH: Yes. Why would someone who was a purchaser of fuel or retailer or a wholesaler choose to purchase fuel from a company such as Scotts, rather than going direct to an oil major? I guess what I'm trying to get at is what role you play within the industry.

45 MR CLARK: I think we like to think we command a competitive price. I couldn't answer why someone wouldn't be able to make arrangements with an oil company. It's a question for them.

MS FORSYTH: And what do you see as the role for independents in terms of retailing and distributing at the moment in the industry?

MR CLARK: Well, we like to think that independents do have a role to play, being able to really provide an alternative to the supermarkets. That's becoming increasingly difficult, for reasons that you've heard all around the country. But certainly we would like to think that independents are an important part of the structure of the retail network.

MS FORSYTH: Well, perhaps if we could move, we've touched on it very briefly, to the arrangements at Port Bonython? I have in front of me some media announcements and newspaper articles that you've provided to us this morning, which I'll pass on to the Commission. And if we could perhaps go through just a couple of those issues to put on the record what the proposals are to the extent you can publicly, and then we will discuss it in a bit more detail in a closed session? But could you explain to the Commission in broad terms what the proposal is as it currently is, and - - -

MR CLARK: Could I ask Bruce to comment on that?

MS FORSYTH: Certainly. He may be the most appropriate person to - - -

MR GRUBB: Yes. Look, as - number one, there's - we will be able to discuss more in commercial - in conference, 'cause we're currently representing a shareholder and we're under a CA with another shareholder involved. It's a concept that we believe could come to fruition, particularly with the resource industry in the northern part of South Australia. It's a documented fact that when BHP Billiton, Roxby Downs, goes to open-cut mining, their off-take will be approximately 3 - between 350 million to 500 million litres in a year of distillate. You've got the Oxiana project just west of that.

With the closure of Port Stanback, as Jeremy touched upon, supply has been an issue after harvest period in South Australia and through to February. There's been a shortage of distillate, that's been well documented. And we just believe it's worth thorough investigation to see if a tank farm/refinery is viable. There's a bit of chicken and egg at the moment. You've got a market, you've got a concept, you've got to get a supply agreement. Until you've got one or the other, you really can't put your whole project together. But we're at that stage now where we're deep in negotiation in those areas.

MS FORSYTH: Now, as I can see from this media release, the current proposal is to build a fuel import and distribution terminal and a diesel refinery.

MR GRUBB: I'd use the word fuel receiving terminal.

MS FORSYTH: Could you perhaps explain to the Commission what that proposal is before we move on to the refinery in terms of what's being discussed? And we understand that it's still in its - we know it's in stages, but in terms of the capacity that you're talking about, if you can, and the extent to which it might be a terminal which deals in unleaded petrol and the extent to which it will be a diesel terminal.

MR GRUBB: Well, the concept is basically predominantly revolving around distillate. If it goes to petrol it will be evaluated later on, and that's a Blue Sky project, but the basic concept is distillate, with a major supply agreement from an oil company, or possibly look at importing in our own right. That's still to be decided,  
5 depending on where we end up with the project. It's got to come across off-boat at the wharf point and be pumped into the terminal, then distributed out, so you've got to get your synergies and your costings right.

MS FORSYTH: And as I understand it, diesel and unleaded petrol is not something  
10 which can be mixed at all in terms of tankage, so it - - -

MR GRUBB: Correct.

MS FORSYTH: - - - would be a matter of building additional tankage if ULP was  
15 going to be part of the proposal; is that right?

MR GRUBB: Correct.

MS FORSYTH: So at the moment the proposal is to start with diesel and potentially  
20 - - -

MR GRUBB: The focus is on distillate.

MS FORSYTH: - - - potentially move on beyond distillate?  
25

MR GRUBB: Yes.

MS FORSYTH: And in terms of the diesel refinery, what is proposed at this point  
30 in time in relation to that?

MR GRUBB: Well, we just believe that with the closure of Stanback, there is  
capacity to build a distillate refinery. We believe the State needs that, particularly  
the mine industry for continuity of supply. And if the numbers stack up, the location  
of Bonython may give us a commercial edge over that – but that's still to be  
35 investigated and decided.

MS FORSYTH: Look, I may have asked you this question already but just in case I  
didn't, what was the volume capacity that we were talking about in terms of terminal  
there? I don't think I did ask you then?  
40

MR GRUBB: Yes, about 80 million litres on page 2.

MS FORSYTH: That's right. I see, yes. And this document also notes that there  
will be potentially a marine loading and unloading facility, a road tanker loading and  
45 unloading facility and provisions for future rail access; is that - - -

MR GRUBB: Correct.

MS FORSYTH: - - - that's all part of the Bruce Guy proposal at the moment?

MR GRUBB: That's all the scope of the project, yes.

5 MS FORSYTH: Right. The other comment you have made in this document is that the terminal will be capable of importing in excess of 500 million litres of fuel per year. Again, in that looking predominantly at distillate?

MR GRUBB: Correct.

10

MS FORSYTH: And have you embarked on any negotiations that you can discuss in open session on any importing?

15 MR GRUBB: The only comment I would make would be we have commenced discussions with prospective parties and I would just like to leave it at that.

MS FORSYTH: Certainly. And how is the location at Port Bonython, is it a location which is good for the shipping in terms that it's got good draught and good  
- - -

20

MR GRUBB: Yes, it is. It's currently an export facility for Santos - - -

MS FORSYTH: Yes.

25 MR GRUBB: - - - for some of their products. There's a wharf there - - -

MS FORSYTH: A big jetty?

30 MR GRUBB: Yes, it's one of the longest jetties in South Australia I believe and it's got good deep draught for shipping.

MS FORSYTH: So it's a potential – an excellent potential for future importing - - -

35 MR GRUBB: Oh, we believe it's got distinct possibilities.

MS FORSYTH: From a practical perspective - - -

MR GRUBB: Yes.

40 MS FORSYTH: - - - there's no limitation on it, I guess, is that that is really my question?

MR GRUBB: Yes. Yes, I would see more of a distillate market than anything else, subject to how the refinery stacks up.

45

MS FORSYTH: And I think you have already answered this, but in terms of why you decided to embark on this proposal, is it primarily, as I understand it, because you see the need – resources boom is requiring more fuel?



MR GRUBB: Well, we believe it's a business opportunity.

MS FORSYTH: Yes.

5 MR GRUBB: As I said, the numbers have to stack up and that is being done right now, but we believe it's a business opportunity and the Port of Adelaide is somewhat restrictive with what size boats it can take and its storage capacity.

10 MS FORSYTH: That's excellent. I will ask you some more questions about that in closed session but it's very useful to have on the public record some of that information. Well, moving on then from the wholesale arrangements now to some of your retail arrangements if I can again, just in open session, you have explained the various structures you have within the Scott's business, and a role Scott's has in pricing is that it's only the 19 or so sites that you have control over, do you provide  
15 any price support to any of your sites?

MR CLARK: Generally no, but I will clarify that by saying on the odd occasion it has occurred but - - -

20 MS FORSYTH: Could you perhaps explain to the Commission the sorts of occasions when you choose to - - -

MR CLARK: The introduction to the supermarkets to Mount Gambier caused competitive pressure on prices and we had the need to give some support to some of  
25 our customers at that time, but that's the only occasion I can recall.

MS FORSYTH: And how much support did you give?

MR CLARK: Oh, it was limited. Look, I'd be guessing that it was 1 or 2 cents a  
30 litre.

MS FORSYTH: And was it done on the basis of matching of matching competitor's prices or how did you - - -

35 MR CLARK: No, I think it was more to do with trying to be seen to do what we could to assist a difficult time.

MS FORSYTH: And what categories of your customers received that, presumably the Scott's operated sites didn't need to receive it as that was something that you  
40 were controlling; were these the Scott's on-leased sites?

MR CLARK: Particularly those.

MS FORSYTH: And do you have any branding at those sites?

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MR CLARK: They're branded Mobil.

MS FORSYTH: They're all branded – I think you've written it down here.

MR CLARK: Mm.

MS FORSYTH: They're all branded Mobil but you had felt that you had some kind of link with those sites and wanted to assist them?

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MR CLARK: That's correct.

MS FORSYTH: I'll come back to the issue of the impact of the supermarkets, but do you know whether any of your sites receive any price support from – well, they're predominantly Mobil, I see, but Mobil and Shell?

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MR CLARK: They don't.

MS FORSYTH: They don't?

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MR CLARK: No.

MS FORSYTH: I will again follow this up in closed session, but where you do control prices can you give the Commission any broad description of what your pricing strategy is?

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MR CLARK: If we go back a step. Before the introduction of the supermarkets we liked to think that we were a leader on price.

MS FORSYTH: When you say a leader on price, what do you mean?

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MR CLARK: Well, price is generally moved – historically price is generally moved in some sort of accordance with wholesale change so if, for example, the wholesale price was decreasing quickly over a period of time, we would change our price to reflect that, so we're trying to keep some sort of consistent margin in our business. That was the trend at the time and I think it would be fair to say that we were probably one of the first to move prices up and down back then. These days we are certainly a price follower but I'd clarify that further by saying we don't simply follow all the time. If we think the price has sat down too low for too long we'll certainly have an attempt to lead a price up but generally that doesn't work and we have to retreat back, but we generally these days are a follower in price.

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MS FORSYTH: Within your organisation who is it that makes the decision to change the board price and could you perhaps explain to the Commission what that process is, who makes the decision? I understand we might in closed session go to that in some more detail but - - -

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MR CLARK: Yes, the - - -

MS FORSYTH: The broad approach that is taken and the process?

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MR CLARK: Yes, broadly that decision would be made by the divisional manager so Scott's agencies in the south-east of South Australia would be that manager's decision.

5 MS FORSYTH: So that's how many people, is it - - -

MR CLARK: Three.

10 MS FORSYTH: Three people, yes.

MR CLARK: Mm.

MS FORSYTH: So they each have responsibility for their division?

15 MR CLARK: Yes, and they would monitor the competitive behaviour in their own backyards to make that call.

MS FORSYTH: And how do they do that monitoring?

20 MR CLARK: A variety of ways. One is to actually go and have a look at what's happening in - - -

MS FORSYTH: Drive round?

25 MR CLARK: Yes. Their retail site managers who might be opposite competition would let them know to assist and make that call. That type of thing.

MS FORSYTH: Do they subscribe to any online services?

30 MR CLARK: We don't, no.

MS FORSYTH: So no one in Scott's Groups subscribes to the online services?

35 MR CLARK: No, no.

MS FORSYTH: And roughly how many understand it's a rural area it's probably more limited, roughly how many sites around your petrol stations would you consider to be the competitors that would be examined in these type of scenarios?

40 MR CLARK: How many? I guess - look, you'd be looking at three or four sites around our main outlets to gauge some sort of handle on the price.

45 MS FORSYTH: So once that is undertaken presumably a report back mechanism - what is the report-back mechanism to the divisional manager?

MR CLARK: Oh, it would be verbal.

MS FORSYTH: A telephone call or something like that?

MR CLARK: Yes, correct.

MS FORSYTH: And then how often would the divisional manager make a decision then to change prices?

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MR CLARK: These days decisions are being made almost daily.

MS FORSYTH: Because there is no price cycle currently in the Mount Gambier area?

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MR CLARK: There's not but I'd describe it as an informal price cycle. What we're seeing now in Mount Gambier particularly, is it's led by Coles Express always. There's a nibble of the price on the way down, a cent today, another cent in a couple of days time, until it bottoms out and then we have a period where it sits at that price and then there will be a huge increase.

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MS FORSYTH: Well, perhaps we can go back a few steps and explore that in a bit more detail. So your view is that there is no actual cycle but there is price fluctuation, is that perhaps a way of putting it.

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MR CLARK: That's a better way of putting it.

MS FORSYTH: But it's not a regular fluctuation?

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MR CLARK: Correct.

MS FORSYTH: And so how often would the prices fluctuate in this area?

MR CLARK: Well, if I give you a recent example - - -

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MS FORSYTH: And perhaps you could also touch on some of the other areas that your - - -

MR CLARK: Yes. Well, here, I think, in September, we have had three decreases of a cent at a time.

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MS FORSYTH: And how often does that decrease happen?

MR CLARK: Oh, one was today. Probably weekly it's been over the last three weeks. Ballarat is a completely different animal and we see change there every day.

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MS FORSYTH: So on average in these, in your sites, is it a daily change rather than say, a 15 minute hourly change as it would be in some urban centres?

MR CLARK: We don't see change any more frequently than daily, no.

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MS FORSYTH: So daily is perhaps the minimum – the maximum change?

MR CLARK: Yes, I know what you mean, that's correct.

MS FORSYTH: Or the other way?

5 MR CLARK: Yes.

MS FORSYTH: And you said that Coles always leads price movement. Can you perhaps explain to the Commission on what basis you – what evidence you have of that happening?

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MR CLARK: Yes, I can. I did say earlier that we attempt to lead the price occasionally and we do occasionally, so I probably shouldn't have said Coles lead it all the time.

15 MS FORSYTH: Before we get onto that we should probably define which area we are talking about?

MR CLARK: I'm talking about Mount Gambier at the moment, sorry.

20 MS FORSYTH: About Mount Gambier at the moment.

MR CLARK: So what we're seeing at the moment is Shell dictating the price particularly on the way up. There's occasions for the price to go down led by others, but it's rare. That's in Mr Gambier. As I - - -

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MS FORSYTH: So what happens in a practical sense on a given day; does Coles raise the price by say, a cent a litre, two cents a litre? Perhaps you can explain to the Commission?

30 MR CLARK: Well, perhaps if we split it into two - - -

MS FORSYTH: Sure.

MR CLARK: - - - and talk about the downs firs.

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MS FORSYTH: Sure.

MR CLARK: As I said, today we've had Coles Express lead the retail market here in Mount Gambier down by a cent a litre. That will be almost immediately matched by everybody else.

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MS FORSYTH: And who else is in the Mount Gambier region?

MR CLARK: There is a belt of service stations in the main street of Mount Gambier, probably a two kilometre stretch. They are the main players. As you move out from that area you don't see exactly the same price being matched, you might see a movement to match the change but not perhaps the same level of price.

45

MS FORSYTH: So who is in the main street?

MR CLARK: Woolworths, ourselves, Coles Express, Caltex franchise site and BP independent.

5

MS FORSYTH: And are they the sites that your Mount Gambier main street site would monitor?

MR CLARK: Correct. They are the four I was referring to as a gauge on price, so that's what happens on a downward. On an upward we would see anything from 8 to 14 cents a litre change in an upward price.

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MS FORSYTH: Immediately or gradually?

MR CLARK: No, immediately.

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MS FORSYTH: Immediately?

MR CLARK: Yes, and we've had a maximum of 14 cents in one period this year which of course creates a lot of angst out in the public arena, and that's led by Coles Express as well.

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MS FORSYTH: And when you say it's always that I – presumably you mean almost always or do you actually mean always?

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MR CLARK: Almost always.

MS FORSYTH: Almost always?

MR CLARK: Mm.

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MS FORSYTH: What, nine out of ten times?

MR CLARK: 95 per cent of the time.

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MS FORSYTH: 95 per cent of the time.

MR CLARK: Mm.

MS FORSYTH: And how do you know that is that, because your divisional manager reports back to your pricing person?

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MR CLARK: Yes, that's the history that we've been able to make up, particularly over this year. Further to that what we've seen is because we operate sites from Ballarat in the east all the way back to Mount Gambier, locations from Ballarat, including places like Horsham, Hamilton, Warrnambool, Mount Gambier are all led up on the same day by Coles Express.

45

MS FORSYTH: We might get back to that in a second. If we can just finish going through the - we will go through just what happens on the upward scale and the downward scale just in Mount Gambier, and then we can expand out to some of these other areas.

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MR CLARK: Sure.

MS FORSYTH: Just to understand whether it is a consistent pattern and how your company responds to it, so on certain days you find that Coles might lead, I think you said 8 to 14 cents a litre up - - -

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MR CLARK: Mm.

MS FORSYTH: - - - what is the response, who moves first? Does everyone move to match it; is it a day apart; how does it work?

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MR CLARK: The unfortunate response is that everyone matches it and the reason for that is because they have been sitting at a low, an unsustainable level, for a period of time and have to put profit back into their business.

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MS FORSYTH: Why do you say they have been sitting at a low, unsustainable level?

MR CLARK: Because the price gets nibbled away as I explained before, down to levels that would be cost and at times below cost, the price. People have to match that to keep their volume on their site, so when there is a jump in price to put above average margins back into the business they need to match that upward move.

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MS FORSYTH: So is your evidence that there is a cycle in Mount Gambier in terms of a slow downward movement followed by a sharp peak but it's not a cycle of irregularity such as a week, rather than simply a fluctuation in price?

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MR CLARK: I would agree with that, yes.

MS FORSYTH: So it's a slow nibble down with an immediate hike?

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MR CLARK: Particularly since January of this year.

MS FORSYTH: Right, and prior to that, what was the general movement in price?

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MR CLARK: Pretty stable in Mount Gambier. Fluctuations more aligned with wholesale movements but certainly not this consistent down and then big jump up that we've seen in the last few months.

MS FORSYTH: And when was the Coles Express store opened in Mount Gambier?

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MR CLARK: Woolworths came to town first and I think they've been in town – I'm looking at my colleague over there – three or four years; Coles Express probably two, three. Thanks, Bill.

5 MS FORSYTH: Three years for Woolworths, two years for Coles Express and then in the last six months - - -

MR CLARK: Roughly, maybe a little bit longer.

10 MS FORSYTH: But in the last six to eight months or so you've seen a change in the price movement to a more cyclical - - -

MR CLARK: To this, yes, that's right.

15 MS FORSYTH: - - - cyclical approach. So your evidence was that Coles almost always leads the price up by 8 to 14 cents. Does everyone else match it at the same time?

MR CLARK: Yes.

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MS FORSYTH: On the same day?

MR CLARK: Maybe within a couple of days at the most.

25 MS FORSYTH: And then prices are fairly much even across the main street area?

MR CLARK: That's right.

MS FORSYTH: And how about in the outside - - -

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MR CLARK: The further out that you go the more variation to that price you will find, probably because they're not under the same amount of competitive pressure, being a little bit further removed.

35 MS FORSYTH: And how long on average does Coles sit at – shall I call it the top of the cycle?

MR CLARK: They can sit there for a couple of weeks. There's no real answer to that, there's not a consistent pattern. Could sit at the high for a couple of weeks, but then may come down within a couple of days of it being up.

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MS FORSYTH: And is it also always 95 per cent of the time that Coles will then start moving the price down?

45 MR CLARK: Yes.

MS FORSYTH: No other - - -



MR CLARK: Not in recent time.

MS FORSYTH: Even when it's up for three or four weeks at a time at a very high level?

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MR CLARK: Correct.

MS FORSYTH: And what is your understanding of the reason for that; is that simply because people make hay when the sun shines?

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MR CLARK: No, I wouldn't put it like that, I think my explanation before about trying to maximise the margin at the top end to offset the loss at the bottom end.

MS FORSYTH: So when you can, you keep it up because you know it will come lower later?

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MR CLARK: Absolutely.

MS FORSYTH: So slowly Coles moves it down, leading the whole way or sometimes this is a movement amongst the players on the way down?

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MR CLARK: In recent times, it's always Coles.

MS FORSYTH: So your evidence is that Coles is the price leader?

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MR CLARK: Absolutely.

MS FORSYTH: 95 per cent of the time, Mount Gambier?

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MR CLARK: That's correct.

MS FORSYTH: Now, moving to some of the other regional areas that you have, we have got – I won't pretend to try and categorise them, but perhaps you can give me some indications, you have got a bit of a presence in the Northern Territory?

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MR CLARK: If you don't mind me interrupting, Ballarat is one that I could perhaps give you some information on.

MS FORSYTH: Yes, the Ballarat area. Perhaps if you can let me know which ones are different from Mount Gambier and why, and - - -

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MR CLARK: Well, perhaps if I move on to Ballarat. As I said earlier, Ballarat is a very strange beast, we see there that prices do change downwards on a daily basis, that can be led by a variety of players.

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MS FORSYTH: And who are those?

MR CLARK: Normally, the independents, Apco, United, and the like.

MS FORSYTH: So when you say the independents, you are talking the independent chains as distinct from the small, independent operators?

5 MR CLARK: Independent chains, yes, that is correct. Any movements up are always led – no, there are a variety of players who will try and lead the market up, but there won't be a consistent move up unless it is led by Coles and that happens on a Wednesday without fail.

10 MS FORSYTH: So there is a weekly price cycle in Ballarat?

MR CLARK: If there is going to be a move, it will be on a Wednesday. It doesn't always move up on a Wednesday. My evidence before was there was actually a decrease of a cent down today.

15 MS FORSYTH: Right.

MR CLARK: But if there's going to be an upward move, it will be on a Wednesday and it will be led by Coles.

20 MS FORSYTH: So it's more comparable to the Melbourne market?

MR CLARK: Correct.

25 MS FORSYTH: And, I am sorry, I think your evidence was that Coles also moves it up in Ballarat; was that right?

MR CLARK: But that's Ballarat, I was talking about, so - - -

30 MS FORSYTH: You were talking about United, so United and the independents tend to move it down, but who is the predominant mover up?

MR CLARK: Coles – Coles Express.

35 MS FORSYTH: And what's the amplitude of the hike?

MR CLARK: Similar to here.

MS FORSYTH: Similar to here?

40 MR CLARK: Yes, I think the average is about 10-cents-a-litre increase up.

MS FORSYTH: And what role does Scott's play in that market?

45 MR CLARK: We're definitely a follower. It's a very, very difficult market to be in.

MS FORSYTH: So just matching the people around you?

MR CLARK: Yes, and we don't match the lows because the lows are ridiculous.

MS FORSYTH: When you say the lows are ridiculous, how low do they go?

MR CLARK: Significantly under cost price.

5 MS FORSYTH: Under your cost price, presumably?

MR CLARK: Correct.

10 MS FORSYTH: And what are the other markets – for example, you have quite a presence in the Alice Springs area?

MR CLARK: Alice Springs is a very stable market. We don't see the volatility there that we see in other places. They do have Coles and Woolworths in Alice Springs who tend to be the dominant players, but generally speaking not these great  
15 hikes in price.

MS FORSYTH: So is there some price movement, but it's not a cyclical movement?

20 MR CLARK: Not to the same extent.

MS FORSYTH: And what about western Victoria, we have got Halls Gap and Ararat, Horsham, Portland?

25 MR CLARK: Very small markets don't have – in some cases, somewhere like Halls Gap, there's only one outlet in town, it's a very - - -

MS FORSYTH: I was going to say how small is a small market, more than three or  
30 four players?

MR CLARK: Even less. Halls Gap I think is two, one in town and one just out of town.

MS FORSYTH: So you know who your competitor is and you can probably look  
35 across the road and see what they're charging?

MR CLARK: It's not difficult.

MS FORSYTH: So in those areas if you're a price setter – and when I say that I  
40 mean it's a Scott's-operated site – presumably there's not much competition impacting you in your decision, so how do you determine how to set your price in a location where there's not - - -

MR CLARK: So that probably takes us back to the example of what Mount  
45 Gambier used to be like and historical movements were based on wholesale fluctuations. So if you're trying to get – for a number, an 8-cent margin, if you try and maintain that, depending on what your wholesale price is doing, somewhere like Halls Gap that's what you would see the retail price do.

MS FORSYTH: So the largest impact on the purchase price that you would set as the board price would be your buy price?

MR CLARK: That's correct.

5

MS FORSYTH: And to what extent is it impacted by the stock in hand that you have?

MR CLARK: It's a good question. Look, in a perfect world you would like to move your stock, if there was a decrease before you applied the decrease, if you don't have competitive pressure, you can probably get away with doing that.

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MS FORSYTH: When you say you can probably get away with doing it, is that something which Scott's tries to do to the extent it can?

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MR CLARK: Well, I think it's a fair and reasonable thing for anyone to do, yes, we would do that.

MS FORSYTH: So as the price is going down, you try and move it off so you can buy some more, but if the price is going up you're not so concerned?

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MR CLARK: When the price is going down we would try and move it off.

MS FORSYTH: I think we've gone through most of – are there any other regions, you've got some South Australian – Penola and Millicent Roadhouse, are those locations fairly close to you? I'm sorry my geography - - -

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MR CLARK: Fifty kilometres away.

MS FORSYTH: Fifty kilometres away. Were you including those in your descriptions earlier in terms of Mount Gambier and the outlying areas?

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MR CLARK: Yes, they don't have the supermarket influences that we have in the major regional centres.

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MS FORSYTH: In your opinion, why is there a price cycle and not a price cycle in these regional areas?

MR CLARK: My opinion, price cycle is a product of the capital cities. Why they have it in the capital cities is beyond me at times, but look, I'm not sure why we don't have price cycles in the country.

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MS FORSYTH: I'm going to come to another question, which I'm sure you probably do have an interest in and that is why prices are higher in the regions say than in the capital cities. It's often a topic of controversy. And I think some information that I've got, although averages can be a little bit deceptive, I think it's an average of about 6.8 cents a litre that the Mount Gambier price is higher than, say, the Adelaide prices. I've got a little bit careful because obviously Adelaide has a

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cycle, so on a day-to-day basis, comparisons can be misleading as well. But in your view, why are prices – board prices higher in the regions than they are in the capital cities?

5 MR CLARK: If you were going to compare apples with apples and take out things like price cycles which creates an illusion - - -

MS FORSYTH: If we take more than average weekly price?

10 MR CLARK: Yes, if you were to just compare apples with apples, the cost of running a country site versus a metro site is different because we don't – we probably put through in ka month – put through in a year what a metropolitan site would put through in a month. So they can afford to work on much lower margins than what a typical country site can. There's the cost of freight, which is a given. So those sorts of reasons do justify higher prices in the country to an extent compared to the metro  
15 - - -

MS FORSYTH: We'll get back to each of those. So your evidence is that lower volume means that you can't get the same margins because you have fixed costs?  
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MR CLARK: Yes.

MS FORSYTH: And you were saying higher transport costs. What about competition, does that play much of a role, do you think, in terms of there being less  
25 competition frequently in the regional centres than in the urban centres?

MR CLARK: Well, I think we're finding that we're now enjoying the same sorts of levels of competition than the metropolitan market does.

30 MS FORSYTH: In Mount Gambier, for example?

MR CLARK: Certainly.

MS FORSYTH: Well, going back to the other two issues then in terms of lower  
35 volume, do you have any examples that you can give us in your list of sites of some high-volume sites and some low-volume sites?

MR CLARK: Would like to talk about volumes privately, I'm - - -

40 MS FORSYTH: Certainly, privately. Perhaps, what we can do is in a private session just note this down. What I would like to do is try to identify some of the sites that you would say are high volume and some that are low volume so that we can have a look at the comparison in prices to see how that works in terms of - - -

45 MR CLARK: Happy to do that in closed session, yes.

MS FORSYTH: And in terms of transport costs, again this might be something you might want to answer in closed session – would that be correct?

MR CLARK: If you want me to quantify the cost?

MS FORSYTH: To quantify costs.

5 MR CLARK: Yes, I would like to do that privately.

MS FORSYTH: This is in terms of what the actual difference is, perhaps in  
accessing some of these sites on your list and what the impact that has on board  
prices. So we can start to deconstruct these issues. We'll do that in closed session.  
10 Have you seen any examples of rationalisation of sites in the rural areas?

MR CLARK: We have.

MS FORSYTH: And can you explain to the Commission what you have witnessed  
15 and what your views are about that? I'm sorry I'm directing most of my questions to  
Mr Clark, but if Mr Grubb has got any comments on - - -

MR CLARK: Well, I think it's fair to say that in most country areas we have seen  
rationalisation of sites. I can't sit here and specifically put that down to the  
20 supermarkets or a particular reason. Around this area, we've seen small country-  
store type sites outside of the regional areas go by the wayside - - -

MS FORSYTH: Have they closed down or have they been bought out by some of  
the majors?  
25

MR CLARK: No, I'm talking about closed down.

MS FORSYTH: Yes.

30 MR CLARK: In Mount Gambier, in recent times, there's been two sites closed;  
one was an Ampol site, one was a smaller BP site, both independents. So yes, we've  
seen rationalisation of sites.

MS FORSYTH: And you can't point to any causes that you can identify?  
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MR CLARK: Oh, look, it would only be speculation.

MS FORSYTH: What about changes towards, in relation to the percentage of  
income derived from fuel and non-fuel? I'll put my question a little better. Have  
40 you seen any move towards an increase in a desire of sites to get non-fuel sales?

MR CLARK: We've certainly tried to do that, to - - -

MS FORSYTH: Can you explain to the Commission how you've done that and any  
45 reasons for that?

MR CLARK: Yes, we've certainly – because of a reduction in margin at the fuel site of our business, we've certainly concentrated on trying to make our convenience stores the best they can be.

5 MS FORSYTH: If we can just take one step back? You said a reduction in margin, when did they occur and what has that been?

MR CLARK: There's certainly been an erosion of margin since the introduction of competition through the supermarket outlets.

10 MS FORSYTH: Is that introduction – I think you said three years ago, you had in this market - - -

MR CLARK: That's correct, in this market.

15 MS FORSYTH: And across the board, have you seen the same reduction in the past two to three years, is that fair to say?

MR CLARK: No, because the Ballarat market, when we entered into that business, already had all that competition in place. So I've come in at that point in time. Certainly in this area, we've seen an erosion in margin. But to answer your question, through the convenience stores, we've certainly put some effort into making that offer as best as it possibly can be to ensure that we're maximising the profit through that site. Now, you have to look at that on a site-by-site basis, some sites don't have the wherewithal to increase their shop size, they are what they are, but where we can, we've certainly tried to maximise the non-fuel sales.

MS FORSYTH: And can you say in open session what percentage of income is derived from fuel versus non-fuel on perhaps net profits?

30 MR CLARK: Again, it's a site-by-site issue, I can give you a general across the board - - -

MS FORSYTH: If you can make any broad comments?

35 MR CLARK: Yes, just bear with me. On a revenue basis, we would be 70 per cent fuel to 30 per cent shop and our margins split – I'm talking about the Mount Gambier market - - -

40 MS FORSYTH: So that's a gross revenue, when you say the revenue?

MR CLARK: That's just sales revenue.

MS FORSYTH: Just sales revenue, yes.

45 MR CLARK: And our margin split would be 50/50.

MS FORSYTH: Fifty fifty. And that's for your Scott's-operated stores, can you comment on the other stores – obviously, you have some knowledge of what they're undertaking even if you don't have any control over it?

5 MR CLARK: Well, look, I don't, I don't know what their non-fuel sales would be.

MS FORSYTH: Have you seen a move towards better convenience stores or - - -

10 MR CLARK: They've certainly gone down the same path of trying to maximise their shop sales.

MS FORSYTH: Maximising shop sales is something that is happening across the board then?

15 MR CLARK: That's correct.

MS FORSYTH: Now, moving then to the question of shopper dockets, I understand that we've touched on this already to an extent just in terms of the supermarkets, but perhaps we can talk about the specific shopper-docket offer, and if you could explain  
20 to the Commission how that's impacted on I guess predominantly your Scott's-operated stores, but to the extent you can comment on the other stores, what your reaction has been, how you see it has impacted on the market?

25 MR CLARK: Well, it's been a huge impact, there's no doubt about it.

MS FORSYTH: First of all, when did it come in, in this area?

MR CLARK: We're talking three years ago.

30 MS FORSYTH: Three years?

MR CLARK: Yes. It's been well advertised, promoted by the supermarket outlets, you can't deny that, there's been – seems to be a very positive uptake by the general public towards the shopper-docket scheme, but at the end of the day for independent  
35 players it's extremely difficult to combat.

MS FORSYTH: Have you seen any visible decrease in volume?

40 MR CLARK: We've had an erosion in volume, yes, but probably more importantly, we've had a significant erosion in margin.

MS FORSYTH: Can you explain that in a little bit more detail to the Commission?

45 MR CLARK: Well, we've done our best to hold on to our volume by matching prices where we can through that cycle that I explained.

MS FORSYTH: And when you match prices, do you match it to the board price of the supermarket or do you try and include within that the 4-cent discount?



MR CLARK: No, we certainly match it to the board price.

MS FORSYTH: To the board price.

5 MR CLARK: Because we generally don't have the ability to go that extra 4 cents. Sorry, you threw me off the question.

MS FORSYTH: I think I've been probably thrown also off the question that I asked you. I think you - - -  
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MR CLARK: Well, coming back to the - I think we were talking about the erosion of volume - - -

MS FORSYTH: That's right, the erosion of volume and the erosion of margin.  
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MR CLARK: Yes, certainly we've tried to keep our volume as best we can by matching prices, but by matching prices that's been at the expense of margin, that was my point.

MS FORSYTH: And you said to the Commission earlier that these price hikes that you were seeing as a result of these cycles was something that was new, for example, for the Mount Gambier area, have you seen that as a - I think you might have already answered this question, but is it correct that you see that the hikes that are now coming in as a natural phenomenon in Mount Gambier are a way of recovering that margin?  
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MR CLARK: I do.

MS FORSYTH: And that's presumably what the other players in the area are seeing as well?  
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MR CLARK: That's correct.

MS FORSYTH: And have you seen any specific impact in terms of site closures as a result of shopper dockets or moving out of the market by any independents?  
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MR CLARK: I couldn't say that I have, no.

MS FORSYTH: What is your view of the shopper dockets?  
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MR CLARK: I think it's a clever promotion, I think everyone should be entitled to have a promotion. So from that point of view, I think the shopper dockets are okay. Where I have a problem with the shopper dockets is that we don't have the ability to fund that discount through alternative means. What I mean by that is obviously the discount has to be paid by something and it's paid for, in my opinion, through the grocery margins.  
45

MS FORSYTH: So what has your response been, the response of the other Scott's stores, in terms of trying to make your sites as attractive as possible? Have you had any of your own special discount offers?

5 MR CLARK: Yes. It's funny you ask us that. We're just recently in Victoria, and we may introduce this into South Australia, depending on how we see that it goes, we got on board with the Mobil promotion, you might be familiar with the \$5 spend I store and receive a 4 cent per litre discount. We just put that through all our Victorian sites, commenced that on 1 August. Probably a little - - -

10 MS FORSYTH: And those sites are all Mobil branded anyway, is that right?

MR CLARK: They are, yes.

15 MS FORSYTH: Yes.

MR CLARK: So probably a little bit early to be able to comment on how successful or otherwise that's been but at the very least, at least we've got a 4 cent offer out the front of our sites that perhaps aligns us with the 4 cent offer that's out the front of the supermarket sites.

20

MS FORSYTH: That's in Victoria. Has there been any attempt at any other discount offers or specific responses in the other areas?

25 MR CLARK: We flirted with things like the Ezifuel card over the years. General give-aways and in-store promotions but they've largely been unsuccessful.

MS FORSYTH: When you say they've largely been unsuccessful, why do you think that is?

30

MR CLARK: I think if you're going to have a promotion to really have a go at the discount shopper docket offer, you have to do it across a reasonably large number of sites and it's only within the last three years that we've bought the Victorian business which has given us a large number of sites so if we couple all that together perhaps that promotion is better.

35

MS FORSYTH: You gave some evidence earlier that there's been a move to upgrade in the convenient stores. Has that coincided to an extent with the introduction of the shopper dockets in that you see that as perhaps a slightly more indirect response to the shopper docket scheme in the supermarkets?

40

MR CLARK: I do see it as an indirect response to that but perhaps that is a good thing, that we can make our stores as best – the best they can be.

45 MS FORSYTH: And what sorts of improvements have you made to your stores?

MR CLARK: We tried to standardise our stores with the type offer that we're putting in and I'm talking about the ones we run ourselves.

MS FORSYTH: Yes. I'm concentrating mainly on those because you don't have much control on the others.

5 MR CLARK: Yes, so they're a true convenience store as you would understand it, with chips and soft drinks and take-away food and the like. Other people have done things a little bit differently. Sites that might be located on a highway, there's one here in Mount Gambier, he's changed his focus to take-away food and he has the ability to attract customers who might stop there to purchase that sort of stuff, so a little bit horses for courses, depends where you are.

10 MS FORSYTH: Now, as you are aware, the Commission, when this inquiry commenced, was largely concerned about certain divergences in prices that had occurred in January and during this year. Do you have any comments as to any reasons for those divergences in price?

15 MR CLARK: I would like to make a comment about the Mount Gambier market in response to that.

20 MS FORSYTH: Certainly. That's probably the most relevant market for this public hearing.

25 MR CLARK: And I'm talking about a particular site that we run - and excuse me just getting my notes - because when those comments are made in the media unfortunately, because we're part of the oil industry, we get wrapped up in that criticism that's been made by a number of organisations, that the wrong thing is being done at the retail level, and please correct me if I'm wrong, I'm sure the Commission was talking about the periods January and June of this year. If I firstly talk about January, there were wholesale decreases in January of some 7.4 cents per litre for us.

30 Now, the retail movement for us over that time was 1 cent but the reason for that was at the start of January we were already in a negative margin position, so those wholesale decreases, all they've done is put margin back into our business, so there was no reason for a change at the pump price. The June example there was a decrease in wholesale price through June of 8.22 cents per litre. Our actual board prices in June fell by 9 cents a litre, so I refute the claim, if you like, that there was anything out of the ordinary about our particular site during those periods.

35 MS FORSYTH: That's always helpful information for the Commission to have. Before we move into closed session, and I will ask the Commission if they have got any questions, was there anything of any particular concern that you have that you wanted to mention to the inquiry in terms of any anti competitive conduct or concerns you have at the - either the wholesale or the retail level that you think the Commission should be aware of?

45 MR CLARK: Not specifically. I think we've covered all the issues that I expected to cover today. Unless you've got anything to add.

MS FORSYTH: Mr Chairman, I don't have any further questions for this open session. There's probably quite a bit that we need to discuss in closed session. If anyone has got any questions you - - -

5 THE CHAIRMAN: Just before we move into closed session, just one question I had, I just wanted to pursue an issue on the shopper dockets, Mr Clark. You indicated that with the advent of the shopper dockets there had been an erosion in volume and an erosion in margin. I can understand the erosion in volume but in terms of the erosion in margin I am just trying to follow that in the sense that my  
10 understanding is that you remain about level, you might lead somewhat the board prices, that is the board prices excluding the discount vouchers that – or the 4 cents a litre discount that's provided by the supermarket chains. If you are continuing to follow the board price movements how has that led to an erosion in margin?

15 MR CLARK: Because the margins that are now being dictated by the prices that are being dictated by the supermarkets don't allow us to enjoy levels of margins that we think we need to for our business to be viable.

THE CHAIRMAN: But that is regardless of the shopper dockets, isn't it? That's  
20 the – in other words so you're saying the forced price?

MR CLARK: The forced – yes, sir, I understand your question, the 4 cents a litre in fact makes it worse if we had to try and match that as well.

25 THE CHAIRMAN: Yes, but I think the evidence you gave before was that you are not leading the prices down but that the price is being led down otherwise in your matching the board prices that are being provided by others, particularly, I think, Coles Express you indicated?

30 MR CLARK: Yes, that's correct.

THE CHAIRMAN: So if that's the case then is the erosion in margin being caused by the discount vouchers or is it being caused by a leading if the price down by Coles Express?  
35

MR CLARK: I was specifically referring to the leading of the board price down before discount vouchers are taken into consideration.

THE CHAIRMAN: And that has happened in the past eight months since the so-called cycle started or - - -  
40

MR CLARK: No, I think the leading of the board prices down has started since the introduction of the supermarkets to our trading areas.

45 THE CHAIRMAN: Right, so that's been since 2003/4 when they first - - -

MR CLARK: Yes, sir.

THE CHAIRMAN: Yes, first entered the market, yes. The cycles that we've got here, I wasn't sure whether you'd answered, so forgive me if you have already given the answer. Over what period of time is the cycle tending to operate in, for example, Mount Gambier?

5

MR CLARK: I just can't answer that question. It doesn't seem to have any regular pattern to it at all. As I said earlier, the most recent example I can give you is September to date and we've had a 3 cent decrease down. There hasn't been any particular day other than – it was actually today, Wednesday, was 1 cent, hasn't been seven days apart, doesn't really seem to be any true reasoning to it. I'm not sure whether the Mount Gambier market, as far as Coles Express are concerned, is simply led by what they might do with their outlets in other regional centres. That might be a pattern we establish over time, I'm not sure.

10

15 THE CHAIRMAN: So then just to get it clear, that since 2003/4 when the supermarkets entered into the retail petrol business, and I am focusing now just on the areas where you're competing with them, that in that period of time we've gone through two phases. The first phase would be where the margins have been squeezed because they have been putting in lower board prices generally but keeping the market relatively stable - - -

20

MR CLARK: As far as fluctuations are concerned.

THE CHAIRMAN: Yes.

25

MR CLARK: Yes, I would agree with that.

THE CHAIRMAN: And then from about the beginning of this year moved into a less stable environment where the prices have been moved down gradually over some erratic time periods and then, of course, it moves too low then there's a hike up?

30

MR CLARK: Yes, I agree with that.

35 THE CHAIRMAN: Okay, thank you.

COMMISSIONER KING: Just one actual follow-up question on that. With the margin squeeze, if you can break those two phases from 2003/04 to present day, in terms of margins squeeze, which was better or which was worse depending on which way you look at it, from your perspective were your margins being squeezed more in a relatively stable period or were they being squeezed more in the now – got the cycle – for fluctuation for want of a better word?

40

MR CLARK: Difficult for me to really give you an accurate answer on that. My opinion of that is the situation we have at the moment where we see this, as I keep saying, nibbling away of price to be followed by a large increase in price, I don't think that benefits anybody, to be perfectly honest. We could live with a situation where margins were eroded but then we saw more consistent pricing levels, easier to

45

manage your business, easier to justify it to the public why prices are changing in that period because they're related to wholesale change. Now, we have the situation where the price will jump 14 cents a litre in one day, as it did in March, and we are faced with the public's not understanding what's going on so to answer your  
5 question, probably the period prior to the last few months was better from my point of view.

COMMISSIONER KING: Better from your point of view in terms of the ire of the customers, but what about in terms of profitability?  
10

MR CLARK: I'd have to – look, I'd have to go away and really study that and give you a proper answer.

COMMISSIONER KING: Just on the upward stage of the fluctuations so when the price goes up by possibly 14 cents a litre, do you follow it all the way up, do you match the board all the way up?  
15

MR CLARK: We have, and we do. At the moment I have read and seen that some operators have said that they don't do that because they see that that is giving the supermarkets the advantage to get all that margin back and perhaps sit a couple of cents under, so maybe that is something that might evolve over time, but as it stands at the moment we are matching to the highest level.  
20

COMMISSIONER KING: Have you thought through this internally the possibility of going, you know, even half a cent under or a cent under?  
25

MR CLARK: I have in the last couple of weeks, yes.

COMMISSIONER KING: Are you able to talk about that in public session or would you prefer to that in private session?  
30

MR CLARK: I would prefer to talk about that privately.

COMMISSIONER KING: Okay, thank you. Just my last question in public session. I must say I find the cycles and the fluctuations, as you have got here, fascinating because no one seems to actually know where they come from, why they start and no one seems to have a good explanation for them. Was there any – has there been any – other than the introduction of the shopper dockets, has there been any physical change in the Mount Gambier market around the time these cycles started, was there an exit, was there an entry or did a station expand, a service station expand or contract, or was there a difference in dealer relationship? Is there anything that you can sort of say, "Well, that sort of occurred around the same time," even if it doesn't seem to be directly related?  
35  
40

MR CLARK: No, I can't, and again I don't like to speculate but if I can on that point? I think we're a product of what Coles Express do over a number of sites and whether that's just a strategy that's come in at the start of this year or not well, I'm not 100 per cent sure.  
45

COMMISSIONER KING: That's something we would have to ask Coles obviously. Okay, thank you.

5 COMMISSIONER MARTIN: Mr Clark, I know we will get into the wholesale arrangements more in the private side, but just in terms of the structure. You get fuel from both Adelaide and Geelong?

MR CLARK: And Melbourne.

10 COMMISSIONER MARTIN: Yes, and Melbourne, so Mobil and Shell in Melbourne and Mobil and Shell in Adelaide?

MR CLARK: Correct.

15 COMMISSIONER MARTIN: So it's from the BP refinery in Adelaide, is it?

MR CLARK: No, Mobil Birkenhead terminal in Adelaide.

20 COMMISSIONER MARTIN: Sorry, Mobil, Mobil, okay, and where is it from in – just from terminals in - - -

MR CLARK: Okay. In Adelaide it's from the Mobil Birkenhead terminal for both Mobile and Shell, okay. In Geelong it's Shell only, Shell's refineries at Geelong.

25 COMMISSIONER MARTIN: Yes.

MR CLARK: And in Melbourne Shell and Mobil have separate facilities.

30 COMMISSIONER MARTIN: Okay. Thanks

THE CHAIRMAN: All right. Well, I think we will move into – sorry, did you want to ask something?

35 MS FORSYTH: I just have one – two follow-up questions, actually.

THE CHAIRMAN: Yes.

40 MS FORSYTH: The first was just following up from what Commissioner King asked in relation to – you said that you thought Coles were matching what they do in other places and I think you might have touched on this in evidence and I might have moved you off it. I just wanted to clarify it. Do you see the Coles price that moves say, in Mount Gambier, as being the same movement as in other areas around?

45 MR CLARK: We have.

MS FORSYTH: And what is your evidence of that?

MR CLARK: Well, I've got a divisional manager in Ballarat who tells me what has happened there.

5 MS FORSYTH: So would a price – is it the price change or would it actually be the broad price that's the same, for example, in - - -

MR CLARK: No, I'm talking about - particularly about the change, not so much about what the board price - - -

10 MS FORSYTH: So the board price in Mount Gambier and the board price in Ballarat might both move down the same day by a cent?

MR CLARK: To answer your question, both moved down by a cent today - - -

15 MS FORSYTH: Yes.

MR CLARK: - - - Ballarat is 119.5, Mount Gambier is 125.9.

20 MS FORSYTH: And do you find that the hike moves on the same day?

MR CLARK: Yes.

MS FORSYTH: And by the same amplitude?

25 MR CLARK: Yes. And on a Wednesday.

MS FORSYTH: And on a Wednesday if it's going to move at all - - -

30 MR CLARK: Correct.

MS FORSYTH: - - - but not every Wednesday, is that right.

MR CLARK: Yes.

35 MS FORSYTH: The only other question I just had is a follow up. Just – this is merely by way of clarification. In terms of diesel sales and unleaded sales, can you give just a broad ball-park figure for retail and wholesale?

40 MR CLARK: Yes. Can I just think about that for a minute, I probably could.

MS FORSYTH: Well, you can get back to the Commission with - - -

MR CLARK: If I could.

45 MS FORSYTH: - - - those figures if that would be - - -

MR CLARK: Yes, otherwise I would just be guessing.



MS FORSYTH: Just simply writing to us and letting us know would be fine.

MR CLARK: Yes.

5 MS FORSYTH: Just so we know what division we're dealing with.

MR CLARK: Yes, thank you.

10 MS FORSYTH: I have nothing further.

THE CHAIRMAN: And I have one follow up on what question you asked. Have you got any explanation for the six cents differential today between Ballarat and Mount Gambier?

15 MR CLARK: Look, I travelled to Melbourne on the weekend. Ballarat was 120.9, Melbourne was 123.9, and we were 126.9. That defies logic to me.

20 THE CHAIRMAN: It sounds like that's the place we go and buy our petrol, just travel up to Ballarat.

MR CLARK: It would have to be the cheapest price in Australia.

25 THE CHAIRMAN: Yes. Okay. Thank you. Well, the next will be a closed session, and I'm sorry I can't offer anyone any sort of convivial surroundings. There's outside, or perhaps in the room next door, which is the restaurant. But it will be how long, Ms Forsyth, do you think you'll - - -

MS FORSYTH: Oh, about half an hour, 45. Is that what you - - -

30 THE CHAIRMAN: Fine. So half an hour to 45, which generally normally means about an hour and a half.

MS FORSYTH: I think Mr Grubb has to leave by half past, so - - -

35 THE CHAIRMAN: And you've got to leave at 2.30 anyway?

MR GRUBB: Yes. I would like to leave by a quarter to 2 [sic] if I can to meet the appointment.

40 THE CHAIRMAN: All right. Well, let's work towards that if we can.

THE COMMISSION: Mr Samuel, Mr James in the audience is part of the Scott Group.

45 THE CHAIRMAN: Oh, that's right. As long as you're happy, and the others present are all with the ACCC.

**ADJOURNED** [1.41pm]

5 **RESUMED** [1.44pm]

**WHEREUPON THE PROCEEDINGS MOVED IN-CAMERA** [1.44pm]

10 **ADJOURNED** [2.23pm]

**RESUMED** [2.29pm]

15 **PROCEEDINGS RESUMED IN PUBLIC** [2.29pm]

20 THE CHAIRMAN: Could you just for the record state your name and position with the federation.

MS LLOYD: Julie Lloyd, and I'm a board member of the Farmers Federation.

25 THE CHAIRMAN: Right, and that is for the south-eastern region, I think, isn't it, Ms Lloyd?

MS LLOYD: Correct.

30 THE CHAIRMAN: That's right. And Mr Perkins?

MR PERKINS: Yes, Dale Perkins and I'm Junior Vice President, amongst other things at the moment.

35 THE CHAIRMAN: Are the other things relevant to tell us about or - - -

MR PERKINS: I'm treasurer of the organisation and also chair of its livestock committee.

40 THE CHAIRMAN: All right, thank you very much. Now, you heard me before just talk about the issue of oath or affirmation, do you wish to swear – give evidence under affirmation or oath?

MS LLOYD: Under oath.

45 THE CHAIRMAN: Oath?

MS LLOYD: Yes.

THE CHAIRMAN: Right. If you could hold the Bible in the right hand and read the oath.

5 <JULIE LLOYD, SWORN [2.30pm]

<DALE PERKINS, SWORN [2.30pm]

10 <EXAMINATION BY MS FORSYTH [2.30pm]

THE CHAIRMAN: Thank you. Ms Forsyth?

15 MS FORSYTH: Thank you, Mr Chairman.

Thank you both of you for coming here today. Many of the questions I am going to ask may in fact be questions which you both might have an opinion on and might be able to give me some information. I am not always going to be certain as to who to direct my questions to but if either of you feel more able to respond by all means do so but it might be that it's best in the end that you each get an opportunity to respond where relevant. Could I start by asking the question as to who it is that the South Australian Farmers Federation in fact represents, who are your members and who are you speaking on behalf of today?

MS LLOYD: I think I might read it out actually because it puts it nicely:

30 *The South Australian Farmers Federation is the State's principal farmer organisation. It works in partnership with government departments, statutory authorities, politicians, businesses, the media and its members to assist in the development of the rural sector. It consists of specialists with extensive knowledge in the areas as diverse as industrial relations, natural resource management, education and training, farm profitability, finance, debt mediation and trade. Its aim is to assist South Australian farmers achieve sustainable profitability by providing representation, leadership and services to members and fosters the unified voice to promote farming interests.*

40 MS FORSYTH: So how many members do you have?

MR PERKINS: We'd have about 3000 members at the moment, that's on a business basis, so if you distil that down to people it's probably 6, 7000.

45 MS FORSYTH: So 3000 farmers essentially?

MR PERKINS: Yes, farm businesses, yes.

MS FORSYTH: Farm businesses which - - -

MR PERKINS: Probably about half of what's put there in South Australia but we tend to represent probably the larger end of it and therefore 75 per cent of production in South Australia.

5 MS FORSYTH: And, Ms Lloyd, you read out something which said that you were to provide a unified voice for farmers. How do you gather the information which enables you to provide a unified voice? Do you have regular meetings, ask for written submissions from people; how do you gather the information that - - -

10 MS LLOYD: We have a lot of meetings of the various sectors?

MS FORSYTH: What are sectors?

15 MS LLOYD: A unified voice amongst farmers is incredibly difficult as I think everybody in this room would realise.

MS FORSYTH: So how have you gathered information in relation to petrol pricing? Have you discussed this with your members at any kind of meeting?

20 MS LLOYD: No, not as a specific meeting. We have had some phone hook-ups, we've had help from the office in that situation, and I think between - talk between a lot of us over a long length of time, because there have been other submissions, have given us the opportunity to explore this.

25 MS FORSYTH: Okay.

MR PERKINS: We have a committee structure in fact and there is an agribusiness committee which would look after these sorts of issues. I chaired the forerunner of that committee from 1993 to 1998 and I think I presented to this group - I think this  
30 is the fifth time.

MS FORSYTH: Excellent. Now, what would you say your members were in terms of how they stand in the petrol industry; are they largely consumers; are they  
35 wholesale consumers, retail consumers?

MS LLOYD: They're consumers, principally of diesel and I think this is one of the unfortunate parts of this inquiry is that really it didn't supposedly include diesel and gas because when you come to the rural communities that's the important aspect for us. We consume both at the pumps and through delivery drops to our farms.  
40

MS FORSYTH: So they're the two main areas, delivery drops to the farms, which would largely be diesel drops, would they?

45 MS LLOYD: Correct.

MS FORSYTH: And then from the pumps in terms of - an everyday consumer, presumably a consumer who travels long distances - - -

MS LLOYD: Yes.

MS FORSYTH: - - - and therefore probably have a fairly high consumption per person; would that be a fairly good assessment?

5

MS LLOYD: I think that would be, yes, and that's probably the opportunity when you would see the farmers using the shopper docket system for whatever value they may see in it.

10 MS FORSYTH: And in terms of unleaded, I hear your comments on diesel, but in terms of this inquiry do you understand it, it has been limited in its terms of reference, but in terms of unleaded, is that broadly just the normal everyday vehicles that are being used or is some unleaded fuel used also within the farming industry?

15 MS LLOYD: A limited amount is used on farm but principally it's used for farming – for vehicles that are used off farm.

MS FORSYTH: Yes.

20 MR PERKINS: There is an interesting – we did a survey of our members back in 2000 when, as you would probably remember and certainly the Chair would, putting pressure on the government to – which was successful in the long run, the Federal Government, to freeze the CPI increase on excise – we surveyed a number of our members across South Australia on what was an average cropping enterprise, which  
25 you would understand, uses more diesel on farm than you would expect fuel off farm, but on what we would have considered an averaged sized cropping enterprise back then, which would probably be smaller than what the average would be today, half of the cost of fuel for that enterprise, not just the business side of it, but the enterprise, was petrol and the other half was diesel, which came out as a big surprise  
30 to us at the time because we thought guys that crop using a lot of tractors would be a lot of diesel, but when you look at the costs – and Julie will get into this – for health, education, all those other sorts of things that you run the private car for - - -

MS FORSYTH: Yes.

35

MR PERKINS: - - - and if you have to run that car say, 50 Ks to a town that cost mounts up surprisingly.

40 MS FORSYTH: So your members are generally consumers who might travel in normal vehicles but long distances rather than using unleaded petrol for farm purposes but are probably large consumers?

MS LLOYD: Yes.

45 MS FORSYTH: Now, I want to ask you some fairly specific questions but I did want to give you an opportunity at the outset, and we'll probably go back to these things, to just identify for me just very, very briefly what your key concerns are that

you wanted to bring before the inquiry. Just in bullet point form just so we can come back to any of those, if we can see what some of those are?

5 MR PERKINS: Well, some of the key areas I guess are security of supply, noted in the RAA, and we generally support the RAA Commission submission back in 2000 when we put this pressure on the government. The RAA, The Motor Trades Association and the South Australian Farmers Federation worked together on this issue to get the pressure on the government.

10 MS FORSYTH: When you say security of supply, that's in terms of – what exactly do you mean?

15 MR PERKINS: Well, if you look in the RAA submission they're saying that there's only 10 days supply held in Birkenhead so that would be a concern to our members because – and it was certainly a concern to me because I wasn't aware that it was that short, the supply, because we have to use, as we said, fuel for education, health, particularly health, if the supply ran out in South Australia and we haven't got access to public transport so therefore we haven't got access to those other services that we require.

20 MS FORSYTH: The next issue?

25 MR PERKINS: Yes, the – it's really getting a handle on where the cost in the fuel is, is one of the big issues. I think farmers are confused generally and don't understand whether the cost is in the fuel itself or in the freight delivery costs and I think the shopper docket, to put it simply, the supermarkets coming into it has only helped to confuse that situation where farmers don't actually understand where the cost is. They certainly understand that they are paying more. I guess farmers generally understand that there is a freight component in there to get it out to the rural areas. I do monitor prices from time to time and I know it's not necessarily real useful to take snapshots, but for a period last year, last year, the difference between the Mobil site on the corner of Crossroads and Glen Osmond Road and Port Rush Road in Adelaide, and the Mobil one just out the Princess Highway, just in the outskirts of Mount Gambier here range between 15 and 17 cents a litre difference.

35 MS FORSYTH: Do you know whether there are price cycles in Adelaide?

MR PERKINS: That's right.

40 MS FORSYTH: So sometimes the comparison is not comparing apples with apples?

MR PERKINS: Exactly.

45 MS FORSYTH: So can I summarise, your concern there is an understanding by farmers – it's probably not something that you wanted to discuss with the Commission but an issue you want us to be aware of which is that there is a lack of

understanding as to where the cost is, but also a concern as to the difference between rural and urban pricing?

5 MR PERKINS: Yes, that's right. One of the big complaints we're getting in the federation at the moment is cost of production. Farmers are saying we think we're producing a good product and we get a reasonable price for it, but the underlying cost of production, and although we talk about these, what might be loosely said, social issues of sport and health and education, that's still a cost against the business and it's a non-tax deductible cost too, you have to meet that private running, it has to  
10 be - - -

MS FORSYTH: Sure, and are there any other issues you wanted to identify at the outset?

15 MR PERKINS: The tax is obviously a big issue for us. GST is a tax on a tax and we've always opposed that. Getting – I guess another point in there is getting pressure on government to do anything. Both governments, State and Federal, get  
- - -

20 MS FORSYTH: This is in terms of taxes?

MR PERKINS: Yes, exactly. They get an overall benefit out of the tax on fuel and obviously if the price goes up the GST gets up which is a direct benefit to the State Government, so the tax is another issue. A drought, although petrol is not a specific  
25 issue to the drought the drought puts an increased pressure on people. It might mean that there's more socialising required, there might be mental health issues in there that people need to travel more, so again that brings - - -

30 MS FORSYTH: Is that something you want the Commission to be aware of, that the drought has perhaps put increased pressure on your members - - -

MR PERKINS: It certainly has.

35 MS FORSYTH: - - - and therefore impacts on – fuel has a bigger impact on them. So - - -

MR PERKINS: Yes, I think that covers the main issues.

40 MS FORSYTH: And, Ms Lloyd, did you have anything else you wanted to - - -

MS LLOYD: And the cost of fuel in the smaller outlets or the smaller towns as the Scott Group of companies said, they – you know, they're closing. The distance between the smaller towns increases where you can't stop and get fuel, therefore people who retire in these areas, it's the social impact that comes into play. They  
45 either have to buy their groceries, etcetera, etcetera, within these smaller towns where the costs are always higher, and the cost of the fuel within these towns is – yes, stable, but always at the higher end of stable and I – you know, that's something

that we can never quite comes to terms with. Why is this differential of maybe 5, 15 cents?

5 MS FORSYTH: I can see there is a bit of a theme that a number of the issues you have raised have been around this issue of higher prices in the rural areas - - -

MS LLOYD: Yes.

10 MS FORSYTH: - - - and obviously that is something the Commission is interested in and we are seeking to delve into it. Is there anything that you wanted to – other than raising that as a concern, is there anything you particularly wanted to raise in the way of evidence for the Commission, of this happening, or some causal benefit.

15 MS LLOYD: I can give a little bit of evidence. There are certain companies within areas that specify that their payment will be by direct debit. In other words, they want the first cut of a cherry. There are other companies where you are given terms to pay, and at times for farmers these cycles are fairly important. You've got to realise that you're in an area at the moment where there's a great deal of irrigation used, diesel for irrigation. Again, we come back to the diesel issue. But if they want direct debit payments always it's not always possible, and therefore you end up, the cost of that is at a higher price. There's also another company that charges a fuel drop price, regardless of the amount of litres that's taken. In other words, you take a small number of litres and you still pay the same fuel drop price, so therefore the cost of that litre of fuel is higher.

25

MS FORSYTH: Are you talking unleaded here, or diesel or both?

MS LLOYD: I'm talking about diesel specifically in this case, but I think it crosses to unleaded. But my own evidence is principally for diesel, because our use of

30 unleaded is smaller.

MS FORSYTH: And in terms of security of supply, which I think was - - -

35 MR PERKINS: Just before you go on to the security, I want to answer that issue on the site, because that's been put up at every inquiry I've presented to up to date, and we didn't have an answer to it in the early days, and we've given a lot of thought to it in more recent times. I mean by implication it says that your labour unit is not as productive, or your capital tied up in your asset is greater in the country area, or your rates and taxes or some cost in there is high. I would argue they're actually less.

40 Your labour unit could actually be less in the country area, and if they're not pulling fuel, well, they might be selling in the convenience, or if they're not taking the payment for fuel in some cases it might be by a mechanic, whatever.

45 I don't believe the labour unit is unproductive, and I don't think they're necessarily paid more in the country area, so I actually think it's a fallacious argument. Your rates arguably should be less on a country site, your capital tied up on that site should be less, as opposed to a site in suburban, or even the CBD of Adelaide, or the area surrounding the CBD, so I'm actually not convinced that that argument about



throughput necessarily equates to a higher price for the fuel in country South Australia.

5 MS FORSYTH: Okay. Well, thank you for those comments. We'll put those on the record and we can have a look at those. In terms of security of supply, you mentioned that you were concerned that there was only 10 days supply for the South Australian market essentially. Has there ever been a situation where you've run out of supply?

10 MR PERKINS: Yes. It's got close a couple of times, but it's more an unleaded or a petrol issue than a diesel issue. Most farmers have got a fair bit of diesel storage, but you've got your safety issue, and obviously your inflammable liquid issue with fuel, with petrol, and I - - -

15 MS FORSYTH: So just take a step back. Is there limited storage on site of unleaded fuel, is that - - -

MR PERKINS: Yes. Yes. I think farmers – I think over time farmers are carrying less on their properties than they were in the past.

20 MS FORSYTH: How much on average? I mean, I don't know whether each of you are an example as to, in your businesses, how much you would keep.

25 MS LLOYD: It varies considerably. It can vary from – if you want a seriously large fuel drop, which some companies required – I think it was 40,000 litres – down to 1000 litres, 500 litres. It all depends, and it all depends how many tanks you've got on your property, and the sizes. It's very variable.

30 MS FORSYTH: I'll get back to that in one second as well. We're moving on to the next issue, but in terms of the security of supply you mentioned that it's almost run out, or you've been close to it. How have you become aware of that? Were you told by your suppliers that fuel was running low, that there would be a problem, or did you hear on the grapevine that there was concerns, the media?

35 MR PERKINS: Well, the media – yes, it generally comes out of the metropolitan media. It seems to crop up there first, and then flows - - -

MS FORSYTH: So the Adelaide media - - -

40 MR PERKINS: Yes.

MS FORSYTH: - - - or the rural media.

45 MR PERKINS: And then if flows back down to the rural media after that.

MS FORSYTH: So there's a bit of a bubble of concern, can I say - - -

MR PERKINS: Yes.

MS FORSYTH: - - - that runs through the farming community?

MR PERKINS: Yes.

5 MS FORSYTH: Is that a fair assessment?

MS LLOYD: Particularly relevant to those areas north of Adelaide, if it happened in a harvesting period, where they're all doing it very closely together, using a great deal of fuel, and it's very important that that grain be harvested, and if you  
10 understand the implication of grain for South Australia, we see it as a potentially serious issue.

MS FORSYTH: And you mentioned earlier that it was more of an issue in relation to unleaded than to diesel. Presumably in relation to something like harvesting that  
15 would be more of a diesel issue. Are you saying that it's an issue for both, but perhaps - - -

MR PERKINS: Both. It's an issue for both.

20 MS FORSYTH: It's an issue for both. Well, moving then on to this issue you mentioned, we're interested in finding out about these fuel drops. Could you perhaps explain to the Commission how that works, and the sort of arrangements that your members have in place, and any conditions that are put on those members, in terms  
25 of minimum purchases, or any difficulties that you encounter in relation to fuel drops.

MS LLOYD: I'll be specific in our own case, because I understand that much better, and I think I explained to you earlier, we have a choice of a couple of people we can source our fuel from.  
30

MS FORSYTH: I'll get back to that in one second.

MS LLOYD: Right. You can – the terms vary.

35 MS FORSYTH: Perhaps we'll get to it now. Who do you purchase your fuel from?

MS LLOYD: We swap between K and S, and Barratts, to be specific.

40 MS FORSYTH: And they are distributors?

MS LLOYD: They distribute the fuel to us.

MS FORSYTH: And do you know who they purchase the fuel from?

45 MS LLOYD: No, that's why – I would have loved to have been in here for the closed session. And those two companies offer different terms, and it all depends whether you want to take those terms, as to who you purchase your fuel from.

MS FORSYTH: And to the extent you can in an open session – if you want us to close it we can, but I imagine that most of what you want to put on the record can be covered in an open session – what sort of terms do people such as yourselves receive?

5

MS LLOYD: You can negotiate your terms, but with some companies, with one company, and on the other company they demand, as I said, almost direct debit, and a delivery fee. In the past we have tried to have a farmers' alliance, where we, a group of farmers, work together. We tender for the fuel as we do for fertiliser for a 12 month period. It's never held up.

10

MS FORSYTH: And do you get together in terms of your storage facilities for tankage and things like that?

MS LLOYD: We have our own on farm, and that all depends on what you want to hold on farm.

15

MS FORSYTH: So is there any minimum volumes that need to be - - -

MS LLOYD: Not really. No, the tanks tend to suggest how much you should put it. It's always best to maximise the size of the tanks you have.

20

MS FORSYTH: But in terms of delivery, do any of these organisations say, we'll only deliver you a certain – so you can get as small a volume as you want?

Presumably you'll - - -

25

MS LLOYD: As I understand, yes.

MS FORSYTH: - - - get a better price for a higher volume.

30

MR PERKINS: Yes. Some companies will offer higher – you know, lower rates for a high volume. SA farmers fuel at one stage were – if you got a drop of 6000 litres or greater you got a discount, and then, as Julie said, the 37,000 and 40,000 litres, which would be a triax or semi load as I understand it, they would do a deal for. I guess farmers use various mechanisms to try and drive the price down, and, you know, amalgamate for a competitive tender, put in more on-farm storage, whatever they can do to get the price at a cheaper price. But we use, from our personal case, we exclusively use K and S Agencies, which, in my understanding, is a direct – a company owned by the Scott Group of Companies.

35

40

MS FORSYTH: And is it both diesel and unleaded that you're purchasing on this basis?

MS LLOYD: We both – we buy both.

45

MS FORSYTH: You've got both. And the tankage for both on site?

MS LLOYD: Yes. Yes.

MS FORSYTH: And is there any constraints or concerns you have about these arrangements, in terms of how competitive they are, prices, security of supply, those arrangements?

5 MS LLOYD: I have a lot of concerns about the competitiveness of the supply, yes.

MS FORSYTH: And what are those concerns?

10 MS LLOYD: Transparency, I think. It is not transparent and it never has been.

MS FORSYTH: In terms of the price at which you're buying?

15 MS LLOYD: The pricing, yes. When you compare it against some of the variation amongst the shopper docket-type pricing that you see certainly in major cities.

MS FORSYTH: And how would see a better structure? Would you prefer a posted board price for these type of arrangements? Is that the sort of situation you're advocating?

20 MR PERKINS: Well, I would like to see some – I would hope something like that could come out of this inquiry. We need some independent monitoring, or information gathering, or whatever. As we've said earlier, Governments are too close the action. The State and Federal Government have actually got a conflict of interest, in that they are taxing it, so it's in their advantage. I would have thought  
25 that it's something the ACCC might be able to do is get some independent monitoring and information available. As we said, we cannot get a handle on whether the price is the differential, if you want to put it, the country or the city, whether it's the freight, whether it's someone making an additional profit on it, whether it's the oil company that's selling to the wholesaler, and then the retailer. Is  
30 it the wholesaler, or is it the retailer. We can't get a handle on that.

MS FORSYTH: Sure.

35 MR PERKINS: It's just impossible to drill behind that. You probably heard earlier today - - -

MS FORSYTH: But in terms of the transparency, I think we were just talking about the transparency of the wholesale price - - -

40 MR PERKINS: Yes.

45 MS FORSYTH: - - - any recommendations that you would have, or ideas that the Commission can take on board, as to how pricing for the farming community in these type of arrangements can be more transparent? Is it simply a publication of prices that you would be interested in seeing, or a monitoring of the break down of what makes up those prices? Is that what you're perhaps looking to?

MR PERKINS: Well, it certainly would help. I'm not sure it would be definitive – total definitive answer, but any information helps, doesn't it.

5 MS FORSYTH: Do you have any views on whether the number of distributors has declined in recent years?

MS LLOYD: It's an interesting question., When you ask about the distribution, if you just take another step back and you say, who – where does the wholesale fuel come from? To follow that chain back is quite difficult, and I think it's a fairly  
10 narrow point that you reach when you work back in that distribution. There's interesting boundary definitions. You have some distributors that won't cross over certain boundaries for reasons that are unknown to farmers, that if you ring and ask somebody to quote a price, sorry, we don't deliver down there. And I think this also raises questions that we don't have answers to.

15 MS FORSYTH: So what are the limitations that people such as yourselves, new members face, in terms of obtaining fuel?

MS LLOYD: Well, I don't think they want to have competition across the  
20 boundaries.

MS FORSYTH: But in terms of its areas you find that if you're in a certain area there's a limit as to who will service that area - - -

25 MS LLOYD: Correct.

MS FORSYTH: - - - from a distribution point of view?

MS LLOYD: Yes.  
30

MS FORSYTH: And how many distributors are there roughly in each area? I know that's a fairly broad question, but can you give me a ball park figure?

MS LLOYD: I can't.  
35

MR PERKINS: Well, in this area, as I understand it, there's basically two.

MS FORSYTH: Basically two.

40 MR PERKINS: And if you contact one they just ask you what the other one's charging, and then say they'll match it.

MS FORSYTH: That sounds pretty competitive.

45 MR PERKINS: Well, it does, doesn't it, but I don't want to just draw it down to the two in this town, and it's great that you've come here, because there would be a lot of other country areas in South Australia that would be faced with the same, or may actually only have one.

MS FORSYTH: So there's possibly one or two distributors who would service an area, and so are concerned that you have is – the ability – or the extent to which the price that farmers can receive is competitive; is that a fair assessment?

5 MR PERKINS: That's a very fair assessment. And I mean, it's – I'm not saying anything that you all don't know. We were heavily involved with setting up South Australian Farmers Fuel, as it was called at the time, with the whole aim to put another competitor in there. We thought a competitor in the marketplace would help to drive the price down, and I think that's right, but - - -

10 MS FORSYTH: Well, can you tell the Commission about what impact the entry of that body has had to the wholesale or retail level?

15 MR PERKINS: Well, it's put another player in the game, which couldn't have been done before the ACCC existed, because I suspect that player would have been forced out by one mechanism or another. But with your backing and our political backing, it – that company managed to succeed, and it's been another competitor in the marketplace. Just its per litre or dollar impact, I can't put an exact figure on it, but we believe it's been useful.

20 MS FORSYTH: Have you seen any impact on fuel prices at the retail level through the entry of a new player?

25 MR PERKINS: We have had SAF members coming back to us and saying that they've got a better price as a result of that player – extra player being in the marketplace.

30 MS FORSYTH: And has that extra player also played a role in wholesale? When I say "wholesale" I mean distribution to you beyond the bowser, as in delivery drops?

MR PERKINS: Yes, they would do bulk delivery drops. If you could take a certain quantity, and I think the quantity was 6000 litres, and that was more in diesel - - -

35 MS FORSYTH: And is that a doable quantity?

MR PERKINS: That's more in diesel, because I'm not sure you could store – I'm not sure what the rules are on storage of large quantities of petrol, so I make that comment more from diesel and petrol point of view.

40 MS FORSYTH: Now, in rural areas there is no price cycle, as you are aware – or no regular price cycle. Do you or you members have any views as to why there is no price cycle in rural areas, and whether or not you would benefit from a cyclical movement in price? If you can't answer just let me know, if you haven't got a view on it.

45 MR PERKINS: Yes, I'm thinking about it. I've - - -

MS FORSYTH: I know it's a question a little bit from left field, but we've had a lot  
- - -

MR PERKINS: No, it's not, it's - - -

5

MS FORSYTH: The inquiry has heard a lot of evidence from people who are  
within a cycle, but not who are not within the cycle.

MR PERKINS: It's a fair question. I think it would actually confuse farmers. As  
10 far as members coming in, no, not directly, but the cyclical nature doesn't get  
discussed other than, you know, people in Adelaide buy when it's on the low end of  
the market if you happen to be in an opportunity to do that. But I suspect it would  
get very confusing to farmers and put an added stress on their, you know, running an  
15 already complicated business to try and work out when the cycle was to buy and not  
buy. I think most of them would consider pressure by bulk purchase rather than  
cyclical nature would actually benefit them. It's an interesting question. I haven't  
got a direct answer.

MS FORSYTH: Would it be true to say that people running farming businesses  
20 may have less choice as to when to purchase 'cause they might - - -

MR PERKINS: Yes, I think that goes without saying. There's less choice.

MS FORSYTH: Therefore it's probably less beneficial to them than, say, someone  
25 who - - -

MR PERKINS: Yes.

MS FORSYTH: - - - drives 30 Ks a week and can decide when they want to fill up.  
30

MR PERKINS: Yes. One issue in there with the freight that I think is fair to  
mention, I don't get any evidence from farmers that they think they're being  
overcharged as far as the short delivery from depots out to the farm or whatever  
goes. I've asked that question on a number of occasions for previous inquiries like  
35 this to see whether people thought they were being, for want of a better word, ripped  
off in that area, and I haven't gathered any - - -

MS FORSYTH: So you think that the price is a fair price at the moment?

MR PERKINS: You wouldn't say the price was fair when you compare it – when  
40 you talk just petrol. When you compare it to the city price, I don't believe you would  
say it was fair.

MS FORSYTH: So I'm just trying to reconcile. You said that you didn't think that  
45 the farmers were being ripped off. Could you explain what you mean by that?

MR PERKINS: I meant just on the freight component - - -

MS FORSYTH: I see, on the freight component.

MR PERKINS: - - - from - when you compare your local town price or where - - -

5 MS FORSYTH: I see.

MR PERKINS: - - - yes, to getting it out on the farm I meant, just in that freight trip, because that was one area that always concerned me in the past that actually might be – given that there was very little competition in there, there might be an opportunity for companies to say, “Well,” for argument’s sake, “we’ve only got to go 10 50 Ks; we will put 5 cents a litre on the freight.” I don’t believe that is being done.

MS FORSYTH: So the difference in price between, say, the bowser price and the getting it from the depot out to the farm.

15 MR PERKINS: It seems to be realistic, yes.

MS FORSYTH: So your concern is more on the baseline price in rural areas - - -

20 MR PERKINS: Yes.

MS FORSYTH: - - - that the difference with urban pricing?

MR PERKINS: Yes.

25 MS FORSYTH: Can I ask you a little bit about the shopper dockets and that scheme? I guess from a very broad perspective, I was wondering whether your members like them or not?

30 MS LLOYD: It’s pretty interesting really. Again, I’ll use my own personal example. My son, who works on the property, 25, to give you an age perspective, thinks they’re a total waste of time. Now, not – if ever I talk about them and say, “Is it in the vehicle if I’m going to Adelaide,” or something, he will just remind me that if I think I’m driving somewhere to get a saving it’s just ridiculous, that all I’m doing 35 is paying more for the groceries. So that’s the youthful perspective of it.

MS FORSYTH: And what’s your perspective?

MS LLOYD: I’ve been hooked, to a degree. Since I’ve read the submissions on the 40 ACC [sic] website I think I’ve been cured. I don’t think I’ll be chasing my pieces of paper any longer.

MS FORSYTH: And are you speaking on behalf of your members or you’re not able to speak on - - -

45 MS LLOYD: No, I’m unable to speak on behalf of our members ‘cause I haven’t talked about it to them.



MS FORSYTH: You haven't talked to them about it.

MR PERKINS: No, we haven't – I haven't discussed shopper dockets either. We use them and I even use them to fill the truck. Generally the shopper docket gives  
5 you a cheaper price in Mount Gambier than I can get out of the depot, and I've got the ability to amalgamate our usage up through a depot, so it still gives you a cheaper price. But remember, a lot of South Australia hasn't got access to a supermarket. I actually fear for the flow-on benefits of the small rural towns in South Australia, and the shopper dockets might encourage people out of those towns into the bigger  
10 centres to get the 4 cents a litre benefit, and therefore, you know, destroy the businesses in those towns. Now, that's an unrelated issue to the fuel price, but I guess it's an issue that we have to consider in the overall scheme of things.

MS FORSYTH: I don't know if you can answer this question or whether you can only answer on your own behalf, but do you consider that your members, if you've got a shopper docket in the car, are more likely to go to the Woolworths or Coles Express petrol station if the price is the same than one of the other petrol stations on the main road?

MR PERKINS: I think they do a quick summation in their head as to how far they've got to travel as against the benefit in getting the fuel at the cheaper rate.

MS FORSYTH: So if they were coming into town anyway they might use it, but if they were on their way in they might not go the extra few Ks; is that a fair  
25 assessment? I'm not absolutely familiar with - - -

MS LLOYD: And if I can bring another point in here: there are certain outlets still of South Australian Farmers fuel, and although Farmers Federation has no link with them whatsoever now, they are seen as another player, independent player, in the  
30 game. So if you're passing one, as I will tonight on the way home and I have to fill my ute, I'm going to call in there to support the independent player.

MS FORSYTH: And how do their prices - - -

MS LLOYD: And this opportunity is also available in Tailem Bend. And we definitely saw a price differential when that opened in Tailem Bend. It brought in a competitive pricing with the fuels.

MS FORSYTH: And how does South Australian Farmers Fuels compare in prices to other competitors, as a general rule?  
40

MS LLOYD: I think in the past they were definitely lower. I think they're pretty much the same now, but I will still support them because they're another independent player.  
45

MS FORSYTH: Do you follow the Mount Gambier prices on a regular basis, any monitoring by your members or individually?

MR PERKINS: No, I monitor prices – like, we’ve got land in Victoria as well, and supplied by Access Fuels in western Victoria, which is – uses some of the same brand names that K & S use here, so I watch the prices a bit.

5 MS FORSYTH: Have you witnessed any – we heard some evidence this morning that in this region a cycle has started to emerge as distinct from a much flatter price. Have you witnessed that as well?

10 MR PERKINS: Yes, yes, I’ve noticed that the price in Mount Gambier was cycling, yes.

MS FORSYTH: And do you take note of who it is who’s leading the price up or leading it down?

15 MR PERKINS: Yes, I watch who’s – as I drive along the road, I watch who’s got what, and I think the comment that was made earlier was valid, that Coles Express seem to be leading – yes, leading the price.

20 MS FORSYTH: Up and down?

MR PERKINS: Yes, up and down.

25 MS FORSYTH: And do you have any comments on any other parts of South Australia or Victoria where you have any interests, or do you have any members come to you and actually express a view in relation to who’s a price leader and who’s a price follower?

30 MR PERKINS: No, no, we haven’t – as I said, we haven’t discussed shopper dockets with our members. We know some are using them, but a lot haven’t got access anyway.

MS FORSYTH: I didn’t have many – any further questions specifically for these witnesses. Is there anything that the Commission wanted to raise?

35 COMMISSIONER MARTIN: The only thing, to go back to something you’ve mentioned, was a reference to a joint tender that – it seemed like that had fallen asunder. What was the issue there?

40 MS LLOYD: Yes, that was something I commented on: that we had a group at one stage where we tendered for fertiliser and tendered for fuel. And the – each player in it was supposed to suggest how much of both products they would use in a year, and the fertiliser one was successful and the fuel one never held up, because as I explained earlier, what they did was introduce a charge for delivery. So this charge on delivery started to affect the price. So if you took a small – it was a fixed delivery  
45 charge. So if you took a smaller drop of fuel, it increased the price per cent of the fuel, and it was quite a clever way of killing us off.

MR PERKINS: With these buying groups, I've been involved in organising them too, and there's always a co-ordination required amongst people's use – or people's requirement, which is obviously a result of their use. So there's a co-ordination role, you have to get on the phone and co-ordinate your group all the time. Again, when  
5 you're busy on the farm, it's just that little bit extra, isn't it, to co-ordinate other people's use as opposed to the local distributor just running from farm to farm and topping up the tanks. So yes, I think the co-ordination of it probably leads to its demise. But certainly when they were in operation, being able to amalgamate a quantity and then put it out to tender for those that had the ability to meet that tender  
10 did produce a price benefit.

COMMISSIONER MARTIN: Thanks.

THE CHAIRMAN: No, I think that – thank you very much. Thank you for your  
15 assistance.

MR PERKINS: Thank you for your time.

MS LLOYD: Thank you, Mr Chairman.  
20

**<THE WITNESSES WITHDREW** **[3.07pm]**

25 THE CHAIRMAN: Thank you. I think at that point, there being no further witnesses, I'll declare the hearing closed. Thank you very much.

**HEARING CONCLUDED** **[3.07pm]**

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