

## ACCC INQUIRY INTO THE PRICE OF UNLEADED PETROL

Public hearing – Wagga Wagga, 10 September 2007

**Time:** 12 noon

**Address:** Country Comfort  
Morgan Street

**Room:** The Gallery room

<b>Time</b>	<b>Witness</b>	<b>Submission</b>
12 noon	Wagga Wagga Fuel Watchdog Committee  Dr Edwin Brooks Mr Erwin Richter, Chairman.	-
	NSW Farmer's Association (Wagga Wagga District Council)  Andrew Forsyth Barbara Johnston	41

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**AUSCRIPT**

## TRANSCRIPT OF PROCEEDINGS

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**AUSTRALIAN COMPETITION**

**AND CONSUMER COMMISSION**

**MR GRAEME SAMUEL, Chairman**

**MR JOHN MARTIN, Commissioner**

**DR STEPHEN KING, Commissioner**

**PETROL PRICE INQUIRY HEARING**

**CONDUCTED AT: COUNTRY COMFORT INN, WAGGA WAGGA**

**DATE: 12.00 PM, MONDAY, 10 SEPTEMBER 2007**

THE CHAIRMAN: All right. Well, I think we'll start. My name is Graeme Samuel. I am the Chairman of the Australian Competition and Consumer Commission and the Chair of this public inquiry into the price of unleaded petrol. I am joined by Commissioner John Martin on my right, and Commissioner Stephen King on my left. As Chair, I welcome you all, and declare this hearing open. May I just comment by way of a compliment, that of all the hearings we've had to date, this has certainly been the best attended that we've seen; so I thank you all for coming along, and for the interest you've shown in this particular issue that we're dealing with.

10 The hearing is convened under part 7(a) 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. To date, the ACCC has received around 40 written submissions; a vast amount of information has also been provided by major participants in the petrol industry in response to formal notices that have been issued by the ACCC.

20 Of course, information has also been obtained through a number of public hearings that we have held to date, spanning the length and breadth of this country. While all this information is very useful, it is our view, and the advice of senior counsel that we've engaged to assist us in this inquiry, that further hearings will be required to enable the ACCC to inquire in more detail on a number of specific issues that have been raised in the processes that we've been undertaking to date.

25 This will involve the recall of some witnesses who have already given evidence, and calling evidence from new witnesses who have not already been heard by us as part of the public hearings that we have been conducting to date. For these reasons, I wrote to the Federal Treasurer last week, requesting an extension of time from the original reporting date, in order to provide a rigorous and thorough examination of the emerging issues.

30 We have requested an additional two months' extension to complete the inquiry and submit our report to the Treasurer. That would take us through to 15 December 2007. To date, I haven't received advice from the Treasurer as to whether that extension is appropriate, but as I have just indicated outside this hearing, the importance of that extension is that it will enable us to more thoroughly and rigorously examine a number of issues that are raising themselves to the surface, as part of the hearings that we've been conducting to date, and the vast volumes of information that have been provided to us by parties pursuant to formal notices of requiring the submission of documents that were issued to those parties some time ago.

45 The terms of reference for this inquiry have been published on the ACCCs web site, together with an issues paper, and all public submissions that have been received. The ACCC has also published notes for witnesses of this inquiry, which outline the procedures followed by the ACCC at public hearings. The names of the witnesses appearing today have also been published on the ACCCs web site.

If time permits, following the questioning of those scheduled witnesses, I may invite others here today to give evidence. As with scheduled witnesses, anyone planning on giving evidence to this inquiry will need to be sworn in and subject to questioning under oath.

5

Now, we do understand that the price of petrol is of immense concern to all Australian motorists. The ACCC requests that in the interests of the efficient and effective conduct of hearings, participants concentrate their remarks on the critical issues, and not simply providing commentary on petrol prices. Witnesses appearing today will be questioned by lawyers for the ACCC. Appearing today is Mr Jeff Purvis-Smith from the ACCCs legal branch.

10

I'd also note that the conduct of this inquiry is within the discretion of the inquiry Chair. Anyone using insulting language or otherwise disrupting the hearing may be excluded. The ACCC may wish to question witnesses about information that has been provided on a confidential basis. The ACCC can take evidence in private, if a witness objects to giving evidence of a confidential nature in public, and the ACCC considers it appropriate to do so. If this does occur, it may be necessary for all other persons to leave the room for parts of the hearing.

15  
20

We do intend to hold hearings in public as far as possible, but also, want to be able to ask witnesses about matters that may be commercially sensitive. This means we may need to close the hearings at certain points. A transcript of this hearing will be taken, and made available on the ACCCs web site as soon as possible after the hearing.

25

Evidence given in private will be recorded and transcribed, but will not be made available on the web site.

With those matters dealt with, I propose by beginning to ask witnesses from the Wagga Wagga Fuel Watchdog Committee to, please, come forward. If you could take a seat over there, gentlemen, at the - and could you, for the record, state your name and position with the committee?

30

MR E. RICHTER: Mr Erwin Richter, Chairperson of the Wagga Fuel Watchdog Committee.

35

MR E. BROOKS: I am Edward Brooks; I am Secretary of the Watchdog Committee.

THE CHAIRMAN: Sorry. We're just getting some extra seats, but I'd just ask you to repeat that, so that - - -

40

MR BROOKS: Edwin Brooks, Secretary of the Watchdog Committee.

THE CHAIRMAN: Thank you, very much. Now, you don't have legal representatives with you here today?

45

MR BROOKS: No.

THE CHAIRMAN: Thank you. I'd like to inform you about some of the rules regarding giving evidence to this, an inquiry. Firstly, it's an offence to refuse to answer a question that you are required to answer by the inquiry Chair. Secondly, it's an offence to give evidence that you know is false or misleading, or omits any  
5 matter or thing, without which, it is misleading. You may give evidence under oath or under affirmation if you believe an oath would not be binding, or for religious reasons you are prevented from swearing an oath on the Bible. I will ask each of you do you wish to swear under oath, or affirm the evidence you give at this inquiry?

10 MR BROOKS: I'm happy to swear.

THE CHAIRMAN: Mr Richter?

MR RICHTER: On the Bible.

15

THE CHAIRMAN: Thank you.

<EDWIN BROOKS, SWORN

[12.07 pm]

20

THE CHAIRMAN: Thank you.

25 <ERWIN RICHTER, SWORN

[12.07 pm]

THE CHAIRMAN: Thank you. Now, are you comfortable with that air conditioning? It's blowing hard. Are you all right with that? Good. Thank you. Mr  
30 Purvis-Smith?

MR PURVIS-SMITH: Thank you, Mr Chairman.

35 <EXAMINATION-IN-CHIEF BY MR PURVIS-SMITH

[12.09 pm]

MR PURVIS-SMITH: Gentlemen, my name is Jeff Purvis-Smith, as the Chairman announced. I am a member of the ACCC legal group. Can I ask at the beginning,  
40 which of you is more likely to be answering my questions, and I'll address them to you? Both? It will depend on the questions?

MR RICHTER: We both have prepared some draft, of course, to be handed up, Mr  
45 Purvis.

MR PURVIS-SMITH: Thank you. We have received a copy of your written submission, which is dated 6 September 2007. Is that the draft that you have got there, or is it a further document?

MR RICHTER: Yes. Could I hand it up?

MR PURVIS-SMITH: Certainly. If you could just give me a moment. I'll just give  
the Chairman to have an opportunity to have a look at that. Now, I'll be taking you  
5 through a few questions today, basically to allow you to provide some amplification  
to the written submissions that you've made, and also, to provide some information  
to us in relation to specific questions that we have. Now, if at any time you wish to  
give an answer in private, certainly make that clear, and we will do what we can to  
accommodate that. Generally, if an answer is to be given in private, we will come  
10 back to it at the end, after the room has been cleared; but that is within the discretion  
of the Chairman. Now, as I said, we have received your written submissions. They  
indicate that they've been lodged by your Committee. Do I take it today, that you  
are both representing the Committee today?

15 MR RICHTER: Yes. Correct.

MR PURVIS-SMITH: And you are authorised to speak on their behalf?

MR RICHTER: Certainly.  
20

MR PURVIS-SMITH: And can you tell the Chairman and the Commissioners, what  
is the composition of the committee: Is it made up of local business people, local  
consumers?

25 MR RICHTER: Yes, certainly. We've broadened the Committee, the  
representatives now of the Wagga Wagga City Council, the Chamber of Commerce  
and Industry, business houses, of course, that is encompassed there, and the New  
South Wales Farmers Association, Country Women's Association, and also, the  
Wagga Radio Cabs Co-operative.  
30

MR PURVIS-SMITH: Thank you. So it would be fair to say that your committee  
or group is mainly made up of consumers of petrol products?

MR RICHTER: Yes. Certainly.  
35

MR PURVIS-SMITH: Do you have any retails or wholesales on the committee?

MR RICHTER: No, sir. No.

40 MR PURVIS-SMITH: Thank you. Now, in your written submission, you say that  
the committee was formed in January 2005?

MR RICHTER: Correct.

45 MR PURVIS-SMITH: I presume that many members of the committee have been  
in the Wagga Wagga region earlier than January 2005.

MR RICHTER: Certainly.

MR PURVIS-SMITH: And took an interest in petrol prices before then.

MR RICHTER: Most certainly.

5 MR PURVIS-SMITH: What I'd like to deal with first is whether there has been any changes in the local petrol industry and market, from January 2005, but earlier, if possible. By your reckoning, has there been any major change in the local market?

10 MR RICHTER: There's just been a consistency in pricing; consistency.

MR PURVIS-SMITH: I understand that in relation to pricing, and we will come to pricing. I know that's a focus of your submission. But what I am interested in, first of all, is has there been a change in the number of retail outlets, the number of wholesale outlets in the local region?

15 MR RICHTER: Since '05?

MR PURVIS-SMITH: Since '05 or earlier. If you've noticed that changes may have occurred over the last 10 years, for instance, certainly - - -

20 MR RICHTER: Oh, most definitely. There's been a decline in the number of outlets – fuel outlets, particularly with independents.

25 MR PURVIS-SMITH: And that's retail outlets?

MR RICHTER: Correct. Yes.

MR PURVIS-SMITH: How many do you think you've lost in the last few years?

30 MR RICHTER: Well, two that I'm aware of – could confirm, yes.

MR PURVIS-SMITH: And were they independent outlets?

35 MR RICHTER: Both independents.

MR PURVIS-SMITH: Both independents?

MR RICHTER: Yes.

40 MR PURVIS-SMITH: Thank you. And just rough figures, how many petrol retail outlets do you believe there are within the Wagga Wagga region?

45 MR RICHTER: When our committee began, we – I personally approached and handed out 26 invitations to fuel – that's not in Wagga alone, that's Wagga and surrounds – inviting them to come and meet with us, the committee, to discuss various aspects of the fuel pricing structure. We had two only – two only independents elected to join with us.

MR PURVIS-SMITH: And of those 22, could you say how many of those were independents and how many were branded outlets, Shell, Caltex - - -

5 MR RICHTER: There were only two – I beg your pardon, three in those 26. Yes.

MR PURVIS-SMITH: Twenty-six, sorry.

MR RICHTER: Correct.

10 MR PURVIS-SMITH: So three independents of those 26.

MR RICHTER: Correct.

15 MR PURVIS-SMITH: And you say that you've lost two. Are they included in those figures?

MR RICHTER: Yes, they would have been.

20 MR PURVIS-SMITH: So you're down to one independent?

MR RICHTER: Correct.

MR PURVIS-SMITH: And how many branded outlets do you think still exist?

25 MR RICHTER: Basically only the four.

MR PURVIS-SMITH: Sorry, four outlets, or four major retailers?

30 MR RICHTER: Oh, I beg your pardon. Four major – that's with your major supermarkets included.

MR PURVIS-SMITH: Okay. So how many retail outlets do you believe there are in the Wagga Wagga region? Somewhere in the vicinity of 20.

35 MR RICHTER: There would be less than that. I understand the last figure, we had 14.

40 MR PURVIS-SMITH: Thank you. And in terms of wholesale depots and so on, is Wagga Wagga serviced by one, two, more?

MR RICHTER: It would be, I believe. Yes, two.

MR PURVIS-SMITH: Okay. And – are they belonged by oil companies?

45 MR RICHTER: Yes.

MR PURVIS-SMITH: And what are they?



MR RICHTER: Caltex, Shell.

MR PURVIS-SMITH: Okay. Do you believe that the current industry is consistent, or do you think that you will lose more retailers?

5

MR RICHTER: Majority of these are now company owned sites, of course, and I believe that there's not much likelihood of a further decline. There's one independent still operating here, on a smaller scale, and he has indicated that it's possibly only a matter of time before he will likewise have to bow out.

10

MR PURVIS-SMITH: And how do you know this? Is he involved with the committee, or is this merely anecdotal?

MR RICHTER: No, no, no. I – it's – I'm a customer of his as well, I think.

15

MR PURVIS-SMITH: Thank you. You've said that you've lost the independents. Do you believe – or lost two of the three independents. Do you believe that the loss of the independents has caused any difference in price in the Wagga Wagga region?

20

MR RICHTER: I certainly believe so, yes. It's been quite evidence when we're comparing with other centres, the disparity between Wagga and other centres comparable in size with Wagga.

MR PURVIS-SMITH: I will come to the actual - - -

25

MR RICHTER: Yes, yes.

MR PURVIS-SMITH: - - - price differential in time. What I would be interested in knowing is whether you believe that price differential has occurred since the independents left the Wagga Wagga region, or whether that was occurring before they left?

30

MR RICHTER: Oh no, I certainly believe since they've pulled out.

35

MR PURVIS-SMITH: Since they pulled out?

MR RICHTER: Yes.

MR PURVIS-SMITH: And approximately when did they pull out?

40

MR RICHTER: The – would be possibly eight years, in one instance.

MR PURVIS-SMITH: Yes. Eight years and - - -

45

MR RICHTER: At least that. Eight years it's been, yes.

MR PURVIS-SMITH: And for the other one, is that more recent or longer?

MR RICHTER: Probably prior to then.

MR PURVIS-SMITH: Prior to then?

5 MR RICHTER: Yes, yes.

MR PURVIS-SMITH: So is it fair to say that for the last eight years there has been only one independent?

10 MR RICHTER: Correct.

MR PURVIS-SMITH: And the rest have been made up by the branded outlets?

MR RICHTER: That's right.

15

MR PURVIS-SMITH: Have you noticed a change – or any change in the type of outlets? Are they only selling fuel, or have they moved to a convenience store type model?

20 MR RICHTER: Generally they do have back-up in a smaller scale. Certainly nothing to compare with the supermarket chain lines, with Coles - - -

MR PURVIS-SMITH: Sorry, do you mean the supermarkets themselves, or do you mean that supermarket – the supermarket chains are now aligned with retail petrol outlets?

25

MR RICHTER: Yes. Correct.

MR PURVIS-SMITH: And how many of these retail – these grocery based retail outlets do you think there are in the Wagga Wagga region?

30

MR RICHTER: Initially there were the two, of course. Shell with the Coles alliance, and Caltex with the Woolworths. Of course, since then, a number of the other grocery chains have also tried to compete with them by the introduction of vouchers or alternative avenues of recouping some costs to match the major supermarket.

35

MR PURVIS-SMITH: In terms of the total number of outlets, how many would now be aligned with a grocery chain?

40

MR RICHTER: At least four, yes.

MR PURVIS-SMITH: At least - - -

45 MR RICHTER: Yes.

MR PURVIS-SMITH: So four retail outlets - - -

MR RICHTER: Correct.

MR PURVIS-SMITH: - - - out of – and I know – I think we were talking about a figure of 14 - - -

5

MR RICHTER: Correct.

MR PURVIS-SMITH: - - - retail outlets. So four of those are aligned with the grocery chains.

10

MR RICHTER: Yes. Correct. Yes.

MR PURVIS-SMITH: And which grocery chains; is it Woolworths and Coles?

15

MR RICHTER: Well, you have your IGA. The grocery chains, you mean?

MR PURVIS-SMITH: Yes.

20

MR RICHTER: Yes, yes. Your IGA of course, Franklins. They all issue docketts for a recoupment of the equivalent of the discounts that are offered by the Coles, Caltex - - -

25

MR PURVIS-SMITH: Okay. So of the 14, there are four outlets that are grocery chain aligned. What I'm trying to ascertain is how many each grocery chain has? Is there one Woolworths branded outlet, one Coles? Are there two Woolworths and two Coles?

MR RICHTER: No. There's only the one of each.

30

MR PURVIS-SMITH: One of each?

MR RICHTER: Correct. Yes.

35

MR PURVIS-SMITH: Now, you've mentioned shopper docketts and so on, do you believe that the shopper docket scheme has changed the fuel price in the region?

MR RICHTER: Oh, without a doubt.

40

MR PURVIS-SMITH: And pushed it up, or pushed it lower?

MR RICHTER: Well, just in recent times – Wagga has always been renowned for a very stable pricing structure with very, very little variation. Until the last 48 hours, we've seen an extraordinary – an extraordinary change of the circumstance.

45

MR PURVIS-SMITH: What has happened in the last 48 hours?

MR RICHTER: In the instance of one outlet – that is a Shell/Coles Express – their price of unleaded came down two cents per litre – that's unleaded – on Saturday

evening. Yesterday morning, the price of diesel rose by four cents a litre. I called at the site a little earlier asking why was this brought about, because the operators or the staff, they don't wish to comment. But, yes, without a doubt I believe – and I think the overwhelming majority would believe that it's had a – quite an impact –  
5 detrimental impact on the marketing.

MR PURVIS-SMITH: And you say this one outlet. Have you noticed that with any other outlets, or are they out on their own?

10 MR RICHTER: No. The others have also fallen. I've got newspaper articles there, of course. We're following it very, very closely. So the day the announcement was made that the inquiry was going to be held, there was a fall immediately. The following day it was reflected in the pump prices.

15 MR PURVIS-SMITH: And is this your own evidence that you're collecting, or is it anecdotal that you received through word of mouth through committee members, and so on?

MR RICHTER: Well, part of our role is watchdogs. We're forever watching, and  
20 I've had a particular interest in this for some decades, having been involved in the industry for some degree during the course of 50 years.

MR PURVIS-SMITH: So do your committee members take notes of the petrol price fluctuations and then report back in a central way?  
25

MR BROOKS: Well, could I just say on this that it would be impossible for us on the committee to keep a daily record of prices of all of these outputs, and this is part of the problem we've been up against from the start, and I would refer to the fact that we did invite the ACCC to come down and investigate these prices something around  
30 two years ago. At that stage, we thought we had all the anecdotal evidence sufficient to justify an inquiry by the Commission. At that time, the Commission had been carrying out investigations - indeed, for some years in Victoria - and were well aware of what was happening, and we have in fact read the legal documents - the contradictory legal documents which have emerged since that activity took place in  
35 Victoria.

And I think the problem that we experienced two years ago was that our evidence, based obviously on anecdotal information, could not possibly stand up in a court of law and that it would require a body such as the Commission which has powers we  
40 lacked, to find out comprehensively what is existing, not only at any point of time, but over the months and the years. The Commission, at the time, decided that there was not sufficient prima facie evidence to justify making a full-scale inquiry here, but we have no reason - we have no means of telling what that information was on which they based that action.

45 I think the thrust of, certainly, much of what was in the inquiry I sent last week was that, to an extent we're, with respect, beating the air by simply going around and collecting from the population bits and pieces of information about what they

experienced that morning, that afternoon, last week, or wherever in New South Wales. And that when the Commission itself, in its Victorian investigations, carried out such comprehensive investigations that I understand thousands of documents were collected, a mass of information was presented to the courts - and yet, despite  
5 all that, in the decision made by Grey J a few months ago, nothing was achieved other than substantial legal costs on behalf of the ACCC and the prospect of similar judicial decisions being taken in the future, no matter what the evidence is which is brought forward, based on current collecting methods. If I may speak a little further on this?

10

MR PURVIS-SMITH: Certainly.

MR BROOKS: As I say, a few months ago, in June - these are just press reports, and I can only go on those - I assume they're accurate, on 20 June it was announced  
15 that:

*The consumer watchdog says it will not appeal a Federal Court ruling clearing eight petrol retailers of price-fixing in the south-west Victorian market. The Federal Court, in May, dismissed the case which had been brought by the  
20 ACCC citing a lack of evidence. The Chairman, Mr Samuel, yesterday said -*

this is on 20 June -

*the watchdog had considered appealing the decision but conceded it did not  
25 have any alleged agreements or understandings where all the parties had admitted their involvement. This would mean the appeal court would have to find that the admitting parties were part of an agreement or understanding which had been found otherwise to not exist.*

30 And it went on to point out that the Geelong judgment, which I am referring to, turns upon the interpretation of the facts. What - and that was buried - that decision, at the appeal court level, apparently appeared in a 330 page judgment. Now, it is, with respect, difficult for voluntary organisations, such as ours, to wade through 330 pages of legal discussion, and we really have to urge that some different mechanism  
35 is used to identify just what is going on and, having identified it, have some chance of success in the courts. What - I think the thrust, certainly, of much of my own views on this, has been that we can collect all the information in the world. That will, clearly, on the evidence we now have from these recent judgments, not have any value whatsoever, if I may be quite blunt, unless we can find mechanisms of  
40 collecting information which will stand up in the courts.

Now, what I understand the ACCC does at the moment, is collect a certain amount of information at certain times on a sampling basis - and no doubt that's good - but it is clearly very ephemeral. What I have wondered is - and this is, I believe, the only  
45 way out of the impasse - why not have all the petrol outlets in Australia have, as a matter of requirement, the release of information that each of them has that morning about their petrol prices, and that if they alter those prices in the course of the day, or

the following day, or in the following week, they then also notify those prices to a central processor.

5 That central processor, it seems to me, would be comparable to, perhaps, the meteorological office's way of dealing with a vast amount of incoming information, and it will be able to map all that information by bowser operator, by town, by region, by state. It would be able to manipulate those figures statistically to show precisely what has been happening over a period of time, or in a particular location, or both. And I think, then, a motorist travelling on - I think there are two great  
10 advantages here. A motorist, travelling along the road, could look on his GPS, find out what are the prices at that moment in every bowser in the town he is approaching, and he can then choose to shop around, and that means he can exercise his right to act competitively, which he can't really do at the moment unless he travels around the whole city looking for the cheapest outlet.

15 The second advantage is that those, such as the Commission, if I may say so, who have the authority to intervene in such matters of price fixing, can then see at a glance, and can also follow through over time, what precisely has been happening. In that way we build up a statistical model - well, a statistical array of information  
20 which can, just say, show whether prices have been exactly the same, as we think they often have been in Wagga, to the nearest 10<sup>th</sup> of a cent per litre. If, then, we have that evidence collected on a systematic basis, it seems to me the courts can have at least no opportunity to say that the evidence is unsatisfactory or inadequate. The interpretation of the facts may be a different matter. That's where we get on to  
25 cartels versus collusion, versus price-gouging, versus price-fixing.

Now, we've been down this road in years past, and some of us have been involved in this for the last 20 years at least, and, frankly, there is no point in us going around just collecting evidence on our own amateur basis and expecting the Commission to  
30 be able to handle that very satisfactorily. It's unfair to ask of them. But we really believe we have to make a major breakthrough here in the way that I have, hopefully, outlined and I really seriously believe that this is an option which is now available under computer technology which was not available, perhaps, 10 years ago, and, certainly, if anything, the situation would improve in the future as we can more and  
35 more access and process information.

And the second, and the last point I would just like to make in terms of the submission I sent last week, is that if in fact Grey J determined that the evidence was not comprehensive, that there was simply coincident of activity in each of these  
40 bowsters and that, by itself, didn't indicate there was a predetermined attitude that everybody would follow suit, then it seems to me the only way the ACCC, with respect, can handle this, is by having power to tap phones. Unless we find out what actually is being said while these coincidences, strangely enough, occur, then, once again, we're simply saying, "Well, doesn't it look suspicious?" What we have to  
45 establish is that the suspicion is well founded in facts, and, therefore, the extra powers for the Commission, extra information, most of all, to give consumers an opportunity to behave in a genuinely competitive fashion, to pick and choose, is what is called for.

And, lastly, sir, what I think we, and that this region, are particularly conscious of, is that in the past year or two, we have gone through the most exceptional weather conditions and drought in our memory. There are huge instances of hardship being  
5 experienced here. We also depend very much upon large-scale movements of goods into and out of this region to survive. Everything hinges, in the latter respect, on the cost of fuel - not just petrol, but diesel as well. And while we accept that petrol prices are not likely to come down in the next 30 or 40 years - the very opposite - what we do not want to see maintained is the differential against this region  
10 compared to other areas in the country where we believe that differential has, in the past, acted in their interests.

MR PURVIS-SMITH: Now, can I ask you about that price differential, and there are two different aspects of that that I want to deal with today. One is the price  
15 differential between the regional centres, such as Wagga Wagga, and the metropolitan centres, such as Sydney, Canberra; capital cities. But I also want to ask you some questions in relation to some comments that have been made by Mr Richter, in particular, in relation to a price differential between Wagga Wagga and Albury. And if I can deal with the Wagga Wagga/Albury one first. Now - and I'm  
20 reading from a quote here, and please correct me if the quote is incorrect, but it says - and it was Mr Richter speaking:

*So blatant at the moment is the disparity between Wagga and Albury - I mean, 17 and 18 cents a litre, that's exceptional, and that has been a concern to us for  
25 so long.*

Now, what I want to focus on is that 17 or 18 cents a litre price differential. Now, the ACCC monitors prices, as has been mentioned, and we have not seen in the records that we have a price differential of that nature. Can you tell me how you  
30 came to those figures of 17 to 18 cents price differential between Wagga and Albury?

MR RICHTER: Personal contact. I do quite an amount of business in Albury. I've actually purchased fuel there myself from an independent outlet at 18 cents a litre  
35 less than what I was able to purchase fuel here in Wagga, 18 cents.

MR PURVIS-SMITH: Now, can I just stop you there. The 18 cents differential, was that between two individual outlets, or was that the best price you would achieve in Albury, as opposed to the best price that you could obtain in Wagga?  
40

MR RICHTER: It varied in Albury. I mean, that was the - certainly, the lesser price. It varied there from a difference of - disparity of - from four to six cents a litre in that range.

45 MR PURVIS-SMITH: So in Albury, there was a range between - - -

MR RICHTER: Correct.

MR PURVIS-SMITH: - - - between petrol prices?

MR RICHTER: Correct.

5 MR PURVIS-SMITH: And in Wagga Wagga at the same time?

MR RICHTER: It was just a uniform figure. A uniform figure. There was - I think the smaller independent was two cents a litre below the other outlets, so as I mention, there was just that consistent figure that the major - the alternative outlets were  
10 offering.

MR PURVIS-SMITH: So the 17 to 18 cents reflected the highest price in Wagga Wagga - - -

15 MR RICHTER: Yes.

MR PURVIS-SMITH: - - - and the lowest price in Albury?

MR RICHTER: Correct.

20

MR PURVIS-SMITH: But not necessarily the average of those prices?

MR RICHTER: Not necessarily so, no.

25 MR PURVIS-SMITH: I ask that because much of the data that we have is based on average prices, and I'm just interested in finding out that differential. Now, you say that was on an occasion when you were in Albury?

MR RICHTER: Correct.

30

MR PURVIS-SMITH: Was it a one-off occasion, or is this something that you see regularly?

MR RICHTER: I monitor it possibly on a bi-daily basis. The outlet I'm referring to  
35 here, we are in direct liaison with them. Two companies were independents with the view of having them establish here in Wagga, working closely with the Wagga City Council on this, to encourage their establishment in Wagga. And I just might - if I follow on from that, if I could, the Fuel Watch Committee, as I've described, representing various bodies, we would request the ACCC, through the chairman, to  
40 encourage and foster the growth of alternative independent fuel retailers in regional centres, such as Wagga Wagga, Griffith, Cootamundra, West Wyalong, and possibly beyond, thereby creating competition with the potential to nullify the impact of developing monopolies within the fuel industry.

45 MR PURVIS-SMITH: Okay. Can I - I just want to focus on these price differentials a little more. Have you noticed - and I note that you say that you're in regular contact and looking at it. Are you noticing any price cycles? Is fuel cheaper on a particular day of the week? Is it - and I understand that into Wagga Wagga,



your fuel is shipped by rail. Is fuel cheaper soon after the shipment arrives? Does it arrive every day? Have you noticed any cycles at all?

5 MR RICHTER: The majority of the fuel actually is freighted in by road. There is a proportion by rail from Sydney. The bulk of it actually comes in by road from Melbourne. Very rarely we see a variation, very rarely. I mean, as distinct from the metropolitan areas, where there is a cycle at the beginning of the week, Monday Tuesday, into Wednesday, possibly the right time to purchase fuel. But that's not typical here.

10 MR PURVIS-SMITH: So there's no - you don't notice any cycles?

MR RICHTER: Not necessarily.

15 MR PURVIS-SMITH: And that's week to week. Do you notice seasonal cycles?

MR RICHTER: not really.

20 MR PURVIS-SMITH: Okay.

MR RICHTER: Not really. Incidentally, Albury is somewhat not unlike the metropolitan areas, where they do have fluctuations there. There was a sizeable increase in the price generally in Albury last week, as I understand, in the order of 10 cents a litre. That was over several days. So they do have the variations there, not unlike metropolitan areas.

25 MR PURVIS-SMITH: If I can turn to the price differential between metropolitan centres, and by those, I'm talking about the capital cities, the large seaboard cities and the Albury, Wagga Wagga regions. In your experience, has there been a uniform price disparity, and if so, is it within a certain range? Is it five cents more expensive, 10 cents more expensive, or is it cheaper on occasion?

35 MR BROOKS: Well, I think it's been certainly consistent. I first became apparent of this personally in the late 1980s when I was president of the chamber of commerce in this area, and at that time, carried out some fairly tentative inquiries. I was aided and abetted by one of our colleagues, who was on the committee, initially, and Mr Ken McLeod, who published comprehensively in the paper, year after year - not, indeed, very frequently - giving information about the price differences which were occurring. And therefore, I have no reason to doubt that these consistent differences have existed for a long time. When we get down to trying to document this and check it, the difficulty I find is that the data which I use and which I refer to in my submission came from the Australian Automobile Association, and I got this off their website a week or two ago, and it covers the period in New South Wales from 1998 to the first seven months of 2007.

45 What it shows, if I understood it correctly, are the monthly figures, average figures, maximum figures, minimum figures, for each of the towns in New South Wales, and of course, including Sydney. And then on the basis, presumably, of those average -

of those maximum/minimum figures, they work out the difference between each of the towns and Sydney. The problem I find in using this sort of data is that once you start to average it in this fashion, you don't really know how long the maximum or minimum lasted, where it was based. Was this every bowser in Sydney, for example,  
5 being included in the survey? Statistically, really, I have to say I find it seriously flawed as a means of identifying what is really going on. But for what it's worth, it seemed to me it might be worth having a look at what it shows, and I have, in fact, submitted somewhere a graph indicating my calculations, hopefully correct, of the variations each year between Wagga and Sydney.

10 Now, these are all, sort of, averages of averages, and I'm sure it's open to a good deal of criticism, but it's the best, I suspect, one can do with the published figures. And what these show is, in fact, that the differential, if anything, has been increasing in the last three or four years between Sydney and Wagga on average. It's a bit sad  
15 to realise that during the very years when the Wagga Fuel Watchdog Committee has been in existence, we appear to have seen a widening, rather than a narrowing, of the gap, which isn't very flattering to us, I suppose. But I hasten to add that I believe the figures are only useful in putting together to show their limitations. In fact, they really don't show very much, and this is why I come back to my earlier point, I think  
20 we need a different way of data collection.

MR PURVIS-SMITH: If I can take to you to those figures that you mentioned - and I've got your submission in front of me and it says a differential of - or a difference  
25 of 5 cents per litre in 2004, 6 cents per litre in 2005, 6.5 in 2006, and 7.8 in the first seven months of 2007. And you then say that not only is the trend consistently upwards, it has now reached a figure two-and-a-half times greater than the 3 cents per litre differential due to transport costs. I'd like to ask you about, well, two aspects of that. I'd like you, if you can, to say why you think it has been increasing  
30 each year, whether it is due to transportation and infrastructure type costs, and then we'll come to this three cents per litre which you say is the transport costs.

MR BROOKS: I don't know why it's been increasing in the last three or four years. I think that's the plain answer. It seems - in fact, my problem with those figures is  
35 that as far as I can see the differential which was shown four or five years ago was a lot lower than what we were picking up anecdotally and, therefore, I have to have some doubts about the reliability of figures. But this, I suppose, is, in a sense, an unsatisfactory answer, I appreciate, because it simply means I don't know what the true situation was and that's - as far as the three cents a litre is concerned, this is a matter of considerable dispute, as I have discovered, but that's the figure which was  
40 given to us at a recent meeting held here in Wagga by BPs representative, who quoted a three cent differential as an appropriate figure to build into the cost pricing.

MR PURVIS-SMITH: And can I just ask you on that, was that irrespective of the  
45 distance transported?

MR BROOKS: Well, it was - it was the figure that was simply given as the amount which could be explained - I mean - - -

MR PURVIS-SMITH: For transport costs?

MR BROOKS: For transport costs. Whether these averaged out as a – I mean,  
5 principally, one would think it would be more expensive to take it 400 kilometres  
than 200 kilometres, but the figure we have to work with is three cents.

MR PURVIS-SMITH: And was the three cents – did that reflect the Wagga Wagga  
region - - -

10 MR BROOKS: Yes.

MR PURVIS-SMITH: - - - or was that him saying nationally this is what - - -

MR BROOKS: Well, he was here in Wagga speaking to that and, in fact, in trying  
15 to argue – and to an extent successfully – that there was bound to be some degree of  
difference between Wagga and Sydney. That’s the figure that was then published in  
the paper following - - -

MR PURVIS-SMITH: And BP, are they somebody who brings in by rail or by  
20 road?

MR BROOKS: I don’t know.

MR RICHTER: Actually by road, sir.  
25

MR PURVIS-SMITH: By road? Thank you. I would like to take you back to the  
wholesale market in Wagga Wagga and we’ve spoken about rail and road. You’ve  
given me some figures in relation to retail outlets and I would like to ask the same  
30 sort of questions in relation to wholesale. How many wholesale outlets are there in  
the Wagga Wagga region? It’s all right if you don’t know. There are other witnesses  
that we can ask.

MR RICHTER: Caltex is certainly the major one. Shell have a subsidiary. Much  
35 of the deliveries are direct from road from Melbourne to outlet sites.

MR PURVIS-SMITH: And are they generally carried in – from your observations  
are they generally carried in chain branded containers or is there an independent who  
transports the fuel from Melbourne?

MR RICHTER: In the case of Mobil, for instance, they use a contractor with their  
40 branded name on their equipment. BP, they use alternative transport from  
Melbourne, also with a branded insignia on their transport. Caltex, they have a large  
storage facility on the outskirts of Wagga.

45 MR PURVIS-SMITH: And that would be the largest storage facility?

MR RICHTER: Correct.

MR PURVIS-SMITH: And you mentioned that Shell was operating a storage facility. Is that correct?

5 MR RICHTER: They did have a depot here, which was closed down possibly two years ago, but they do have a transport company depot facility here on a smaller scale.

10 MR PURVIS-SMITH: And did you – from your recollection did you notice any difference in price once that Shell depot closed down?

MR RICHTER: Not significantly, no.

15 MR PURVIS-SMITH: If you would bear with me a moment. In terms of the number of retailers that there are in the Wagga Wagga region, do you believe that there is any – and I don't wish to place this too highly – do you believe that there is any collusion or discussion between those retailers in order to ensure the price or do you think it's more a situation where if a retailer comes down in price other retailers will follow?

20 MR RICHTER: It has been known – it was quoted to me quite recently by a reputable person in Wagga's possibly leading driving school – as an example, he was fuelling at an outlet. It happened to be a Shell outlet. And whilst he was fuelling they came up – came out and changed the price on the board. And he said, "Am I still getting this at the previous price?" And they said "Yes". He drove out from  
25 there, travelled along the highway and past the Caltex outlet just in time to see them changing their price. Travelled a little bit further along where there is a BP outlet, they had already changed their price. Mobil, a little bit further on again, were still on the previous figure. Three-quarters of an hour later that price had also changed. And that came from a very reputable person.

30 MR PURVIS-SMITH: And that's just one instance. Have you heard any other examples through your committee or anecdotally?

35 MR RICHTER: Apart from personal observations – generally this has happened, as I mentioned, in frequent unison. Proving it as – we've tried in the past when we had the inquiry, the investigation back in March/April 2005 – nigh impossible.

MR PURVIS-SMITH: Okay, thank you.

40 MR BROOKS: There was an occasion some years ago – and I'm sorry I can't give a precise date – when a then independent operator tried to take on the market here and offered prices which were very competitive and he was generally discovered -  
45 from the messages that certainly I received – that there was, in fact, a conspiracy to ensure that their prices were also kept down in order to impede the competition and that particular retailer didn't survive. I suppose what we have been picking up generally over the years is not so much the happy accident of being able to go along and see the prices as they are changing, but to go along and see the prices which are

so remarkably consistent. One either has to assume that the telephones have been busy or telepathy is alive and well.

5 MR RICHTER: Would it be appropriate to just question here on the criteria for this inquiry stipulated solely on unleaded petrol?

MR PURVIS-SMITH: That's correct.

10 MR RICHTER: I've had just so many calls as to why this does not include diesel.

MR PURVIS-SMITH: Well, the short answer – and the chairman may wish to weigh in here – the short answer is that they are the terms of reference that the Treasurer provided to the ACCC. We are certainly willing to hear from people if they believe that the terms of the inquiry are too narrow, that there may be a need in 15 the future at some stage to look into diesel and other pricing, but the terms of reference for this inquiry are very specific - - -

MR RICHTER: Yes, I realise that.

20 MR PURVIS-SMITH: - - - in relation to unleaded fuel.

MR RICHTER: Thank you. As my colleague mentioned here a little earlier, basically the whole of eastern inland Australia is facing a disastrous situation right now, as the chairman mentioned earlier flying in, seeing the tinge of green. That is 25 very much belying the situation as it is at the moment. We are facing – the rural community particularly – facing a disaster, failed crops and the huge impact that this is going to have on the local community – the proportion of diesel – and I was hoping to have had some figures to show the proportion of diesel used. Disregarding the rural consumers through the diesel pumps in Wagga, small businesses, your 30 joinery workshops, most of them operate diesel vehicles and that, in itself – when I saw the price this morning, 140.9 cents a litre, I fumed.

MR PURVIS-SMITH: I understand that. Can you tell me, in the Wagga Wagga region, in your opinion, retail customers - are they more unleaded petrol or do you 35 think more diesel is purchased in the Wagga Wagga region?

MR RICHTER: I believe the petrol certainly would be by far the larger proportion. But, I mean, the diesel usage is significant. It would have quite an impact.

40 MR PURVIS-SMITH: Okay, thank you. I've got a couple more questions and then I will hand over to the chairman, who, I understand, has some questions as well. Can you give the inquiry your views on where you see the local petrol industry going over the next couple of years? Do you believe that there will be a rationalisation of outlets? Do you think that there will be more outlets? How do you think it will go 45 over the next few years?

MR BROOKS: I think I used the term “duopoly” in my submission, and this brings us back to the implications of the vouchers being offered at Woolworths and Coles,

and I think all of us are well that people will naturally use those vouchers if they think that they're getting some advantage. I use them myself from time to time. But the implication for the other operators is pretty dire. It means quite clearly that the big - not just grocery, but the big stores, which have means of cost subsidisation at their disposal beyond the normal outlet - will face great difficulty as they find themselves unable to compete with what really is a subsidy being used to divert customers to a particular number of service stations.

Now, in the long run, one can only speculate, of course, but it seems to me, given the vast increase in the number of these outlets that Coles and Woolworths have generated in the last 10 years - and that's in the submission that the Commission, of course, has received - then there is a very real danger of a duopoly appearing. It's anyone's guess then when that duopoly has basically captured nearly all of the market, whether the vouchers will continue, and therefore I think we must face the prospect, in fact, of lessening competition, rather than increasing competition.

MR PURVIS-SMITH: Now, if I understand, Mr Richter, what you were saying earlier is that, at present, there is only one Woolworths-aligned outlet and one Coles-aligned outlet. Do you believe that - - -

MR.....: Two Woolworths.

THE CHAIRMAN: I think that was corrected, actually, Mr Purvis-Smith. I think you indicated - wasn't there - there was two Woolworths outlets, one Coles. Something like that.

MR PURVIS-SMITH: Do you believe that that is going to increase? Are there going to be more branded outlets - sorry, more aligned outlets?

MR RICHTER: It would be somewhat speculative, I believe.

MR PURVIS-SMITH: Thank you. Mr Chairman.

THE CHAIRMAN: Yes, I want to go back on four critical issues, if I can, and just see if we can tie down a bit more specifics, in terms of the information you're giving us, gentlemen. So, the areas I want to cover are the structure of the market here in Wagga Wagga; the issue of the shop-a-dockets, which is part of the structure of the market; the price differential between Albury and Wagga Wagga and perhaps Sydney and Wagga Wagga, but, more importantly, the Albury price differential; and then the issue of price fixing and the investigation that took place a couple of years ago. Just so we can tie down - because I was left a bit uncertain as to the structure of the market - I think you indicated that at the current time there are 14 outlets, retail outlets, in Wagga?

MR RICHTER: That's Wagga and surrounds. I mean, not specifically within the city proper.

THE CHAIRMAN: No, no, Wagga and surrounds.

MR RICHTER: Correct, yes.

THE CHAIRMAN: And of those outlets we have two Woolworths, one Coles - and can you give me a bit more detail as to the rest?

5

MR RICHTER: BP.

THE CHAIRMAN: So, one BP?

10 MR RICHTER: Two BP.

THE CHAIRMAN: Two BP.

MR RICHTER: Three Mobil.

15

THE CHAIRMAN: Three Mobil, yes.

MR RICHTER: And one Ampol, Caltex Ampol.

20 THE CHAIRMAN: And any others?

MR RICHTER: There are an additional three Shell - yes, an additional three Shell outlets.

25 THE CHAIRMAN: Three Shell, yes. That's - you've got one independent, I think you mentioned before, didn't you?

MR RICHTER: Correct.

30 THE CHAIRMAN: When you say "independent," that is, a service station that sells under a non-branded name; is that right?

MR RICHTER: Swift Petroleum.

35 THE CHAIRMAN: Swift. Good. I still think I'm one short, if I add up correctly. Thirteen. We're missing one. Anyone want to claim ownership of the missing site?

MR.....: .....

40 MR RICHTER: I believe it would be a Caltex, yes.

THE CHAIRMAN: Okay.

MR.....: Two Caltex.

45

THE CHAIRMAN: Two Caltex, right. Okay. Now, you've talked about independents, but, of course, there are two or three forms of independents as we are inquiring around the nation. There are those that trade under a non-branded name,

such as Swift you mentioned. There are those who trade under what we will call the independent chains, which is groups like Gull in Western Australia, United Petroleum, Matilda and the like. And then there are those who trade under the existing branded names, that is, the main brands of BP, Mobil, Caltex, Shell, but  
5 they're franchised sites or they're sites that are owned by independent - now, are you aware whether, and to what extent, any of these BP, Mobil, Caltex and Shell sites are owned or operated as franchises, albeit with branding that relates to the majors?

10 MR RICHTER: I believe two of them are operating as franchises.

THE CHAIRMAN: Which are they?

MR RICHTER: Caltex.

15 THE CHAIRMAN: Right. And the Shell sites?

MR.....: Two.

20 MR.....: Two as franchise.

MR RICHTER: Yes, it would be two. Correct.

THE CHAIRMAN: Okay. And Mobil?

25 MR RICHTER: Mobil - there are three outlets.

THE CHAIRMAN: Yes. Operated as franchises? And BP?

30 MR RICHTER: Yes, they are franchises.

THE CHAIRMAN: Are you aware if they're franchises or commission agents?

MR RICHTER: I'm uncertain on that one.

35 THE CHAIRMAN: Okay. The reason I mentioned that is because, of course, although these sites are branded by the majors, it would appear, if they're franchisees, that they're, in fact, all independent sites.

40 MR RICHTER: In a sense.

THE CHAIRMAN: Yes, but they don't operate under an independent name, such as Swift or whatever it might be.

45 MR RICHTER: No. Under the main brand name.

THE CHAIRMAN: In the context of these sites, we talked before about the shop-a-docket schemes, and clearly the two Woolworths sites are trading under the Woolworths shop-a-docket, and the one Coles site is trading under its shop-a-docket



scheme. And then you mentioned that - I think there were two other shop-a-docket arrangements - Franklins and IGA?

MR RICHTER: Correct.

5

THE CHAIRMAN: And which sites do they apply to?

MR RICHTER: They - if I were to purchase fuel - - -

10 THE CHAIRMAN: They would be reverse shop-a-dockets?

MR RICHTER: Yes, correct.

COMMISSIONER KING: So they work on fuel receipts from any petrol outlet?

15

MR RICHTER: Correct. That's correct.

THE CHAIRMAN: And those schemes have been in operation since what date?

20

MR RICHTER: Quite - the most recent, I believe, in the case - another one also now is FoodWorks. They are also looking at implementing, if they have not already done so. I'm not clear on that.

THE CHAIRMAN: But the Franklins/IGA ones have been operating for how long?

25

MR RICHTER: For some time now, yes. Possibly within the last couple of years.

THE CHAIRMAN: Right. And have they proved to be successful? Are they being used?

30

MR RICHTER: Well, two - yes, people take advantage of them.

THE CHAIRMAN: Are they as successful as the Coles or Woolworths - this is - I mean, they're purely anecdotal at the moment, because you probably won't have that information.

35

MR RICHTER: No, I couldn't really comment.

THE CHAIRMAN: Okay. Are there any other schemes operating? Does, for example, BP have a scheme that relates to its convenience stores? In some of the metropolitan areas they have a scheme that relates to their convenience stores and, I think, a Master Card. Do they have that operating in Wagga?

40

MR RICHTER: Certainly the card aspect, yes.

45

THE CHAIRMAN: And that offers a discount off the petrol price if you use the Master Card?

MR RICHTER: Yes, correct. Certainly in the case with Caltex, I'm aware of, and Mobil.

5 THE CHAIRMAN: So they all have discounts off petrol if you - - -

MR RICHTER: Have your card, yes.

10 THE CHAIRMAN: - - - have your card. Okay. You talked of, I think, about eight years ago or more, two independent sites disappeared. What brand were they trading under? Swift or something else?

MS.....: Jolly Roger, was one.

15 THE CHAIRMAN: I should swear in everyone, I think, here. Okay.

MR.....: .....

MR.....: Sorry, which was the other one?

20 MR.....: Amaco.

25 THE CHAIRMAN: Okay. There is something I forgot to ask you, when looking at some of these brands, the BP, the Mobile, Caltex and the like, are any of those operated by the same parties? In other words, are the two Caltex sites operated by the same owner, or under a mini chain, or the three Mobile sites?

MR RICHTER: I believe in the case of Caltex, that would be so.

30 THE CHAIRMAN: And Mobile, BP, Shell? Are they all separate independent owners, or are they - - -

MR RICHTER: To the best of my knowledge, Shell would be separate.

35 THE CHAIRMAN: And Mobil, BP?

MR RICHTER: I believe the same would apply there.

THE CHAIRMAN: Sorry?

40 MR.....: Mobile is Power Petroleum.

THE CHAIRMAN: Power – so that's a mini chain. All three of them?

45 MR.....: .....

THE CHAIRMAN: Okay. Now, does that go for all – is that for all three of the ones that we think are franchised?

MR.....: .....

COMMISSIONER KING: Sorry, just if I can butt in for a second? Just the third –  
5 we have got two Shell under franchise. The third Shell, is that just associated with  
the depot, or is that a stand along site?

MR RICHTER: Yes. Well, well that does incorporate a transport company.

10 COMMISSIONER KING: Okay.

MR RICHTER: That have their – yes.

COMMISSIONER KING: So it's - - -

15 MR RICHTER: Fuel outlet.

COMMISSIONER KING: So when you were talking about the remaining Shell  
depot, associated with the transport company, that's also the company owned site?

20 MR RICHTER: That's correct.

COMMISSIONER KING: Okay.

25 MR RICHTER: I beg your pardon, no. That's a privately owned site, I understand.

COMMISSIONER KING: Oh, okay.

MR RICHTER: Sorry.

30 COMMISSIONER KING: Okay.

MR.....: .....

35 COMMISSIONER KING: Okay.

THE CHAIRMAN: Now, you talked about the closure of these two independent  
sites, I think, Jolly Roger and Amaco. That was eight or more years ago, I think you  
indicated?

40 MR RICHTER: Yes.

THE CHAIRMAN: Have there been any other closures of any sites since then?

45 MR RICHTER: Certainly, we had one which was operating as an independent,  
under the BP flag. And another, also, under a Mobil - - -

THE CHAIRMAN: When did they close?

MR RICHTER: The BP site – the independent franchisee was closed early last year, I believe.

THE CHAIRMAN: All right. And Mobil?

5

MR RICHTER: The Mobil Cherrywood service station, during the early part of last year, likewise, I understand.

THE CHAIRMAN: Okay. These sites that are closed – so we have got two independent, then the BP and Mobil? How many pumps, what size?

10

MR.....: Cherrywood had four.

THE CHAIRMAN: Right. That's the Mobil one. BP?

15

MR RICHTER: Yes. They had pumps of all four grades of fuel, of course.

THE CHAIRMAN: Sorry, they?

MR RICHTER: Silver Light Service Station, as it was known.

20

MR.....: Four pumps.

THE CHAIRMAN: Four. Yes. And the two independents, that closed eight or more years ago?

25

MR RICHTER: That was the one of Jolly Roger.

MR.....: That one had four.

30

THE CHAIRMAN: Four. Yes. And Amaco?

MR.....: Four.

THE CHAIRMAN: And just to get a – sorry – a bit of sense. There is a reason why I'm asking these questions, which I hope will become clear a bit later. When we look at the service stations that are now remaining, generally, can you give me an idea of the profile of those service stations? How many pumps do they have? Four, or more – eight?

35  
40

MS HULL: About six, because there are others that are closed. Seven?

THE CHAIRMAN: All right. Well, Ms Hull, I think we are probably going to hear from you later, so I will get some of those details from you. All right. So – and in terms of convenience store facilities, can you give me, again, a bit of a profile on those?

45

MR RICHTER: I'm sorry, I lost track there.

THE CHAIRMAN: I'm saying, convenience store facilities. I am trying to get a nature of the style of the sites that we have left. Just their broad profile, are they large sites, small sites?

5 MR.....: .....

THE CHAIRMAN: Right. So that's – we're talking 10 pumps.

10 COMMISSIONER KING: That's one of the franchises, is it?

MR.....: .....

COMMISSIONER KING: Oh, the big one, Coles one. Thank you.

15 MR RICHTER: Coles Express.

THE CHAIRMAN: All right. So 10 pumps.

20 MR RICHTER: The Shell Coles has eight.

THE CHAIRMAN: Perhaps, rather than guessing some of these, it would be helpful if you could, perhaps, give us that in writing.

25 MR RICHTER: Correct, yes.

THE CHAIRMAN: After this hearing, it would be useful to have that. Now - - -

MR.....: Excuse me, Mr Chairman?

30 THE CHAIRMAN: Yes.

MR.....: Mrs Hull might tell you this, but there was a major service station attached to the Shell depot, that closed at the same time.

35 THE CHAIRMAN: Thank you.

MR.....: The reason that was closed, was because Coles didn't want another Shell outlet in town.

40 THE CHAIRMAN: Now, I just want to, now, have a bit of a look at the issue of the price differential. And Mr Purvis-Smith just asked a few questions – I am just trying to reconcile the information you have given us, with the data that we get from our own fuel monitoring processes. If we were to take – let's just take the  
45 Albury/Wagga Wagga price differential, and you have talked of differences of 17, 18 – and I think in one commentary, it referred to about a 20 cent differential. And I think I've got a note here, of a reference to a 20 cent differential. And I'm just trying to understand the numbers that you have got there, and I think you indicated to Mr Purvis-Smith, that that difference was – or related to a comparison that was made, I

assume, on a particular day or days, between a price at a particular service station at Albury, and the prices generally being charged across the Wagga Wagga area, on the basis that there is not a lot of differential - - -

5 MR RICHTER: Correct.

THE CHAIRMAN: - - - in the prices. When was that comparison made? Just which month will do?

10 MR RICHTER: During May.

THE CHAIRMAN: May.

15 MR RICHTER: During May. As I mentioned there, I have had regular discussion with the independent outlet in Albury, and getting updates on their prices. Their prices down there, particular with the one independent, was consistent over some weeks.

THE CHAIRMAN: Sorry, consistent?

20

MR RICHTER: Price.

THE CHAIRMAN: Yes. Of – sorry, a consistent price, but a consistent price differential?

25

MR RICHTER: Oh, yes. Yes.

THE CHAIRMAN: Of?

30 MR RICHTER: Below Wagga.

THE CHAIRMAN: Below Wagga of?

MR RICHTER: Yes. Yes. 14 or 15 cents a litre.

35

40 THE CHAIRMAN: 14 or 15 cents. Yes. The difficulty I am having is this, and this is why I am just trying to get to the bottom of these numbers, is that the information that we have from groups that conduct a wide ranging, if you like, pricing analysis of Wagga Wagga and Albury prices, indicates that in the month of May, the average difference – and I say – I take a monthly average, because that's the basis on what it is worked – but the average – the monthly average difference was, in May '07, 3.4 cents. Now, that would suggest that there may well have been a day, or more, at which the price difference was 17 or 18 cents, but that would probably also indicate that, in order to get an average of 3.4, that there would have had to have been days  
45 where, in fact, the price difference was the other way around, just to average it out to the correct level. I am just trying to understand - - -

MR RICHTER: Yes. Yes.

THE CHAIRMAN: - - - how we have got such a disparity.

MR.....: .....

5 THE CHAIRMAN: All right. Well, we will need to do some checking on these numbers.

10 COMMISSIONER KING: Just on that, can you remember the day of the week that this difference occurred? And the reason why I am asking is there is a cycle in Albury, we have evidence provided elsewhere, around Australia, that the bottom of the cycle sometimes involves pricing that is very low, and some parties have claimed, below relevant levels of cost.

15 MR RICHTER: Yes.

COMMISSIONER KING: So I am just wondering if that 18 cents may be partly explained, as Albury being at the bottom of the cycle; there, of course, being no cycle in Wagga.

20 MR RICHTER: You couldn't really gauge that. I mean, these were from the independents. As I mentioned, the period of time that I was aware that they kept that price firm, for a period of almost two weeks. So there was not a particular cycle at the beginning of the week or the end of the week, no.

25 COMMISSIONER KING: Okay.

THE CHAIRMAN: You made reference to the suggestion of price fixing, and price collusion. By the way, as we get into some of these areas, could I just, as a matter of caution, just indicate that those who are providing comments from the back of the room, just need to be aware, that if you haven't been sworn in to give evidence, and you make a comment that is defamatory, you are not immune. That's not to suggest you shouldn't make comments, it's just to give you some free legal advice, that you are not immune from defamation, whereas the witnesses, who are giving evidence, are immune. So they can say what they like, but you just need to be a bit cautious if you make a comment. Right, so let's proceed. You were talking about the price movements. And the scenario you provided is not an uncommon one throughout the rest of Australia in the metropolitan areas, particularly where you have price cycles, where one party will move a price down and then, within a very short period of time, prices will be moved down to follow it. And sometimes there will be parties who don't move the price down, they will take a lateral position, that they're going to hold the price firm and not move the price down. The example you were giving, I think you gave an example of having visited a particular petrol station and the price was moved down as you were filling up, or you were providing a commentary that someone had indicated to you.

45 MR RICHTER: Yes.

THE CHAIRMAN: Was the price moving up or down at that point in time?

MR RICHTER: It was increasing.

THE CHAIRMAN: And then, following on that, you noticed that other service stations tended to increase - - -

5

MR RICHTER: Run it off.

THE CHAIRMAN: Yes.

10 MR RICHTER: To a uniform price.

THE CHAIRMAN: Okay. And do you see it moving the other way as well? Down?

15 MR RICHTER: The trend for a reduction in price has always been of a concern where there's been in the oil price of crude, for instance, within a short space of time it's reflected in the price in the local market. If there's been a drop in the decline in prices and so forth, the length of time – I did have the chronological figures in my briefcase over there – we've kept close figures on spans of time. Generally, if there's  
20 been a price increase in the price of crude – the Australian dollar has an impact of course – within four to five days, that's been reflected in the price of the pumps here. In reverse, it's show to be 16 to 18 days before that's reflected back in a decline.

25 THE CHAIRMAN: Okay. I mean, these are some of the issues we're examining as part of the inquiry - - -

MR RICHTER: Correct.

30 THE CHAIRMAN: - - - so I won't enter into a, sort of, discussion with you on that and we have some very detailed statistical information on movements in prices relative to the movements in both crude oil and refined petrol prices. We will be dealing with that as part of the inquiry. You've talked about various closures and I note that there was a comment made from the back of the room that one site closed as it was a site attached to the Shell depot. A decision was made that because Coles  
35 didn't want to have another site in town. And I just wanted to get a bit of an indication about what has occurred over the past three or four years since the shop-a-dockets have been in town. And I think there are two things that have come out at the moment, one is Coles and Woolworths have introduced their shop-a-docket schemes and the second is that other service station outlets have introduced their own  
40 schemes, as have supermarket chains produced their own schemes. But had there been any more significant closures of sites as a result – or not as a result of – but since the shop-a-dockets came into place, which is 2003/04?

45 MR RICHTER: I wouldn't believe within the last two to three years, no. Certainly, outside of Wagga, I mean, we cover quite a lot of area, south to Henty. Here to over ..... Wagga and Albury, sites have closed.

COMMISSIONER MARTIN: That's the BP and the Mobil?



MR RICHTER: It was a Caltex.

THE CHAIRMAN: Is there anything – you’ve expressed a concern – I’m not suggesting a forecast – that Coles and Woolworths might become a duopoly – and  
5 let’s just focus on the Wagga Wagga area. Have you got anything to provide some support for that proposition? I just want to test it a bit more just to see on what you’re basing – I think Dr Brooks proposed that that might occur.

MR BROOKS: I don’t think there’s evidence in the last two or three years to  
10 support any trend in that direction, as yet. One merely has to make the point that all of this – and its recent chairman’s address only a week or two ago indicating a very substantial program of expansion. They are very powerful companies and very successful companies and all credit to them but, the fact is that they are in a very strong position should they choose to change the shop-a-docket rules. I mean, at the  
15 moment, it’s possible to get a doubling of the amount allowable, from 4 cents to 8 cents, if one buys a very minimal amount in the shop attached to the station. There’s no reason at all, in principle – and again, this is speculative of course – there’s no reason why the 4 cents shouldn’t become 8, indeed it has, on occasions, gone up considerably more for short periods of time. So that there is always that potential, it  
20 seems to me that, once this principle is introduced of cross-subsidisation, basically, then the implications for those who cannot draw upon such resources could be fairly bleak.

THE CHAIRMAN: Would you – if the ACCC had the power to do so, would you  
25 like to see the shop-a-dockets, that is all the discount schemes, banned?

MR BROOKS: Well, I couldn’t speak on behalf of the committee but I personally believe that it would be a good thing in terms of the long-term security of  
30 competition.

THE CHAIRMAN: Okay.

COMMISSIONER KING: Just a couple of issues, firstly, just on page 3 of the  
35 submission, just a clarifying issue. You’re talking, there, about Wagga versus Sydney and you say – and this was referred to before by Mr Trevor Smith – “Created a 3 cent per litre differential due to transport cost.” Is that transport cost – that’s the Sydney-Wagga transport costs?

MR BROOKS: Well, that, as I indicated earlier, is what we’re beginning to  
40 understand was applicable to Wagga.

COMMISSIONER KING: I mean, presumably, when we’re thinking of a  
45 differential between Albury and Wagga, do you have any feel for what the transport costs would be between Albury and Wagga.

MR RICHTER: I know the road transport cost Melbourne to Wagga is just on the 3 cents, just marginally over 3 cents per litre.

COMMISSIONER KING: So it may be a little bit less to Albury?

MR RICHTER: It would be marginally less.

5 COMMISSIONER KING: The second point, just – obviously if there’s price  
differentials, that can occur due to a number of factors at different stages of the  
chain. Now, we talked a fair bit about retail and I think if we add up, sort of, a  
number of owners of retail sites around the Wagga region, we’re probably looking at  
10 nine separate owners. At the wholesale level, however, as I understand it, you’ve,  
sort of, got – if I can call it – one and a half depots at the moment, the large Caltex  
depot and the Shell depot which is associated with a transport company. Do you  
know how many depots are in Albury or how many large depots are in Albury? If  
you don’t, then, that’s just something we’ll have to get from other sources.

15 MR RICHTER: I couldn’t really clarify that positively.

MR .....: There’s actually none in the Albury or Wodonga.

COMMISSIONER KING: Across the border? No, that’s fine. Do you know how  
20 many there are in Wodonga?

MR .....: There’s an Ampol and Caltex and Shell only .....

COMMISSIONER KING: Is the Ampol and Caltex one depot?  
25

MR .....: Well, it used to be two.

COMMISSIONER KING: Okay. But - - -

30 MR .....: And there’s a BP but that was ..... at that depot.

COMMISSIONER KING: So it’s possible in the Albury-Wodonga region - - -

MR .....: There could be more than that.  
35

COMMISSIONER KING: There could be more – somewhere between two and  
four. And the other thing that’s been put to us and I would like your view on this,  
when you point out these regional differences – and I should point out, firstly, that  
Wagga is not unique, we’ve received some excellent data, actually, particularly from  
40 Queensland where there are some quite interesting anomalies where there seem to be  
negative transport costs – so at least, as you transport further here it, at least, seems  
that the price is higher although that doesn’t benefit Wagga obviously. When we  
raise these issues, it seems to be that the immediate response is, “Well, it depends on  
competition on the one hand, wholesale and retail, and traffic volumes on the other.”  
45 And, of course, my immediate reaction as an outside looking at Albury, it is Albury-  
Wodonga sitting on the Hume Highway, it hasn’t got its by-pass yet. It would  
presumably - - -

MR BROOKS: It has now.

COMMISSIONER KING: Have they opened the by-pass? When did they open that?

5

MR RICHTER: It was two months, ago.

COMMISSIONER KING: Well, I haven't driven up the Hume for a while – all right.

10

THE CHAIRMAN: Well, that kills that hypothesis.

COMMISSIONER KING: Well, okay, the question I'm interested in though is; to what degree does traffic volume affect the level of prices? In other words, if you've got a number of pumps or a number of service stations, and they're operating on a lower volume here, they've still got to cover their capital costs. If you've got - if you go to Albury Wodonga, and you've got petrol stations there, but liable to have higher throughput, then they're still covering the same capital costs, and that means that they can do it at a lower price; so I was wondering if you had any comments about that, because that is a common position put to us.

15  
20

MR BROOKS: Well, I mean, that's the thing about the model, there is no doubt that that is entirely possible. It is also possible that the extent to which the particular operator relies upon non-petrol sales in order to maintain overall profits matters, and I noticed that a number of the submissions have made these points quite cogently. The fact remains, as we see it, that the differential here has been so consistently un-uniformly higher than what we were getting as the current figures from Sydney, that these factors alone couldn't possibly explain the discrepancies. I mean, one of the interesting things, to me, is that in all the years that we have, either as a committee or individually, been interested in these matters, we've never really seen any count availing arguments put forward by those who are responsible for these prices. It seems that always we're riding up the castle, you know, and waving our swords around, and banging on the door, but the people inside keep remarkably quiet about all this. We don't see strong, detailed arguments to justify the differences that do occur. They happen, there's an outburst from the public, and then, basically, the onus is on us to prove what we're saying. It never seems to be that onus is on the other side, to prove that what they're doing is legitimate, and can be explained by the sorts of factors you just touched upon.

25

30

35

COMMISSIONER KING: Just a final point that I want to touch on. You talk, in your submission, quite extensively, and you've, again, referred to it here, about the possibility of providing information, and you refer to the fact that that information can have two effects: one is if there is any illegal activity, the information will help shed light on it, albeit circumstantial; the second part is that obviously consumers then can use the information to get the cheaper prices. Now, I was wondering if you had any familiarity with a scheme that operates in Western Australia called Fuel Watch, or if you've heard of that?

40  
45

MR BROOKS: I've heard it.

MR RICHTER: Heard of it. Yes.

5 COMMISSIONER KING: Do you know the details of that scheme at all?

MR BROOKS: No. Not particularly.

10 COMMISSIONER KING: So you couldn't comment on your views on that scheme?

MR BROOKS: No. I've read about it, and there is a good deal of enthusiasm about it, but I don't know the - I don't know the details.

15 COMMISSIONER KING: Okay. That's all I wondered.

MR RICHTER: Could I just follow up, if I may?

20 COMMISSIONER KING: Yes.

MR RICHTER: You mentioned traffic flow, volume and what have you.

COMMISSIONER KING: Yes.

25 MR RICHTER: In my hand-up here, I mention here:

30 *The city of Wagga is a pivotal point in the east-west north-south road corridor, Melbourne, Brisbane, Adelaide, Sydney. We have a major university, two defence establishments here. The volume of traffic through or past the vicinity of the Shell Caltex Service Stations is massive.*

We've had traffic counts, the Wagga City Council and the RTA have provided us with traffic counts; volume of traffic. It is huge. It is huge.

35 COMMISSIONER KING: But I guess you're not able to compare that to Albury, I guess, is the key - - -

MR RICHTER: No, no, no.

40 COMMISSIONER KING: - - - issue.

45 MR RICHTER: No. I do make mention there, of course, since the opening of the bypass, there has been an increasing volume of traffic travelling east - I mean, north, south and vice-versa, as distinct from the original, normal route via the Newell Highway.

COMMISSIONER KING: Yes. It will be interesting to see how some of those service stations in Albury are going, actually.

MR RICHTER: Well, I do know for a fact it has impacted on them; no doubt about that.

MR BROOKS: Made a huge impact.

5

COMMISSIONER MARTIN: I just wanted to confirm what you were saying, at the wholesale level, you were suggesting, I think, given the closers of the depots, that most of the deliveries are direct to the retailers now? Like, they're mainly from Melbourne - - -

10

MR RICHTER: Yes.

COMMISSIONER MARTIN: - - - by tanker.

15

MR RICHTER: That is correct.

COMMISSIONER MARTIN: And there is some deliveries from the New South Wales end, by rail - - -

20

MR RICHTER: Yes.

COMMISSIONER MARTIN: - - - to the depots.

25

MR RICHTER: That is correct. I might just add there was another depot closed quite recently; the Shell depot at Griffith. Significant centre, Griffith, and to have that Shell depot close, that has had - - -

30

COMMISSIONER MARTIN: And what do you see is the impact of a depot closing, as opposed to direct, sort of, just-in-time, delivery?

MR RICHTER: Obviously the economics come into it, as far as the companies themselves are concerned.

35

COMMISSIONER MARTIN: Yes.

MR RICHTER: I know full well, the delivery aspect of it here, having a son involved in the industry, in the ..... aspect, and a lot of their deliveries come up - the tankers come through from Melbourne, and a lot of the delivery goes straight off the tanker, then into the - onto the sites, and I guess that would be fairly uniform with BP, as well as Shell.

40

COMMISSIONER MARTIN: But I think your other evidence was that the majors, for instance, when these things are raised, don't come out and explain what they're doing, is that what you're saying? They're not explaining what these economics are and what the implications are for a region like this?

45

MR RICHTER: Yes. That's quite true. Mention was made of the gentleman from BP. That was brought about through the initiative of our local member, Kay Hull,

when this gentleman came down to try and explain to us the statistics, whatever, of fuel pricings and what have you; a lot of what he put to us was - - -

COMMISSIONER MARTIN: This was the BP - - -

5

MR RICHTER: Correct, yes; was somewhat irrelevant to circumstances here in Wagga. At least it gave us some background, you might say, as to the perception of how they go about their pricing structure. It's difficult.

10 THE CHAIRMAN: All right. Gentlemen, did you want to add anything more to what you've already put to us that might be new at all, or - because I'm anxious to allow some of the other witnesses - - -

MR RICHTER: Sure.

15

THE CHAIRMAN: - - - ample opportunity to present their cases.

MR RICHTER: I did mention there earlier that I do have a raft of information over there. A lot of it was through our local commerce, newspaper, stories and what have you, which substantiate practically all we've put forward. Would be opportunity you mentioned, Mr Chairman - to provide this information at some stage?

20

THE CHAIRMAN: That would be helpful. If you could give that to Mr Martin at the back there, and that would be very helpful, and we'll take that with us.

25

MR RICHTER: Thank you.

THE CHAIRMAN: Thank you. Thanks very much. That's Mr Richter. Thanks Dr Brooks.

30

**<THE WITNESSES WITHDREW**

**[1.29 pm]**

35 MR P. KNOX: Excuse me, Mr Chairman?

THE CHAIRMAN: Yes?

MR KNOX: I'm Peter Knox, I'm the Labor candidate for Riverina. I must apologise, I was a little late. I was here earlier, but because I had to come a long way, I did go down and have a cup of coffee, and I was about a minute late, but I did have a submission which I brought with me.

40

THE CHAIRMAN: Right. Well, if you'd like to give that to Mr Martin as well. That would be helpful, thank you. Yes, sir?

45

MR .....: When you were talking about depots, can I just add something else? To the best of my knowledge, what I've told been told, there's already a Shell depot in Dubbo and the Shell Depot in Broome. Now, has either one of them gone?

5 THE CHAIRMAN: Thank you. Now, I want to now call to the table the representatives of the New South Wales Farmers Association, Mr Forsythe and Barbara Johnston. And if you wouldn't mind, just stating again for the record, your name and position with the Association?

10 MR A. FORSYTH: Andrew Forsyth, Secretary for Region 10, Wagga City - Wagga Council.

MS B. JOHNSTON: Barbara Johnston. I'm the Vice-President - or Vice-Chairman of the New South Wales Farmers Region Town.

15 THE CHAIRMAN: Thank you. Now, I think you heard me before talk about the alternatives of providing evidence under oath or affirmation. Do you wish to provide under oath or - - -

20 MR FORSYTH: Yes.

THE CHAIRMAN: All right.

25 <ANDREW FORSYTH, SWORN [1.31 pm]

THE CHAIRMAN: Thank you. Ms Johnston?

30 <BARBARA JOHNSTON, SWORN [1.31 pm]

THE CHAIRMAN: Thank you. Mr Purvis-Smith?

35 <EXAMINATION-IN-CHIEF BY MR PURVIS-SMITH [1.31 pm]

40 MR PURVIS-SMITH: Thank you, Mr Samuel.

Mr Forsyth and Ms Johnston, the inquiry has received a copy of your written submission, and that's a submission that we received on 30 August 2007. I'll take you to that statement, and we'll go through a few of the issue in there. Is there  
45 anything you wish to add to that statement at this stage?

MR FORSYTH: No.

MR PURVIS-SMITH: Okay. Can I just ask you to provide some back on the – I think you said, division X; is that right?

MR FORSYTH: Yes.

5

MR PURVIS-SMITH: Division 10 of the New South Wales Farmers Association Wagga Wagga District Council. Can you give a bit of background to that? Who your members are, how many members you've got, that sort of information, just in rough figures? It's just so we get an idea of who it is that you're representing here today.

10

MR FORSYTH: It would be unfair for me to comment at present, because I've only just come in to this position as of our last meeting. So - - -

15

MR PURVIS-SMITH: That's okay. Ms Johnston, have you got any idea how many members you would represent?

MS JOHNSTON: No, not really. But there's about an average at our meetings, which are held in Wagga – what would there be; 12, 15?

20

MR FORSYTH: About 15 - - -

MS JOHNSTON: About 15 - - -

25

MR FORSYTH: - - - active members.

MS JOHNSTON: - - - active members that attend the meetings.

MR PURVIS-SMITH: And are they local rural producers or - - -

30

MR FORSYTH: Certainly.

MS JOHNSTON: Yes, yes. Certainly. And they cover an area around Wagga.

35

MR PURVIS-SMITH: Okay. And I'll just repeat what you may have heard earlier today, that this inquiry is about unleaded petrol. I understand that there's probably a fair bit of diesel being consumed.

MS JOHNSTON: Yes.

40

MR PURVIS-SMITH: And I've also taken into account what is in your written submission. Today we will be dealing with unleaded petrol, but if there is something that you wish to raise in relation to diesel fuel, perhaps the need for a future inquiry, or something like that, we'll come to that at the end. How long has the District Council been in existence?

45

MR FORSYTH: I think '67 we came from the Graziers Association.



MR PURVIS-SMITH: Okay. So - - -

MR FORSYTH: Well, we amalgamated.

5 MR PURVIS-SMITH: All right.

MR FORSYTH: It's been an amalgamation of all the different - - -

10 MR PURVIS-SMITH: And have both of you lived in the Wagga Wagga region for a considerable amount of time?

MS JOHNSTON: Yes.

15 MR PURVIS-SMITH: How long in your case, Ms Johnston?

MS JOHNSTON: I've been in the Wagga area – perhaps I'm giving my age away, aren't I?

20 MR PURVIS-SMITH: You don't need to. Rough figures is fine. What I'm trying to get at is whether you're knowledgeable about the retail fuel market and the wholesale fuel market in the area?

25 MS JOHNSTON: Yes. For – well, on the particular farm that I live on, it's over 40 years.

MR PURVIS-SMITH: Thank you.

MR FORSYTH: Well, it's very – in excess of 30 years.

30 MR PURVIS-SMITH: Thank you. And I presume that as well as representing some members here today, you're also consumers of fuel products?

MR FORSYTH: Yes.

35 MR PURVIS-SMITH: In a city based, or in a country based rural area?

MS JOHNSTON: Country based, yes.

40 MR FORSYTH: Yes.

MR PURVIS-SMITH: Country based. All right. Thank you. And do you come to Wagga Wagga to buy your fuel, or do you have it delivered to the properties that you live on?

45 MS JOHNSTON: Both.

MR FORSYTH: It's a matter of where you run out of fuel.

MR PURVIS-SMITH: Okay. Thank you.

MR FORSYTH: Distribution is a big issue for rural producers, like - - -

5 MR PURVIS-SMITH: Okay.

MR FORSYTH: - - - if we lose our distributors - - -

10 MR PURVIS-SMITH: All right. That's what I'd like to move on to. Can you just give me to start with, your general observations about the wholesale market in the Wagga Wagga region, and by that I mean the distributors of fuel products?

15 MR FORSYTH: Well, at present, we have two distributors. We have Shell and Mobil who are current distributors in our region. And it appears that they may be changing the agreement by which they deliver fuel. In our submission we have said that there's to be minimum delivery of 5000 litres of either petrol or diesel, which is quite a considerable outlay to a farmer to put that much fuel away.

20 MR PURVIS-SMITH: Do you believe that the majority of your members currently have the facilities to store 5000 litres of fuel on their properties?

MR FORSYTH: No.

25 MR PURVIS-SMITH: So if they don't have those facilities, do they need to purchase those facilities, or will they need to come into town in order to buy their unleaded petrol?

30 MR FORSYTH: It makes a mockery of recent years under OH&S. The distributors have come around and inspected our facilities and they have all been brought up to standard to comply with OH&S for fuel distribution. To now have these facilities now condemned for lack of size is ridiculous.

MR PURVIS-SMITH: So these are facilities that are on the properties?

35 MR FORSYTH: Yes.

MR PURVIS-SMITH: And am I – is it safe for me to assume that the majority of these facilities are less than the 5000 litre minimum that is being imposed?

40 MR FORSYTH: It's regional. Grazing areas, yes. Cropping areas, greater.

MR PURVIS-SMITH: And would those fuel facilities, would they be unleaded fuel, or diesel, or a mix?

45 MR FORSYTH: Diesel is the predominant fuel storage, but petrol is still required for small motors.

MR PURVIS-SMITH: Okay. And I understand from the submission and the 5000 litre minimum requirement that that's in relation to fuel products generally, so is it correct to say that if somebody was to require – let me rephrase that. What they are – well, I'll specifically refer to it. What you've put into your submission is a letter  
5 dated 18 July from the Shell company which says:

*Shell is introducing a minimum order quantity of 5000 litres per fuel product.*

Do I take it from that, that that means that it is not satisfactory to order, say, 2500 of  
10 unleaded and 2500 of diesel? You must order a minimum of 5000 of one fuel type.

MR FORSYTH: Exactly. Which – if you wish less, you will pay a premium – well, you will be asked to pay a \$250 product – well, a delivery surcharge – yes – if you want less.  
15

MR PURVIS-SMITH: And is that fuel left on board surcharge - - -

MR FORSYTH: Yes.

20 MR PURVIS-SMITH: - - - you're talking about \$250?

MR FORSYTH: Yes.

MR PURVIS-SMITH: Okay. I'd just like to focus on the unleaded petrol. Do you  
25 believe that there would be any member of your organisation that would require, or could conceivably order the \$5000 minimum – sorry, 5000 litre minimum of unleaded fuel?

MR FORSYTH: Well, if it stays dry we might be pumping a bit more. So I doubt  
30 it.

MR PURVIS-SMITH: Now, you've mentioned already that there are two wholesale outlets or distributors. Have you – did you hear the witnesses earlier today talking  
35 about – one is a – effectively a full depot and the other is a smaller depot? Is that your understanding as well?

MR FORSYTH: We believe that it's a Shell/Caltex – have a joint – I drew a submission here that Shell and Caltex run a joint venture from this one distribution centre here, both of them.  
40

MR PURVIS-SMITH: So does that mean that - we heard that – earlier that there were two depots, or one and a half, effectively. Are they co-located? Are they on the one site?

45 MR FORSYTH: I'm not exactly sure of that, but they're – our fuel is – does come from the Caltex/Shell in some – if you order Shell fuel - - -

MR PURVIS-SMITH: Okay.

MR FORSYTH: - - - more often - - -

MR PURVIS-SMITH: In your experience, has there been a reduction in the number of wholesale outlets that you can purchase from?

5

MR FORSYTH: Certainly.

MR PURVIS-SMITH: From how many?

10 MR FORSYTH: Well, just from historic levels, we had distributors – every community had their own service station and the service provider used to distribute fuel.

MR PURVIS-SMITH: Okay. But would that distributor - - -

15

MR FORSYTH: Now, they've gone – they've gone, which is fine. You've got to move on from that, but now we're limited with distribution.

MR PURVIS-SMITH: And these outlets that you – would you visit those outlets, or would they deliver to your properties?

20

MR FORSYTH: They'd deliver to the property.

MR PURVIS-SMITH: Okay. And what you're saying is, you've now lost that ability to purchase from those outlets; you now need to come to a central outlet?

25

MR FORSYTH: Yes.

MR PURVIS-SMITH: And there's only one of those that you would purchase from?

30

MR FORSYTH: No, we've still got two.

MR PURVIS-SMITH: So it's open to you to purchase from both? There's – the Shell requirement in the 18 July – what I'm getting at is that this is a letter that's come from Shell. They operate one of the outlets, and there is another outlet. Is that same \$5000 minimum – sorry, 5000 litre minimum imposed on the other outlet as well?

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MR FORSYTH: We're not sure what Tasco is planning, but we don't think so.

40

MR PURVIS-SMITH: So the other outlet is operated by Tasco?

MR FORSYTH: Yes.

45

MR PURVIS-SMITH: And you've provided another document – I'll take you to that in due course. So from one wholesale outlet, there is now a requirement of 5000 litre - - -

MR FORSYTH: No, not until 1 November.

MR PURVIS-SMITH: I understand. But they're the only one that is imposing it so far, and you're saying that - - -

5

MR FORSYTH: That we're aware of.

MR PURVIS-SMITH: - - - Tasco may impose it in the future?

10 MR FORSYTH: Yes.

MR PURVIS-SMITH: But there is no indication that that is going to occur at this stage? Now, in your submission you state that:

15 *We therefore support the deregulation of the transport and regional distribution of fuel.*

Can you discuss that a little bit more? What do you mean by deregulation?

20 MR FORSYTH: Well, the Federal Government has allowed fuel companies to totally integrate their distribution and marketing on an individual basis. So that's created an environment where they have full control from seaboard right through. There is no independence in their competing. So when you have total control, you are able to control the market.

25

MR PURVIS-SMITH: And do you believe that the market is being controlled to your disadvantage at this stage?

30 MR FORSYTH: Yes, we feel so, because we wouldn't be here - and the auditorium here shows that it is a big concern.

MR PURVIS-SMITH: Okay. What impact do you think it's having?

35 MR FORSYTH: Well, in farming, we talk about cost of production. Fuel is now a large proportion of our cost of production, and if it continues to rise, it means that we're no longer viable.

MR PURVIS-SMITH: In terms of the cost of production, has it been increasing at a growing rate? Is it seasonal? Are there fluctuations from week to week?

40

MR FORSYTH: Well, due to climactic conditions, our cost production has been excessive.

45 MR PURVIS-SMITH: Okay, but in relation to fuel. So fuel, as a component to the cost production, and unleaded petrol specifically, has that been increasing in the Wagga Wagga region due to seasonal fluctuations?

MR FORSYTH: No.

MR PURVIS-SMITH: So - - -

MR FORSYTH: Not that I'm aware of, no.

5 MR PURVIS-SMITH: So you've said that it's been increasing. Has it been increasing on a gradual basis, or have you noticed sharp spikes?

MR FORSYTH: It would be - we've seen highs in the \$1.40s, and we've seen lows in the \$1.20s in the last two years.

10

MR PURVIS-SMITH: And is this a regular - you heard this morning that there's been evidence given that there - that price fluctuations do not occur in a regular basis in Wagga Wagga, but they may be elsewhere. Is that true in your experience?

15 MS JOHNSTON: Only a marginal difference, yes.

MR PURVIS-SMITH: Marginal difference week to week?

20 MS JOHNSTON: Yes - oh, I don't know about week to week, because when you're buying fuel for a farm, you may purchase it at the busy times. You may do it, you know, on a regular basis, perhaps twice or three times, but then once you've got your crop in, you know, you don't, sort of, need fuel for a long, long time. So - yes.

25 MR PURVIS-SMITH: What I'm interested in knowing is whether there is - whether you have noticed any price fluctuation at the time you're doing your cropping.

MR FORSYTH: It was - it wasn't an issue of price, price - availability. It wasn't available, literally. We had trucks and tractors and everything lying around in paddocks with no fuel - - -

30

MR PURVIS-SMITH: And - - -

35 MR FORSYTH: - - - in the cropping area, and that was literally - there wasn't availability of fuel because there wasn't a storage capacity in the region. Once the distribution network is ceased, all fuel has to come from the seaboard, and if we've only got 20 trucks bringing the fuel in from the seaboard, that is the maximum amount of fuel that can be supplied to the region.

40 MR PURVIS-SMITH: And is that both diesel and unleaded?

MR FORSYTH: I'm picking a hypothetical number, but if we had storage, we can build a buffer up for our peak times of requirement.

45 MR PURVIS-SMITH: I understand. But in terms of the times when the fuel ran out, was that diesel or unleaded?

MR FORSYTH: That was diesel.

MR PURVIS-SMITH: Diesel. And - - -

MR FORSYTH: And we wished that the inquiry be opened to diesel.

5 MR PURVIS-SMITH: I understand. Were there shortages in unleaded?

MS JOHNSTON: I'm not aware of that.

10 MR PURVIS-SMITH: No. Did you - was there any change in the price of fuel that you believe is linked to cropping cycles?

MR FORSYTH: Well, petrol is very hypothetical in a cropping enterprise. Diesel is our main source of energy.

15 MR PURVIS-SMITH: thank you. I understand. In your opinion, why do you think there are less depots or wholesale outlets available to you now?

MR FORSYTH: Due to the Federal Government allowing the fuel distributors to integrate distribution. That's only in recent years.

20

MR PURVIS-SMITH: How recently?

MR FORSYTH: Our present government.

25 MR PURVIS-SMITH: In your experience, is the fuel - the unleaded fuel that you use brought in by rail or by road?

MR FORSYTH: Well, it ends up on our farm by road.

30 MR PURVIS-SMITH: By - so from the depot to the properties, it obviously goes by road. The reason I ask that is because in your submission, again you're talking about:

35 *Most on-farm deliveries have a delivery charge of about five cents per litre above retail price. This delivery charge is about to increase by three to four times above the present rates.*

MR FORSYTH: Yes.

40 MR PURVIS-SMITH: So what I'm trying to ascertain is the five cents per litre - you might have heard this morning that there was a figure of three cents per litre, which apparently came from the BP distributor, and they're a road distributor. So I'm interested in how you've come to the five cents per litre figure. That's what's charged for somebody to deliver it from the depot to the property; is that correct?

45

MR FORSYTH: Well, in our submission, in this document, we're taking a delivery of fuel, but we have no price on the document. So we - we're in a predicament now

that we're not even sure what we're buying. It's not quantified as to value of product.

5 MR PURVIS-SMITH: So on this invoice - and I note that there's no price there - how is the price calculated? How do you know what you have to pay? Do they give you a bill on the day that they deliver the fuel?

10 MR FORSYTH: Well, the opposition here is doing a direct debit prior to - Tasco have the direct debit submission. And at Shell, we were given an account.

MR PURVIS-SMITH: Okay. But how is the price determined when you purchase it? When do you know what price you're paying?

15 MR FORSYTH: Well, one party will give you the price when you order it; another party will give you the price at delivery.

MR PURVIS-SMITH: And if you order it a week or two in advance, can they give you that price, or do they say, "No, it will be when it's actually delivered"?

20 MR FORSYTH: Well, one party has been renowned for having the price on the day of the delivery, and the other one will give you the price on day of order.

MR PURVIS-SMITH: Okay.

25 MR FORSYTH: Which creates some discrepancy with world trade - with the date of oil prices going up and down.

30 MR PURVIS-SMITH: Yes. So in terms of the five cents per litre that you mentioned in your submission - and I think we've established that that's the price from the depot to the property - - -

MR FORSYTH: Yes.

35 MR PURVIS-SMITH: - - - how do you know that it's five cents that's being applied?

40 MR FORSYTH: Because that's the difference in value from here in town to our farms. We know that - it's not - there's no document to say that that's what distribution costs, but we know from fact that that's what it is.

MR PURVIS-SMITH: Okay. And that's from observation - - -

MR FORSYTH: Yes.

45 MR PURVIS-SMITH: - - - and reporting back. Have you kept any records or evidence of that?



MR FORSYTH: We're running businesses. We haven't got time to go and travel round, looking at fuel costs. It's a set thing we have to pay.

5 MR PURVIS-SMITH: That's all right. The reason I ask is the inquiry is interested in getting documented proof or evidence of things occurring, so that if we know it's in existence, we can ask for it. You also say in the submission - and I alluded to it before - that it's five cents per litre above retail, and that's about to increase three to four times above the present rates. What do you base that on?

10 MR FORSYTH: Well, it's in excess of that, if it cost \$250 surcharge for not accepting delivery.

MR PURVIS-SMITH: So the three to four times above the present rates is taking into account this - and I presume it's a new product left on-board fee of \$250.

15 MR FORSYTH: It can be in excess of, but as a possibility, it could do that. That's our greatest fear.

MR PURVIS-SMITH: Okay. But there's been nothing that says - from any fuel distributor that says, "We're about to increase on those figures between 15 to 20 cents"?

MR FORSYTH: No, no. We're concerned that this may happen.

25 MR PURVIS-SMITH: Have the fuel - has Shell given any reason why they need to impose the \$250 fee?

MR FORSYTH: No.

30 MR PURVIS-SMITH: Apart from what they say here that it's basically - they incur costs in transporting the fuel there and back, and obviously offloading the fuel if it's a different type. Can I ask in relation to that whether, in your experience, the tankers or the delivery vehicles that are used are used for both unleaded and diesel fuel? Is it the case that if they do a delivery of unleaded, they can take that back to the depot, pump that out, and then put diesel into the same - - -

MR FORSYTH: No. There has been very big problems with that. If you contaminate - put diesel in the petrol, it might be all right, but you don't go the other way round.

40 MR PURVIS-SMITH: Yes, sure.

MR FORSYTH: No. They're set trucks. We've gone from rigid 18 tonne delivery trucks now to articulated trucks, and all fuel is now - nearly all fuel is now delivered in articulated trucks which require different layouts for approach to farm tanks. And we - as I said earlier, we've gone to all the trouble of installing tank systems that are compliant with OH and S. Now, those are no longer compliant, because they're too small.

MR PURVIS-SMITH: So the \$250 charge is probably a combination of both transport and - - -

MR FORSYTH: No, no. It would be an excess.

5

MR PURVIS-SMITH: Well, it's the transport back to the depot so that they can fill that tank again, but they probably don't need to pump it out. They will only put more unleaded fuel - - -

10 MR FORSYTH: I believe so.

MR PURVIS-SMITH: Yes, okay. And I take it from this letter that that \$250 charge applies even if there's 10 litres left in the tank as opposed to 1000 litres. There's been - - -

15

MR FORSYTH: I can only presume so.

MR PURVIS-SMITH: Is this all you've received, or have you had conversations with Shell?

20

MR FORSYTH: This wasn't supposed to go out to the public yet. I mean, we just - we were able to get our hands on it before it was made public.

MR PURVIS-SMITH: All right. How - does Shell know that you have this letter, and have there been discussions in relation to it?

25

MR FORSYTH: Yes. Well, we've obliterated some details, but, yes.

MR PURVIS-SMITH: Okay. Sorry, you said you obliterated some - - -

30

MR FORSYTH: Well, you know, I'm putting myself in, but we've got this document to say that, "As of 1 November, the following charges will apply."

MR PURVIS-SMITH: But do you - I note that with this letter there's - it's - there is no - - -

35

MR FORSYTH: It's dated - dated 18 July.

MR PURVIS-SMITH: Yes. There is - it appears to me that there's at least a second page that's missing. Do you have a copy of that second page, or any other pages that there are to the document?

40

MR FORSYTH: I haven't compiled this document so, no, I'm not sure.

MR PURVIS-SMITH: Okay. Because I'm interested in what might be on the second page.

45

MR FORSYTH: I'll certainly look into that.

MR PURVIS-SMITH: Okay. Because I can't say for certain that there are not some exemptions to the \$200 fee and so on. I can't presume that there are or there aren't. Is it possible for you to supply a copy of the full letter to the inquiry?

5 MR FORSYTH: I'll endeavour to.

MR PURVIS-SMITH: Thank you.

10 THE CHAIRMAN: Perhaps it would be useful, in the absence of the second page, to get a copy of the story.

MR PURVIS-SMITH: Just bear with me a moment, thank you. You also say in your submission that under the Tasco agreement, which I understand is the - one of the distributors, you say that:

15

*The agreement does not make provision for the customer to claim back any overcharging or double-dipping by Tasco.*

20 Can you explain by overcharging or double-dipping?

20

MR FORSYTH: In the - if I'm paying for fuel, if there's agreement - we're entering agreement of a direct debit prior to delivery, if, when we deliver it, we can't store it, how can I own it if I can't store it?

25 MR PURVIS-SMITH: Sorry. So what you're saying is that if you order 5000 litres of fuel but you can only take on 2500, you are paying for the 2500 that you can't take, plus the 250 fee?

30 MR FORSYTH: No, that's not in this - no, this is another distributor.

30

MR PURVIS-SMITH: Sorry.

MR FORSYTH: This is an independent distributor.

35 MR PURVIS-SMITH: So - I'm sorry, if you can't take the full 5000 - we'll talk about the 5000 figure. If you can't take the full 5000 figure, and you have to return some fuel, or the tanker returns to the depot with the fuel, are you saying that you're charged for that excess fuel?

40 MR FORSYTH: No. We're not talking about - this is a different distributor.

MR PURVIS-SMITH: I understand.

45 MR FORSYTH: We're talking here is - how do we know that when we purchase that fuel, it's delivered, that it - well, first it's deducted out of our account, the funds, before we receive the product. Now, when we receive the product, how do we know that the account thing is all up to board if we don't have the documentation.

MR PURVIS-SMITH: Okay. So let me get this straight. You're saying that you might order fuel, and you are charged for that fuel before it is delivered to your property.

5 MR FORSYTH: Yes.

MR PURVIS-SMITH: And there is no way for you to know whether you have received all the fuel that you ordered. What's the documentation that you're talking about?

10

MR FORSYTH: Our storage documentation.

MR PURVIS-SMITH: Sorry. I am not following. You've just said that you order the fuel.

15

MR FORSYTH: Yes.

MR PURVIS-SMITH: And you are charged for the fuel before it's delivered. You have also said that there may be overcharging or double-dipping. Let's talk about overcharging first. How would that overcharging occur?

20

MR FORSYTH: In relation to which? The overcharging?

MR PURVIS-SMITH: Yes.

25

MR FORSYTH: The - well, at the time of distribution, it may change from when we ordered - placed the order to when we received it. So we could be overcharged there.

30 MR PURVIS-SMITH: So there might be - - -

MR FORSYTH: In the timeframe, we're talking.

MR PURVIS-SMITH: There might be a difference in the price between when you ordered it and when it's delivered.

35

MR FORSYTH: Yes.

MR PURVIS-SMITH: And when do they take the money from your account? When you order it, or when you deliver it, or at some stage in between?

40

MR FORSYTH: Well, it just says here that we don't have - the schedule in the scheme. It all refers to the scheme, so whatever the scheme says.

45 MR PURVIS-SMITH: Okay. And you don't know what the scheme says?

MR FORSYTH: No. This is the contract here.

MR PURVIS-SMITH: Yes. Okay. In relation to double-dipping, can you explain that? I don't understand what you mean by double-dipping?

5 MR FORSYTH: Well, if there's a computer error, we're meaning.

MR PURVIS-SMITH: So if they take payment out of your account twice.

MR FORSYTH: Yes.

10 MR PURVIS-SMITH: They don't credit it back?

MR FORSYTH: Well, it will be done, but there's a timeframe. We have to go through an independent party.

15 MR PURVIS-SMITH: And, in your experience, has double-dipping occurred?

MR FORSYTH: No, not in my experience, but there's a possibility that we would the ACCC to look into - - -

20 MR PURVIS-SMITH: Okay.

MR FORSYTH: - - - on our behalf.

25 MR PURVIS-SMITH: But there has been no experience of that thus far, and that's for you or any of your members?

MR FORSYTH: Well, this is a new agreement.

30 MR PURVIS-SMITH: So nobody has signed any of these agreements so far?

MR FORSYTH: They're going through the process at the moment.

35 MR PURVIS-SMITH: Okay. And is it a negotiated process, or have these just been given to you and said, "This is what you are going to have to sign if you want to do business with us."

MR FORSYTH: Mm. Well, it's - - -

40 MR PURVIS-SMITH: So, you think it's just being presented to you and that's what you're going to have to agree to?

MR FORSYTH: Mm.

45 MR PURVIS-SMITH: All right, thank you. Can I just say that - indicate for the purpose of the transcript that the witness nodded, rather than gave a verbal response.

THE CHAIRMAN: Nodded which way?

MR PURVIS-SMITH: A nod in agreement. Was there anything else that you wish to say about wholesale distribution? We will turn to retail in a moment. I am interested in hearing what you - what you and your members have to say about that, but anything else in relation to wholesale distribution?

5

MR FORSYTH: We would like to see more storage available in regional Australia, capacity.

MR PURVIS-SMITH: And do you know how much storage capacity you have in the Wagga Wagga region right now?

10

MR FORSYTH: No.

MR PURVIS-SMITH: No. Would you - and I appreciate you have given evidence in relation to there being a shortage of diesel, and I am presuming that you say there needs to be more storage facilities for diesel. Do you say that there needs to be more storage facilities for unleaded as well, or do you think the unleaded storage is about right?

15

MS JOHNSTON: The whole change has been, with a lot of farmers now, they used to once get a truck out with their petrol requirements on board, but now because of the price difference, most of them, I think, would be when they come to town or do something, they would be filling up with fuel then, so far as the unleaded petrol was concerned. And I would just like to point out that in most of the time our concern was for diesel, which I know this is, you know, not dealing with today.

20  
25

MR PURVIS-SMITH: Now, I'd like to turn to retail for the moment. How would most of your members get their retail suppliers? Would they come into the, you know, the city of Wagga Wagga or would they go to service stations outside Wagga Wagga?

30

MR FORSYTH: We have a few distribution centres there and then retailers as well. So there's a few scattered along the highways and regional towns, now, do not stock - the smaller regional towns do not have a local service station.

35

MR PURVIS-SMITH: So how do they get their unleaded fuel?

MR FORSYTH: Bulk delivery or as a common practice now is small can.

MR PURVIS-SMITH: Sorry?

40

MR FORSYTH: Small can purchases.

MR PURVIS-SMITH: Small can? So does that mean that they would take their ute and take fuel containers on the back of the ute?

45

MR FORSYTH: Yes.

MR PURVIS-SMITH: So they're having to travel further, longer distances, in order to get their fuel?

MR FORSYTH: Certainly.

5

MR PURVIS-SMITH: And with the closure of distribution centres – and I appreciate operating costs must have gone up because of travelling further distances – but have your members noticed that the price of retail fuel has gone up or down or stayed constant?

10

MR FORSYTH: Well, it fluctuates, I'd say.

MR PURVIS-SMITH: I'll ask whether your members, do you know whether they participate in the shop-a-docket schemes.

15

MS JOHNSTON: Well, I'd say some would with unleaded fuel, wouldn't they? Yes.

MR FORSYTH: Yes. But there's a minimum requirement. You can not order more than 250 litres which would be beneficial for us in diesel.

20

MR PURVIS-SMITH: So some of the members would use it if they came into fill up there?

MS JOHNSTON: Yes.

25

MR PURVIS-SMITH: Their vehicles that are operating on unleaded fuel?

MS JOHNSTON: Mm.

30

MR PURVIS-SMITH: Is it something that is reasonably open to them? Do they use the grocery chains or are they still getting groceries delivered to their properties?

MS JOHNSTON: No. No.

35

MR PURVIS-SMITH: Coming into town?

MS JOHNSTON: No, you don't get – yes, they come to town. Yes. So – and the whole concept of getting petrol. When I was first married, I never visited a bowser unless we were on holidays or somewhere like that. You know, you just, sort of, always had your fuel – petrol in those days – delivered to the farm. But now we're finding that we're using the – you know, in town because it's more cost effective. And, I guess, you know, if you've got the shop-a-docket, well, you would use that. Yes.

45

MR PURVIS-SMITH: Yes. What I'm interested in knowing is what's been the total impact of increasing fuel prices on properties in terms of them having to travel

not only for fuel but other supplies. So they're coming into town on a regular basis to pick up supplies?

MS JOHNSTON: Yes.

5

MR PURVIS-SMITH: Okay. Have you seen an increase in any service stations offering convenience store type operations and is that something that's attractive to your members?

10 MR FORSYTH: We're arguing that diesel needs to be considered on a volume – we're not interested in small quantities of fuel here. We're interested in large volumes.

15 MR PURVIS-SMITH: What I'm trying to ascertain is get a feel for the local Wagga Wagga market and that's why – I understand your submissions, but I'm asking – I'm trying to ascertain who is buying fuel products in Wagga Wagga, how their buying it and what impact the retail – a change in the retail environment may have on the costs of living in rural areas.

20 MS JOHNSTON: It depends on where – you know, where a rural person would live where they would go to purchase their fuel.

25 MR FORSYTH: When you're looking at \$100 just to come into do just general business, in fuel, now, just to fill up your motor vehicle. So it's becoming an issue, because our incomes aren't there to justify those sorts of figures.

MR PURVIS-SMITH: So you say \$100, is that per trip?

30 MR FORSYTH: No, to fill a vehicle, you'd have to spend \$70 or \$100.

MR PURVIS-SMITH: And there's also the cost of coming into town to pick it up and - - -

35 MR FORSYTH: Yes.

MR PURVIS-SMITH: Do you believe that there's been anti-competitive practices in the region, either at the wholesale or retail level?

40 MR FORSYTH: Yes. Fuel distributors – there's less competition so there's – yes, less competition.

MR PURVIS-SMITH: And why do you think that reduction in competition has occurred? I think you've said that it's because of the de-regulation as you express it?

45 MR FORSYTH: Yes.



MR PURVIS-SMITH: Have you seen any direct evidence of that here? That you've seen any pressure applied to anybody to close down depots or anything like that?

5 MR FORSYTH: No.

MR PURVIS-SMITH: What do you see as the future for unleaded petrol in the Wagga Wagga region?

10 MR FORSYTH: Well, if the grade of the distillate in Australia was up to it we'd all go over to diesel motor vehicles as well, as farming machinery, but the European distillate is far superior to Australian distillate and until that time we won't be buying – well, personally, I won't be buying a diesel vehicle.

15 MR PURVIS-SMITH: I'd like to take you to the price differential between diesel and unleaded at the moment. Has that had an impact on the nature of the vehicles that you're purchasing? Are more unleaded vehicles been purchased as a result of fuel price?

20 MS JOHNSTON: The rural sector at the moment with the current economic climate, I don't think too many people are purchasing - - -

MR PURVIS-SMITH: Replacing?

25 MS JOHNSTON: No. Replacing vehicles.

MR PURVIS-SMITH: I understand, and that's a fair point. Look, I won't take that any further. Now, is there anything else that you'd like to add to your submissions?

30 MR FORSYTH: To the Chairman, Mr Samuel, that we'd like to see this inquiry widened to include both diesel and LPG, all fuel forms and that we believed that that was Mr Costello said last week in extending the submission till December.

35 THE CHAIRMAN: Well, look, just to correct that, Mr Costello actually hasn't commented upon the extension. Now, that's a request I made to Mr Costello because I felt that the information that we were getting was going to necessitate a more detailed analysis of some of the issues we're dealing with in unleaded petrol. Mr Costello hasn't responded as I indicated at the opening of this session. I would have to say to you I think it's unlikely that the terms of reference would be extended to  
40 include products outside of unleaded petrol. That, in itself, is the primary focus of this inquiry at this point of time. As to whether the Treasurer or any future government will want to consider the issue of diesel and or LPG, well, that's a matter, I think, that we will have to leave to government to deal with in future. But it's not a matter for us to deal with in terms of terms of reference, that's a matter for  
45 governments to provide terms of reference for any inquiry they're conducting. All right. Do you have anything else that you wanted to add at this point in time?

MR FORSYTH: I would like to thank our Federal member for making this day possible.

5 THE CHAIRMAN: I think I won't comment on whether it was the Federal member that made it possible or the ACCC, but let's leave that aside. Okay, thank you very much.

10 <THE WITNESSES WITHDREW [2.22 pm]

15 THE CHAIRMAN: It may be an appropriate time to call the Federal member forward to give evidence, under oath, as to whether she made this day possible or not. Now, I'm – look, I'm conscious of the time. We have just over an hour, an hour and – perhaps, an hour and a half left of inquiry time and I wanted to give everyone the opportunity to give evidence. I do have on my note here the Federal Member, Ms K. Hull and Councillor Rod Kendall have indicated they'd like to give evidence. Are there any others so that I can just, sort of – yes, you sir, are?

20 MR .....: .....

MR KNOX: Mr Chairman, Peter Knox, ..... I'm the local Labor Party.

25 THE CHAIRMAN: Yes, sir.

MR .....: Peter Milton and Peter Munroe.

30 THE CHAIRMAN: Okay. Look, I wonder if I could just set some ground – sorry, and your role, Mr Milton?

MR MILTON: I was involved in a petition that was presented to the local member, to the local council ..... to the .....

35 THE CHAIRMAN: All right. Look, I wonder if I could just make a couple of ground rules fairly clear up front, because it will save any misunderstandings as we go along. I am not prepared to allow this hearing to be a, shall we say, a political process, or a political theatre. So if – whether it be the Member of Parliament, Ms Hull, or other candidates want to make political statements, may I suggest they make them outside, not in this hearing. And I will cut off political statements that are attempted to be made by political representatives. I think that is a matter to be done  
40 in the context of the election, whenever it might be called, and there are plenty of opportunities for that to be done. But I don't want this hearing to become politicised by political statements, so I will cut off any attempts to deal with political issues.

45 The second this is, as I indicated in the opening, I am very keen that the inquiry should focus on the causes for petrol pricing to be where it is, and to go to some of the issues that we raised in our – 74 questions that we put out in our issues paper, earlier on, to simply have observations that petrol prices are at certain levels in this

area, or at certain levels, relative to Sydney or Albury, would be simply to repeat information that we already have on the record. We have that and we know it and understand it. So I am rather keen that we try and get to the bottom of why certain things are occurring, why petrol prices are sitting at certain levels in Wagga Wagga.

5 And so, if we can focus on that, it will just make it little bit easier, because we do have some limited time, and I want to try and get to some information that might, perhaps, help us with our inquiry. Sir?

MR.....: .....

10

MR.....:And what's your background?

THE CHAIRMAN: Okay. I have got here, then, six individuals that wish to provide evidence. And on the basis of that, I have already indicated to each of the politicians, or prospective politicians, that they won't be making political statements, that means we have got six – probably about 10, a maximum of 15 minutes each, that I will be able to allow. So can we keep that in the back of our minds? Okay, Ms Hull, do you want to swear – give – under oath or affirmation.

15

20

**<KAY HULL, SWORN**

**[2.14 pm]**

THE CHAIRMAN: Thank you. Mr Purvis?

25

**<EXAMINATION-IN-CHIEF BY MR PURVIS-SMITH**

**[2.14 pm]**

30 MR PURVIS-SMITH: Thank you, Mr Chairman. Ms Hull, we have received a copy of your written submission, dated 27 July, you should take that as read. Is there anything that you wish to add to that statement?

35

MS HULL: Yes. There is, sir. That was the reason I took the opportunity to come forward this morning. And I have listened to the questions that you have asked, and some of the responses that have been given from the table, and from yourself and from Mr Samuels. And so, I would just like to, maybe, indicate that I wanted to provide further evidence, or further coverage of the Albury/Wagga Wagga issue as I see it, as a Federal Member. And it all depends on what statistics that you are aspiring to, to gain information from. There is a myriad of them, and we have looked through some of the submissions. We have taken prices from the Australian Institute of Petroleum, and I think that some of the comments that were made, may be clarified with me going through a rolling average of what I have been able to ascertain.

45

Now, whilst we have – I can give you a month of August, some particular dates, and I note that you were asking the committee, the Fuel Watchdog Committee, of particular dates on when they may have purchased fuel, or noticed a differentiation in

fuel prices. Albury, 5 August, saw, as per the AIP's statistics, \$1.22. Wagga Wagga, 5 August, was \$1.34, that's 12 cents cheaper. 12 August, Albury was \$1.27, Wagga Wagga \$1.32, that's five cents cheaper. 19 August, Albury was \$1.22, Wagga Wagga was \$1.30, that's eight cents cheaper. 26 August, Albury was \$1.19, Wagga Wagga was \$1.30, 11 cents cheaper. 2 September, Albury was \$1.26, and Wagga Wagga was \$1.29, that's three cents cheaper.

Now, the Albury average was \$1.23, the Wagga Wagga average was \$1.31, over a five week period, when you look at the Institute of Petroleum's figures. Now, the nature – what I think needs to be demonstrated, and something that I wanted to point out during – as a result of your questioning, when we talk of cycles. If you look – and I have the graphs here that I will certainly table to the committee, but if you look at the cycles, the nature of petrol has been consistently lower in Albury. But the one thing that has been very, very evident, is it has experienced, in Albury, significant price cycles. Where at motorist, at some point in time, is able to access much much cheaper fuel, in fact, 12 cents a litre cheaper fuel. And that is on a very consistent basis, and delivering an average of eight cents over a five week period.

Now, generally, it doesn't reflect a freight cost over 110 kilometres, to see that type of fluctuation in fuel pricing. Whereas, when you look at the – when you look at the Australian Petroleum – the Australian Institute of Petroleum figures, and certainly, the graph, it's very evident, and I will table the graph, but it is very very evident of the lack of cycle. It demonstrates perfectly what I indicated in my submission, my written submission, was that the graph or Wagga Wagga stays – you know, it fluctuates slightly. But certainly, the graph of Albury is – the bottom graph, I am sorry, sir – the bottom graph, that is Albury's prices. So you know, in the last week – the last week alone, the average, in Wagga Wagga, was \$1.29.

The weekly low, and I think this is significant, the weekly low was \$1.28. The weekly high was \$1.29.7, so that's in Wagga Wagga. Last week, in Albury, and we picked a week when prices are starting to rise again in Albury, they have been significantly lower, and I didn't want to try and distort the figures. Last week, the average was \$1.25, and the weekly low was \$1.28, and the weekly high was \$1.29.7. So - - -

COMMISSIONER KING: Sorry, Ms Hulls, can you repeat the weekly low - \$1.28.

MS HULL: Yes. I'm just looking - - -

COMMISSIONER KING: It can't be \$1.28.

MS HULL: The weekly low was \$1.28.

THE CHAIRMAN: It can't be, if the average was \$1.25.

MS HULL: \$1.20. I'm sorry. I've written down the wrong figure.

MR.....: .....

MS HULL: Yes. Okay. That was \$1.20 low, I'm sorry. I've written down the wrong figure here. It was \$1.20 low, and \$1.29.7 high, and \$1.25 average. I'm sorry, I have just – I have written the wrong figure here, for myself. So you have seen the difference – so we've got – I'm sorry, can I come back to that area. Last week, the average in Wagga Wagga was \$1.29. The weekly low was \$1.28, the weekly high was \$1.29. Last week, in Albury, the average was \$1.25, the weekly low was \$1.20, the weekly high was \$1.29.7. So the points that I am making, is that there is a general view here that there certainly is not the cycles being experienced here in Wagga Wagga, and that's been the major cause of concern for the community that I represent, is that the cycling activity is not taking place. It's remaining relatively high. I also have some graphs, and I will table those - - -

MR PURVIS-SMITH: Can I just stop you there. Do you have a view on why that's occurring?

MS HULL: No. I would like to know. That's what this inquiry is all about, sir. I don't. That was why I put in a submission as well. And I'm not being flippant; I don't have an answer that I can provide. When people ask me these questions, I simply - it doesn't equate to the supposedly three cents fuel. Even if you had three cents fuel freight distributed between Albury and Wagga Wagga, that would still be quite - that would be significantly higher, one would think, for 110 kilometres, to come additional, extra.

But it doesn't equate to that. So I don't know, and thus is my concern on behalf - in my role - and certainly I think that there are questions - and I would like to table this kind of information so that it could be added as an addendum to my previous written submission. But I certainly think that we have - we demonstrated that we are not receiving the cycles that are being received in other areas.

MR PURVIS-SMITH: And in your view, would it be better to have a constant price, or have those cycles, because, of course, with a cycle there is a high and low?

MS HULL: There is a high and a low, but, interestingly, sir, the high of the cycle in, say, Albury - let's look at Albury - really only reflects the everyday price of Wagga, you know, so that's the everyday price. The people of Wagga Wagga and many parts of the Riverina are not able to take advantage really any day for a cyclically low cost.

MR PURVIS-SMITH: Yes. Thank you.

THE CHAIRMAN: So the essence of it, Ms Hull - because I think this gets to a fairly critical issue - the essence of the point that you're putting - and it goes back to the issues that the watchdog committee were trying to process with the watchdog committee - is that in Wagga Wagga there is an absence of cycles. If you take the numbers you gave us - I'm sorry, you put a number of numbers out there which will appear in the transcript and in the supplementary submission - but if you put those numbers together, the high point of the cycles in Albury would, within one or two cents, appear to equate to the consistent price in Wagga Wagga?

MS HULL: Yes, sir.

THE CHAIRMAN: But what Wagga Wagga is not getting is the benefit of the low points of the cycles?

5

MS HULL: That's exactly what I'm saying, sir.

THE CHAIRMAN: Okay. That's very helpful to have that information, because that's the issue I was trying to get to with some of the questions I was asking before. Not that it will make anyone here feel any happier, but Wagga Wagga is not Robinson Crusoe, in terms of absence of cycles, and one of the critical issues that the inquiry is endeavouring to determine is: the reason for the cycles, which, actually, no one seems to be able to provide us; whether they benefit - whether consumers benefit from the cycles or not. No one seems to be able to tell us that, either; whether, if cycles were not beneficial, they could be removed, and no one seems to be able to tell us that, either, at this stage; and who really does benefit from the cycles, and again no one seems to be able to tell us any of those issues at this point in time.

20 All of which makes you really ask the question: why have we got the cycles and who is getting the benefit from them? That's a critical question that we're asking. But that has been very helpful to get that information, because it actually helps to clarify the question I was trying to get to the bottom of before, which is the stated differential between Albury and Wagga Wagga, which is the differential between the low point of the cycle and the consistent price that is being charged in Wagga Wagga.

MS HULL: And I thought it was important that I should present this to the committee, because we have undertaken to look at this information. But I think - and also, Mr Chairman, could I say that the general motorists recognise that a business operator - we're not ignorant about pricing of petrol. We're not ignorant about the way in which a business needs to operate. The general public may not know the intricacies involved with petrol pricing - and I've covered that in my submission so I'm not going to go over that again - but they do know that a transport operator needs to pay off his truck.

He needs to pay his registration, his insurance, his maintenance. He needs to pay his wages. He needs to pay his fuel. He needs to pay general fixed overheads and licence fees to the state, etcetera, to be able to operate on a roadway, so he needs to be able to buy at the TGP, as a distributor. He will have to absorb a lot of costs, and then he needs to have a margin of profit. Then it goes to a retail margin, and we understand that the retail margin has to, you know, have all the overheads, the staff costs, the electricity, the gas, the absolute overheads and costs that are established with running a business.

45

So they need to be covered, and then there needs to be a profit margin, because no one is in business to lose money. They are in business to make money, and people recognise they have a right to make money. But what the general public seem to be

saying to me is that, "We understand all of these things, but what we would like to know is that if there is some form of unscrupulous pricing that is, say, holding one community to ransom with generally high prices, if they're the same distributor, at their cost, and giving, you know, some lower prices to another community, to their benefit," they feel that that's not quite fair.

And so they want to - they recognise - they know the difference between the Singapore spot price; they see the TGP on a daily basis. They know that's transparent. We've got Singapore spot price - very transparent. The TGP is very transparent. But what makes up - what makes up between, you know, say the seven-day rolling average Singapore spot price and the terminal gate price? They don't understand that. So there needs to be more transparency. They don't understand why these fluctuations in prices. They try to work out freight. They're told it's competition; they're told it's fuel volume; they're told it's a number of outlets.

But we over-equate that between Wagga Wagga and Albury and it's just not adding up. And that's what the people are concerned about, and that's what they are asking for the inquiry to determine. If they are having fair and reasonable treatment, they will accept it. There's no problem. They know that fuel, you know, is - we've come to our peak of supply. They know there's going to be no low fuel prices any more. They understand all of that as well.

THE CHAIRMAN: Ms Hull, I'm sorry, I'm going to have to call a try, if I may, because there are a number of others - there are five other - who just want to provide some information. But let me just assure you and those here that the issue of price cycles and the issue of the differentials in prices charged in certain regional areas related to other regional areas or metropolitan Australia is at the heart of the significant matters that we are investigating as part of this inquiry; and one of the reasons, frankly, why the inquiry date will be extended, I hope, with the Treasurer's approval, by two months, because there's some information just bubbling to the surface at the moment that we want to track down and analyse a lot more carefully.

MS HULL: Just very quickly, sir.

THE CHAIRMAN: Be very quick.

MS HULL: You asked about the closure of service stations. My understanding is, just from my sitting here, thinking, there is 10 that have closed down in the last 11 years.

THE CHAIRMAN: Right. Thank you. It would be useful, Ms Hull, if we could get details from someone here, perhaps on the record, in a written form, as to the nature of the service stations that have closed down, that is, where were they, what sort of service stations were they, were they two or three pump service stations, or large ones; were they branded or completely independent. It would just be an idea to have an idea of the moving profile of the retail petrol outlets in Wagga Wagga.

MS HULL: Okay. And I think the significance of one of the closures, which was the major independent that tried to lower fuel prices when prices did become artificially inflated at some stage, was that the general independent was using methanol - a methanol blend - and methanol was excised, I think, in July 2000, and that created quite a differentiation here. He was closed down because he could no longer get supply from the general supplier. And I recall the gentleman's name was Mr Jim Skiludis who was doing that mix of ethanol and providing only to independents. And thus the independents could keep their price low. But when the mix was - when the methanol was excised it then put the mix up and so he could no longer compete. But I do thank you for your visit to the Riverina and I appreciate the time to be heard. Thank you.

THE CHAIRMAN: Thank you, Ms Hull.

15

**<THE WITNESS WITHDREW**

**[2.30 pm]**

THE CHAIRMAN: I will move on very quickly, if I can, to Councillor Rod Kendell. If you could just state for the record, Councillor Kendall, your name and role.

MR KENDELL: It's Councillor Rod Kendell. I'm a councillor with Wagga Wagga City Council and I operate a business in town.

25

**<ROD KENDELL, SWORN**

**[2.30 pm]**

**<EXAMINATION-IN-CHIEF BY MR PURVIS-SMITH**

**[2.30 pm]**

MR PURVIS-SMITH: Mr Kendell, you say you are a local councillor?

MR KENDELL: That's correct.

MR PURVIS-SMITH: Would you describe your constituents as retail or wholesale consumers?

MR KENDELL: Oh, constituents comprise all of those people. Obviously the majority of constituents would be retail customers, but the major fuel purchasers would be wholesale customers.

MR PURVIS-SMITH: Thank you. And I presume that the business you operate in town is not fuel-related?

MR KENDELL: No, it's not.



MR PURVIS-SMITH: Okay. In your observation – we've heard today that there have been closures of service stations. Do you believe that's had a negative or – I was going to say deleterious effect, but has it had a negative impact on fuel pricing in the Wagga Wagga region?

5

MR KENDELL: From my observation I think fuel prices within Wagga – fuel price differential within the city has been fairly stable for – for as long as I can remember – in that it hasn't been possible to shop around within the city of Wagga for a cheap price.

10

MR PURVIS-SMITH: And have you noticed any difference since the introduction of shopper docket?

MR KENDELL: No, not really. There was a short period of time after Woolworths first came to town when there was a marked fuel reduction, but that soon seemed to disappear.

15

MR PURVIS-SMITH: So do you believe that the grocery chain aligned properties haven't reduced the cost of fuel or haven't increased it?

20

MR KENDELL: It hasn't reduced the posted cost of fuel. Obviously those that are taking advantage of it are getting their individual discount from the posted price.

MR PURVIS-SMITH: And would you agree with what you've heard that there have been no obvious cycles in the Wagga Wagga region?

25

MR KENDELL: In my experience there are no cycles within Wagga.

MR PURVIS-SMITH: And do you travel around the region?

30

MR KENDELL: Yes, I travel fairly widely around the region. I'm a consulting engineer and practice extends right throughout the Riverina as from – generally from Tooma right through to Hay and even west of Hay.

MR PURVIS-SMITH: And have you got any observations about cycles in those areas that you go to?

35

MR KENDELL: It was interesting - just last week or the week before I had – I had the need to travel to – from Wagga to Hay and back within a three or four day period. I filled with fuel in Wagga on 31 August at 129.8 cents a litre. I fuelled in Hay on 4 September at 128.9 cents a litre and fuelled two days later in Wagga at an identical price again. The observation from that is I don't know where the freight differential for Hay exists.

40

MR PURVIS-SMITH: Have you got any opinion on why there is a lack of cycles in Wagga Wagga?

45

MR KENDELL: No, I haven't been able to form the opinion. I think as Mrs Hull indicated that's the reason for this inquiry. We would all like to know that result.

MR PURVIS-SMITH: Is there any general comments that you would like to make?

5

MR KENDELL: There's a couple of general comments. Council has a concern with small operators, particularly small operators within – within our rural villages. We have numerous rural villages with only one fuel outlet. Normally they are independent but branded. We would like to know how competition is provided to rural cities or small rural townships under those circumstances. And within the immediate surround the ones that come to mind are Uranquinty, Mandawuy, Collingullie and Rosewood, all have single outlets, most of which two, I would hazard to guess, are probably – are probably having some – suffering some pain in the operation of their business.

15

Within Wagga my observations would tend to indicate that on any given day fuel prices are within one cent a litre or thereabouts, very close to that. And whilst we see within the city of Sydney and other large metropolitan areas that there could be price differentials of up to 20 cents per day or thereabouts from the low price to the high price service stations. Obviously that can have a distorting effect on the statistics used by the ACCC which generally tend to be averaged price – average day price differentials for the day and I would contend that if it was the lowest available price differential that was used for the day you would find a much more significant differential in pricing that is seen.

25

It may be that in cities such as Wagga it's just simpler to do a price check. Probably within half an hour you could drive around and physically see for yourself the price differential at all service stations within the city of Wagga, within the greater city of Wagga. Sorry, within the metropolitan area of the city of Wagga. And that may be the reason. There are – there is only one unbranded independent within the city of Wagga and that is not what could be called a prime site, in that it's not on the highway. It's not on the major highway. It sits situated in the CBD on what used to be a classified highway, but is now bypassed by the highway. And I think that has an effect – a significant effect on the potential for competitive pricing.

35

I can't prove whether it has that effect or not. Looking back at some documents received in 2005 from fuel companies - when the council wrote to the various fuel companies I noticed that in a reply from BP Australia it indicates – sorry, this is from Caltex – it indicates within the Caltex document that more reasonable returns on investment exist within country than in the city. And the reference for that is the Caltex explained facts on their website at point 11 at the time. I have a copy with me. This, I believe, is actually an admission that there is a lack of competition in rural areas that allows fuel companies and operators to get a better profit margin and possibly that the country is subsidising the city in that regard.

45

MR PURVIS-SMITH: How many documents did council obtain?

MR KENDELL: Council wrote to the four major fuel companies and had a reply from BP and a reply from Caltex at the time.

5 MR PURVIS-SMITH: Would council be willing to supply those to the inquiry?

MR KENDELL: It certainly would be. And they have been previously – I believe they have been previously supplied to the last inquiry, the 2006 inquiry.

10 MR PURVIS-SMITH: Is this a matter that council often looks at?

MR KENDELL: It's a matter that council often puts its mind to, but what can be done about fuel pricing and fuel pricing differentials – it's – it is a fairly known fact that there is just no opportunity within the city of Wagga to get access to individual low prices, whether they be on a daily basis or on a weekly cycle.

15 MR PURVIS-SMITH: To your knowledge – and I accept that there may be some confidentiality issues – do you know anything in relation to applications for future wholesale depots?

20 MR KENDELL: Look, all I know is that council is currently looking at, at least, two sites and talking to, at least, one operator, possibly two, but it's being conducted fairly confidentially and I'm not even aware of the details at this stage.

25 MR PURVIS-SMITH: And any indication that either of the one and a half to two sites that there are now – that they will be closing in terms of environmental clean-ups or anything like that?

30 MR KENDELL: There's no indication that I have that there's any – any orders been put on sites to close. I might also add this comment too, because it's one of the notes that – for the majority of my early years I actually lived in a corner store. My parents operated a corner store next to a service station. In those days service stations were not allowed to sell convenience items and the corner shop and the service stations operated in conjunction with each other. Since that time that corner shop and service station have both been demolished and been replaced by a single service station and  
35 convenience shop and I would – I would probably conclude that service stations are the corner shop of the – are now the corner shop. And generally within the city of Wagga, I think, all remaining service stations have convenience stores – outlets, or almost all.

40 THE CHAIRMAN: And, again, I will comment that is being seen right throughout Australia in our inquiries at the moment.

MR KENDELL: Yes.

45 THE CHAIRMAN: All right. Did you have anything else you wanted to add, sir?

MR KENDELL: No, not at this stage.

THE CHAIRMAN: Thank you.

MR KENDELL: Thank you.

5

**<THE WITNESS WITHDREW**

**[2.40 pm]**

10 THE CHAIRMAN: All right. Then I think the next one on my list is Mr Ray  
Goodlass. Just while Mr Goodlass comes out could I just make a comment, because  
there was some reference made – not by Mrs Hull, by the way, but by someone else –  
I think Mr Fraser just made a comment that the hearing here had been scheduled in  
Wagga Wagga at the request of Mrs Hull. I want to absolutely emphasise, please,  
15 this is not a political hearing and I have been at pains to point out that this – that  
there are no political influences on this hearing at all.

In fact, for the record, I will state that the choice of Wagga Wagga as a regional  
centre to visit in New South Wales was entirely the decision of the ACCC and, in  
fact, the decision was made primarily because of the existence of the Wagga Wagga  
20 fuel watchdog community in this city and we felt that that was perhaps a very  
interesting starting point to be able to get some more information as to what was  
occurring in some parts of regional New South Wales. But I do that not in any way  
to make any comment upon some of the politics of this exercise, but to absolutely  
stress that this is a non-political inquiry and it will remain that way. Thank you, Mr  
25 Goodlass. Sorry, are you going to give evidence under affirmation, I beg your  
pardon. And could you state, for the record, your name and - - -

30 MR GOODLASS: Ray Goodlass, and I'm representing the Riverina Greens in a  
non-political sense I hope.

THE CHAIRMAN: That will be interesting. Would you take an affirmation.

35 MR GOODLASS: The affirmation, which is why I'm holding it in my left hand, I  
assume. I solemnly and sincerely declare and affirm that the evidence I shall give  
will be the truth, the whole truth, and nothing but the truth.

**<RAY GOODLASS, AFFIRMED**

**[2.41 pm]**

40

THE CHAIRMAN: Thank you. And do you want to make a non-political opening  
statement?

45 MR GOODLASS: Yes, I'm actually concerned with two things but if they are  
going too political please set me – do cut me off. I'm concerned about the price  
differentiation between the capital cities and Wagga Wagga – and I've no idea why  
and I hope your inquiry can find out –but I'm concerned about one of its impacts and  
that is that the price differences are so high here yet people are compelled to drive

because we've got virtually no public transport. So that is my major point. It hasn't arisen at all this afternoon, the lack of public transport in regional centres, but there hardly is any and people are compelled, in effect, to pay these high petrol prices and that's a quite iniquitous thing between the regions and the metropolitan areas.

5

So that's my main concern, and the other one follows on from something, actually, that Mrs Hull pointed out. We're reaching peak oil, prices will get higher and higher and we will probably need to reserve fuels for the region rather than the metropolitan cities where there is plenty of public transport. So that's a thing, I think, we need to look to in the future. So that's my opening statement.

10

THE CHAIRMAN: Mr Purvis-Smith.

15 <EXAMINATION-IN-CHIEF BY MR PURVIS-SMITH [2.43 pm]

MR PURVIS-SMITH: Normally, I would have a list of questions but I think we've heard from a lot of people today in terms of the outlets closing and wholesale distribution and impact of shop-a-dockets.

20

MR GOODLASS: Sure.

MR PURVIS-SMITH: Is there anything that you wish to say in relation to any of those?

25

MR GOODLASS: No. No, I think it's been very well covered.

MR PURVIS-SMITH: All right. I have no questions, Mr Chairman.

30

THE CHAIRMAN: I'm not sure that we can add anything because I'm not sure, Mr Goodlass, that you – and I didn't want to cut you short at all, so I'm giving you complete freedom to - - -

35 MR GOODLASS: No.

THE CHAIRMAN: - - - to make non-political statements but I'm not sure that there's anything that you can add to what has already been put before?

40 MR GOODLASS: No. No.

THE CHAIRMAN: Thank you.

MR GOODLASS: Thank you.

45

THE CHAIRMAN: Thank you, Mr Goodlass.

**<THE WITNESS WITHDREW**

**[2.44 pm]**

5 THE CHAIRMAN: Mr Knox. Thanks, Mr Knox, could you just state, for the record, your name and position?

MR KNOX: Peter Knox, Mr Chairman. I'm the Labor candidate for Riverina.

10 THE CHAIRMAN: Thank you. Now, I won't require you to hold anything other than your right hand, but do you wish to give evidence under oath or affirmation?

MR KNOX: Under oath.

15 THE CHAIRMAN: Thank you. Well, if you could take the Bible in the right hand.

MR KNOX: Yes.

THE CHAIRMAN: Given that the left hand is probably unable to hold it.

20 MR KNOX: Yes.

**<PETER KNOX, SWORN**

**[2.44 pm]**

25 THE CHAIRMAN: Thank you. No, that's it, yes. Thank you very much. Now, Mr Knox, we've just received from you this morning, a submission which we haven't had a chance to look at yet, but that submission will go onto the public record and you should take that as, obviously not having been read because we  
30 haven't had a chance to read it, but it will be on the public record and available for us, obviously, to examine and for others to be able to read it. Now, did you wish to add to anything to what's in the public statement?

35 MR KNOX: Well, thank you, Mr Chairman, in respect to what you said earlier about making it non-political I will have to leave a bit of it out, but I'd like to talk about some other places in the Riverina besides our good city of Wagga. First of all, I'd like to give you an example, in January this year, about price discrepancy. I supported the NRMA on 24 January '07, petrol prices in Sydney at that time were as low as \$1.03 at Griffith we were paying as much as \$1.19 per litre and I opposed  
40 what was happening and my thoughts were published in the area news. Now, I'd like to talk a little bit more about the electorate of Riverina. I've brought with me a map today which you would have a copy of up there now. And I'd just to add – Mr Chairman – I've got here "Mr Commissioner," but I know now it's "Mr Chairman."

45 MR CHAIRMAN No, that's all right, it's a - - -

MR KNOX: Whilst this hearing, today, is held in the city of Wagga, at least here in Wagga there are some forms of public transport and you can catch a train or plane to

major cities. However, in other parts of the Riverina, the people do not enjoy this necessity and completely rely on fuel, we can't even use horses anymore, you can't move them anymore, our grandparents did. Once again, communication is limited to some parts of the Riverina with drop-out in mobile phones and limited broadband.

5 When I talk about communication, we're not only talking about petrol, we try to use the other form, but in the backblocks of the Riverina, like Merriwagga where I was the other day, people were telling us about their mobile phone drop-outs and they said the only way they could receive on their mobile phones – there was a gravel pit in the town – and they all get up – well, get your mobile phone and that's when they

10 get a reception. So then, because they have limited broadband, unless you've got satellite, like, even in our city of Griffith, they tell me, on Scenic Hill, which is not a giant mountain, you can get up there and you can't get broadband as yet. So what I'm trying to say, Mr Chairman, that when those other forms of communication don't work, we have to go back to petrol. And I will give you some actual petrol prices

15 from towns I visited, or contacts have told me, last week. And I know our person over here may ask me questions about which service stations and that, but when you've only got one hand and you've got to driving your car, but I'm relying on my reliable, honest, contacts in some places but, in Goolgowi, for instance, the town shop, in the town, petrol last week, about the middle of last week, on the Thursday, it

20 was, it was \$1.35 per litre. And Goolgowi, on the highway service station it was touching \$1.40 per litre. Darlington Point is another town in the Riverina. The town service station, there, I was advised by my contact yesterday, was \$1.29 per litre and at Darlington Point, on the highway service station, they were \$1.38 per litre. So what I'm saying, again, is Mr Chairman, that it looks as though, on the highway

25 they're actually ripping off the tourists and the people who can afford to travel where as they don't know to just go into the town and it's cheaper, so there's another question. And I've got it written down here, "Therefore, it appears as though the larger highway service stations are taking advantage of unsuspecting travellers who do not know there is a cheaper service station in the same town." Now, here's

30 another example – these are three towns in the heart of the Riverina large towns. Griffith is on one end of it and is constantly – now, it's about \$1.28 per litre since it was mentioned about Wagga, how it coincidentally dropped, about a few weeks ago it was \$1.31 plus. In the middle of – between the MIA – these are the MIA towns in the Riverina. There's Leeton, and Leeton always seems to be cheaper and that's in

35 the middle. At Narrandera it was always a bit dearer, \$1.32 per litre. So we can't understand. So this is the question that we've got to find out: Why is Leeton cheaper when that's in the middle? And West Wyalong – my contact at West Wyalong, last week, told me it's \$1.35 per litre. Now, we're talking about communication again. They've lost, or losing, their ex-airline service so I would

40 suspect that that would give them more reason to put the price of petrol up in West Wyalong. The other concern is that it's starting to have a profound detrimental effect on tourism in the Riverina. Last week, on radio, I heard – and I'm not sure but I was just listening on the radio – the Tourism Business Council blaming not enough advertising on tourism in regional New South Wales, but we all know part of the

45 main reason is the high cost of fuel, that people are not travelling like they used to. Fuel is a necessity in the Riverina and it is practically the only form of transport for health, business, work, sport, and social activities. Instead of the oil companies taking this it would be better to support the money saved by spending with a local

business in the Riverina. And also because the smaller country times can no longer afford to travel because of the cost of fuel it becoming prohibitive. The situation also affects major cities like the towns of Wagga and Griffith as small country towns have to go to these major centres for services and I'd like – you've already got the map,  
5 Mr Chairman, today. And what I would propose, if possible, that this commission goes for a random inspection around throughout the Riverina if you could and just see for yourself how this disparity or discrepancy throughout our small country towns in the Riverina. I don't know whether I can say the last bit because it might be political, but I do support Kevin Rudd, his idea for a petrol commissioner, because I  
10 do think the - - -

THE CHAIRMAN: I think you've been rather perspicacious in noting that it might be political, Mr Knox, yes.

15 MR KNOX: Thank you.

THE CHAIRMAN: Thank you very much. Did you have any more - - -

20 <EXAMINATION-IN-CHIEF BY MR PURVIS-SMITH [2.51 pm]

MR PURVIS-SMITH: Look, just the same question that I've asked most witnesses this morning. You talked about Leeton, in particular, being cheaper, because it's in -  
25 even though it's in a middle of a number of other towns, including Narrandera. Any opinion on why that may be so? Is there a different wholesaler servicing Leeton and somewhere else? Are they easier to get to?

MR KNOX: No, I don't know - that's why I've got a question there. But my  
30 humble opinion is - and I shouldn't be saying this too much - they probably think that Griffith has got more money than Leeton. And Narrandera is on the highway where they've got the ready-made thing coming through. But Leeton always seems to be cheaper.

35 MR PURVIS-SMITH: And cheaper in both diesel and unleaded?

MR KNOX: No, I'm sorry, if I heard the other people mention it today, I think the terms of reference, I haven't followed that. I just kept to unleaded. But I do see, after coming to this hearing today, that there's a problem also with diesel. So I don't  
40 know, I'm sorry. I'd have to take that on board, that question.

MR PURVIS-SMITH: That's fine. Thank you. That's all, Mr Chair.

45 THE CHAIRMAN: Yes.

COMMISSIONER KING: Just to make sure I understand your evidence, Mr Knox, effectively, from what you've said, you referred to West Wyalong, you referred to Narrandera. So - I mean, it appears from your evidence that if you followed the new



highway along, that the petrol prices sound higher on the new highway than they are off the new highway, which - - -

5 MR KNOX: No, that could be correct. I haven't been on the new - but I think the new highway goes along through Goolgowi to Hay, but because they've got a ready-made tourist or travellers, they can't get another service station for probably at least 100 kilometres, and that's why they whack the price up.

10 COMMISSIONER KING: It's all - it's a bit against what we'd heard elsewhere, but - you know, if you've got the throughput, then the prices are low - - -

MR KNOX: I only gave you those two examples of two towns, Goolgowi and Darlington Point, and I can say that they were reliable contacts that I have.

15 THE CHAIRMAN: John? Thanks very much. Thanks, Mr Knox, and thanks for adhering to the exhortation I gave, anyway, that we keep off the political issues, so I appreciate that.

MR KNOX: Thank you, Mr Chair.

20

THE CHAIRMAN: Thanks, indeed.

25 <THE WITNESS WITHDREW [2.54 pm]

THE CHAIRMAN: All right. Mr Peter Milton. And you probably know the procedure by now, Mr Milton. If you could just - - -

30 MR MILTON: Yes, nearly guessed it, I think. I've got no political motivation anyway, so - - -

THE CHAIRMAN: Anyway, just if you can state your name for the record and - - -

35 MR MILTON: Peter Milton from Cootamundra.

40 <PETER MILTON, SWORN [2.54 pm]

THE CHAIRMAN: Thank you. And did you want to open up with a statement?

45 MR MILTON: Yes, just that back in November, I did a - I got concerned with the price of fuel in Cootamundra. We were the highest in New South Wales. I think we were five cents higher than Coonabarabran, three cents higher than Moree. So I did a petition around town, put it around all the shops. We have no fluctuation in price at all. It's just high or very high. The day that my petition went in all the shops and went on the front page of the newspaper, the price went down two cents. Within the

three weeks that the petition was out and to when I put it to Council, the price dropped 17 cents. Now, if we don't have price fixing, that's a big drop for a town that doesn't have any drop.

5 Cootamundra has got a population of 6000 people and five petrol outlets. We're about to lose one - all our fuel comes out of the Caltex terminals, and I think that's why our price is so high. There's no competition within the actual outlets, because it's all out of the one company. We're about to lose one outlet because Woolworths, I believe, had something to say to Caltex that they want a bigger slice of the action,  
10 so the only Caltex-owned site in town, which is then leased to the depot, is about to be shut down. The other thing I'd like to say - I don't know - I believe that when Woolworths buy petrol out of Caltex, they buy it at a different gate price to what everyone else does. It's around about a three cent difference to what the other service stations are paying, and that's where they're getting their four cents  
15 difference to prostitute the industry.

THE CHAIRMAN: Are you in the petrol business?

MR MILTON: No, I'm not.

20

THE CHAIRMAN: Okay.

MR MILTON: I'm a publican.

25 THE CHAIRMAN: Sorry?

MR MILTON: I'm a publican. We use the other fuel.

THE CHAIRMAN: Different liquid, yes. Probably more enjoyable to most, but -  
30 okay. Let me just observe, by the way, that the information you've given us has not gone at all unnoticed. We've had that information in other hearings and from other witnesses, so we - we're familiar with some of the things you've told us, and particularly in relation to the source of supply - that's the wholesale source of supply. I won't comment upon the differential in purchase power of Woolworths, but we do  
35 have information on that as well. Did you want to ask a question?

COMMISSIONER KING: Just one question. Mr Milton, when you referred to the 17 cent drop that was within a day or - - -

40 MR MILTON: No, within three weeks.

COMMISSIONER KING: Within three - oh, okay. Sorry. Did you talk to any of the - I think there were five retailers mentioned. Did you find out from them why the drop had occurred, or can you set any light on why the drop occurred?

45

MR MILTON: They didn't want to talk to me. They'd lost the money. No, just because of the pressure put on them.

COMMISSIONER KING: Are you able to - I mean, with one terminal in town, the Caltex terminal, I would have thought - - -

5 MR MILTON: Yes, we've got one depot in town, but, like, Woolworths and Volume Plus, their petrol comes directly out of Sydney, not through the terminal.

COMMISSIONER KING: Oh, okay.

10 MR MILTON: Yes.

COMMISSIONER KING: Okay.

MR MILTON: But the other three comes through the depot in town.

15 MR PURVIS-SMITH: Mr Milton - - -

COMMISSIONER MARTIN: Just one question. So the price went down. It presumably went back up again?

20 MR MILTON: Yes, after I wanted to put something in the paper and - the fuel depot in town is owned by 20 to 22 business people in town, and as soon as I wanted to pay for an ad in the paper, which got squashed because of pressure that was put on the paper, prices started to go back up.

25 COMMISSIONER MARTIN: So is there five - did you say five outlets?

MR MILTON: Five service stations, yes.

30 COMMISSIONER MARTIN: In - for a population of - - -

MR MILTON: Six thousand, yes.

COMMISSIONER MARTIN: Is there much highway traffic?

35 MR MILTON: Yes, we're on the Olympic Highway.

COMMISSIONER MARTIN: And do they all have much the same volume? Are they all the same type of service station?

40 MR MILTON: Well, Woolworths have got their own. It's off the main street.

COMMISSIONER MARTIN: They're the biggest?

45 MR MILTON: Yes, they would be, because they get - everyone uses shopper vouchers with them.

COMMISSIONER MARTIN: Do they have the most pumps?

MR MILTON: They'd have - yes, they'd have the most pumps. They're in a side street. You've got one on the bypass, which is through town, and then you've got two in the main street and one of them which is about to close down, and the fifth station we've got is with a Mitsubishi dealership, which has only got one or two pumps, which isn't really any volume.

COMMISSIONER MARTIN: So when you conducted your campaign, was there much focus on what the wholesale price was to these - you suggested that Woolworths got a cheaper price, that you've heard anecdotally, but was there much public discussion about - or airing of what the wholesale price that these retailers were buying at?

MR MILTON: No. Look, I can't tell you what they're buying it at, but I know for a fact that there's not 17 cents mark-up in fuel. I know Volume Plus, they get - they manage the sites for Volume Plus, and they get five cents a litre for what they sell. Whether the price is \$1.05 or \$1.50, they still get the five cents mark-up.

COMMISSIONER MARTIN: And presumably, if there was going to be some movement in the price in Cootamundra, someone would have to move it down, and presumably, Woolworths would follow pretty quickly?

MR MILTON: Yes, when the petition come out, it was the two sites that the fuel depot owns that dropped first.

COMMISSIONER MARTIN: Thanks.

THE CHAIRMAN: All right.

**<EXAMINATION-IN-CHIEF BY MR PURVIS-SMITH [3.00 pm]**

MR PURVIS-SMITH: Mr Milton, could I ask, can you recall when this article appeared in the paper, and can you provide a copy to the - - -

MR MILTON: I can provide a copy of it, yes.

MR PURVIS-SMITH: All right. That would be useful, so that we can then see what fuel fluctuations were like, in terms of Singapore price and so on.

MR MILTON: Yes, no worries at all.

THE CHAIRMAN: Thank you. Thanks, Mr Milton.

MR MILTON: Thank you.

**<THE WITNESS WITHDREW [3.01 pm]**

THE CHAIRMAN: Finally, Mr Jeff Auld. Thanks, Mr Auld. Again, for the record, if you could state your name and position.

5 MR AULD: My name is Jeff Auld. I am retired, and before I retired, for over 20 years I used to service petrol pumps.

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

10 MR AULD: Just give me an oath.

**<JEFF AULD, SWORN [3.01 pm]**

15 THE CHAIRMAN: Thank you. Do you want to make an opening statement, Mr Auld?

MR AULD: No, just general, if you want to ask my anything.  
20

**<EXAMINATION-IN-CHIEF BY MR PURVIS-SMITH [3.01 pm]**

25 MR PURVIS-SMITH: Mr Auld, I note that throughout the course of the day you have been able to provide information from sitting back in the chair, so I might just take you through some of that so that it's under oath. There was discussion at one stage about the number of pumps available in Wagga Wagga. Do you believe the number of pumps now is greater or less than there were - - -

30 MR AULD: Less.

MR PURVIS-SMITH: Less. Significantly less?

35 MR AULD: Yes.

MR PURVIS-SMITH: Can you put numbers on it?

MR AULD: It would take me a while to stop and think.  
40

MR PURVIS-SMITH: That's all right. When did this reduction in pumps start occurring?

MR AULD: Well, strange as you may think, it was after Woolworths come to town.  
45

MR PURVIS-SMITH: And how many pumps does Woolworths have now?

MR AULD: Six units and one gas, and two of the units have also got a diesel on them, and all the rest are just motor spirit.

5 MR PURVIS-SMITH: And would you say that there has been a large impact by the shop-a-docket scheme in Wagga Wagga?

MR AULD: Well, more than likely, if you go by the number of cars. And if I can refer to the shop-a-docket, the first Woolworths service station in New South Wales was in Dubbo, and when they opened that up, which was approximately about '95,  
10 but I can't remember - I could refer to it if I went home but - and when Woolworths first started selling fuel, they said that they would be two cents under any other price in town; and this happened, because one of the jobs of the manager of the service station was to drive - and it happened here, too - was to drive around town and see what the prices were.

15 But that sort of slowly disappeared. And when that was on, that was two cents off with a docket and two cents less than anywhere else. Then they brought in the four cents, and they varied their shop-a-dockets. It was \$30, two cents off; 50 or 60 dollars, that was four cents off; and \$80 for six cents off. And that was back earlier.  
20 Now, they just - the four cents. But when the two cents was in, when the opened the one in Parks, it was four cents straightaway. And they opened one in Forbes but it was the two cents.

MR PURVIS-SMITH: Can I take you to wholesale outlets? We've heard today that  
25 there is one and a half depots. At its peak, how many depots were servicing Wagga Wagga?

MR AULD: Six.

30 MR PURVIS-SMITH: And were they all major brands, or were there some independents?

MR AULD: They were major brands then.

35 MR PURVIS-SMITH: They were major brands then and - - -

MR AULD: No, there was an extra one. There was Golden Fleece, too.

40 MR PURVIS-SMITH: Golden Fleece.

MR AULD: There was Golden Fleece, Caltex, Ampol, Total, Shell, Mobil and BP.

MR PURVIS-SMITH: So, to your knowledge, there has never been any  
45 independent-owned depots?

MR AULD: No.

MR PURVIS-SMITH: And we're down to one and a half in the Wagga region?

MR AULD: The Caltex one out at Bowman and the half-depot - we call it a half-depot - is - they draw their fuel out of the Caltex depot at Shell and they deliver in Shell-branded trucks.

5 MR PURVIS-SMITH: Sorry, so you're saying that the Shell service stations get their supplies out of the Caltex depot?

MR AULD: The only one I'm not sure of, which I don't think is - the one that's now the Coles outlet as well.

10

MR PURVIS-SMITH: And you've heard today people have given evidence saying that fuel is transported by rail and by road. Do you have any experience in the volume? Is it predominantly by rail, predominantly by road?

15 MR AULD: What comes into the Caltex depot at Bowman comes down in what they call block trains which - there's usually 16 rail cars at a time, but unfortunately I can't remember the capacity of the tanks now.

20 COMMISSIONER MARTIN: Just back on the depots, if all those depots were closed, do you know if they were put up for sale or is there capacity sitting around that was - - -

25 MR AULD: No. Two of them - BP and Mobil - were out in Coleman Street, and they've just round to finishing - making them safe, for want of a better description.

COMMISSIONER MARTIN: What does that involve?

MR AULD: Well, they're going to sell it off for real estate.

30 COMMISSIONER MARTIN: Okay.

MR AULD: Well, that's what I presume.

35 COMMISSIONER MARTIN: Selling the real estate and tanks - - -

COMMISSIONER KING: They have decontaminated the sites, when you say - - -

MR AULD: Yes. It has been like it for a long, long while.

40 COMMISSIONER MARTIN: So there are some other sites still that have the facility on them?

45 MR AULD: The Shell one is gone. The Total one is gone. The Golden Fleece one has gone. The old Caltex is still in Lake Albert Road, and there's what was the Esso-cum-Mobil now. It's still there. Sorry, no, that's - there's the Mobil depot - it's a bit hard, because it was Power Petroleum controlled it and most of these depots, they had a name on it or a trading name but they were controlled by oil companies.

MR PURVIS-SMITH: Thanks, Mr Auld.

MR AULD: No, I haven't finished yet.

5 MR PURVIS-SMITH: Go on, sorry. Yes.

MR AULD: Now, the price of petrol - and the man from Cootamundra - they used to cart fuel out of the Caltex depot at Bowman to Cootamundra, the distributor at Cootamundra used to cart it across to Coolac on the highway, and the little shop at  
10 Coolac on the highway used to sell it two cents a litre cheaper than the same Caltex fuel in Wagga.

MR PURVIS-SMITH: How long ago was that, Mr Auld?

15 MR AULD: I just can't remember when the little shop went.

MR PURVIS-SMITH: In recent history? Are we talking months, rather than years?

MR AULD: Probably within the last three years.

20

MR PURVIS-SMITH: Within the last three years.

MR AULD: I'm guessing on that. And another thing. I heard someone mention the Singapore price. In Darwin they get supplied out of Singapore, and the fuel in  
25 Darwin is dearer than what it is in Sydney. That's just a - - -

THE CHAIRMAN: We've been to Darwin and spent some time up there, so we're aware of some issues that have arisen with respect to Darwin.

30 MR AULD: And all the depots that are gone - I was told the other day, and I believe it - I can't talk about the north coast or that, but the only two Shell depots that will be left with be Bourke and Dubbo, and they're both controlled by the same distributor, who used to control Nyngan and Cobar and points in between. And here, with the Shell, the distributor that used to be here - and it applies to a couple of the others, but  
35 Shell in particular. Shell just turn up and say, "You're out such-and-such a date," and that's it, and someone else moves in. And that happened to the distributor that was here. Then they moved the one from Wodonga in here as well, and the same thing happened to them. The oil companies controlled the prices, for want of a better description. They did have some others, but I've forgotten it now, off the top of my  
40 head. I didn't come equipped to make a submission.

THE CHAIRMAN: No, well, that is helpful.

MR AULD: Thank you.

45

MR PURVIS-SMITH: Thank you.

THE CHAIRMAN: Thank you.



5 THE CHAIRMAN: Look, could I thank everyone that has come today to provide  
evidence. Let me make something very clear. Each hearing that we've had - and we  
have so far had, I think, about 10 or 12 - on its own doesn't provide all the answers.  
But I have to say that each individual hearing has actually provided us with  
information of very importance, but it has all provided information which is being  
10 added to the total quantity of acknowledge that we're now gaining about the petrol  
industry, and focusing on the issues that we have to deal with, which is: what is it  
that is causing the price of fuel to be what it is; what is it that's causing the  
variations between metropolitan areas in Australia and regional areas; and what  
impediments are there to Australians receiving a fair price for fuel which will  
generally come from an efficient and competitive pricing situation.

15 Now, we're getting a number of issues that have been bubbling to the surface in this,  
and it's one of the reasons, as I indicated before, that we have asked the Federal  
Treasurer for the ability to extend the period of time during which we conduct this  
inquiry for a further eight weeks, because there is information that is coming to the  
20 surface that we are starting to focus on, and that will be the subject of much more  
detailed and intensive inquiries that we will be conducting over the next few weeks,  
with evidence being recalled - that is, witnesses being recalled to give further  
evidence, and other witnesses, who have not yet come forward, but who we can now  
identify, are being called by us to give evidence in public hearing and, in some cases,  
25 in private hearing.

So let me say to you that today's hearing has been useful to us. I know, for myself, I  
have picked up a number of issues that we're going to be chasing down further over  
the next few weeks before we present our final report, and I hope that we can provide  
30 you with some answers as to the issues that obviously are of concern to you and, I  
have to say, are of concern to the ACCC in relation petrol pricing in this country. As  
I say, thank you to the witnesses for your attendance and for giving evidence, but,  
most importantly, thank you to all others who have attended. You have actually not  
disappointed us. You have actually surprised us with the interest that has been  
35 evident through your attendance today, and we do appreciate it. And at that, I will  
call the hearing closed.

**MATTER ADJOURNED at 3.12 pm INDEFINITELY**

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