



Fuel Check: Modelling and Impacts

RACT Paper to Department of Justice

February 2020

The Royal Automobile Club of Tasmania

RACT enjoys a trusted position and extensive market penetration in the community. More than 200,000 Tasmanians are RACT members.

Formed in 1923, RACT is an apolitical and independent transport, infrastructure, road safety, tourism and mobility advocate.

It is committed to supporting and furthering the interests of Tasmanians and does this through a comprehensive program of consultation, education, awareness and public advocacy.

RACT is represented in a number of stakeholder reference organisations in Tasmania and undertakes liaison with government and other groups. It also has three regional advocacy committees which are made up of local volunteers and other relevant stakeholders.

RACT's advocacy activity is defined by a series of public policy documents developed and endorsed by RACT's Advocacy Committee and Board.

These policies have been informed by history, experience, statistical analysis, consultation, industry knowledge and, most importantly, our members.

Nationally, RACT is a constituent member of the Australian Automobile Association (AAA) which represents some 8 million Australian motorists.

Internationally, RACT has joined with other Australian motoring organisations as a member of the Fédération Internationale de l'Automobile (FIA) to work on road safety and related issues at a global level.

RACT's Mobility Strategy

The RACT Mobility Strategy contains three key pillars, which include road safety, future mobility and sustainability, with an underlying theme of representing Tasmanian road users. Within each key pillar sits a series of vision statements. The statement most applicable to fuel prices is:

Representing Tasmanian Motorists

- The underlying principle of RACT's mobility strategy is to represent Tasmanian road users. This relates to a range of advocacy activity and includes unnecessary transport related costs or taxes, including fuel prices.

Background

RACT has made a submission to the Tasmanian Government to adopt the NSW Government's real time fuel price model - FuelCheck.

To support this submission RACT created an online petition which has attracted almost 10,000 signatures to date.

RACT's request would involve implementing legislation that makes it compulsory for retailers to notify the Department of Justice (Consumer Affairs), by means of a website and smart phone app, of the changes in the standard retail price and the date and time this price was offered.

Additionally, the Government could choose to make this data available to third parties, such as RACT, to present on their own websites and apps.

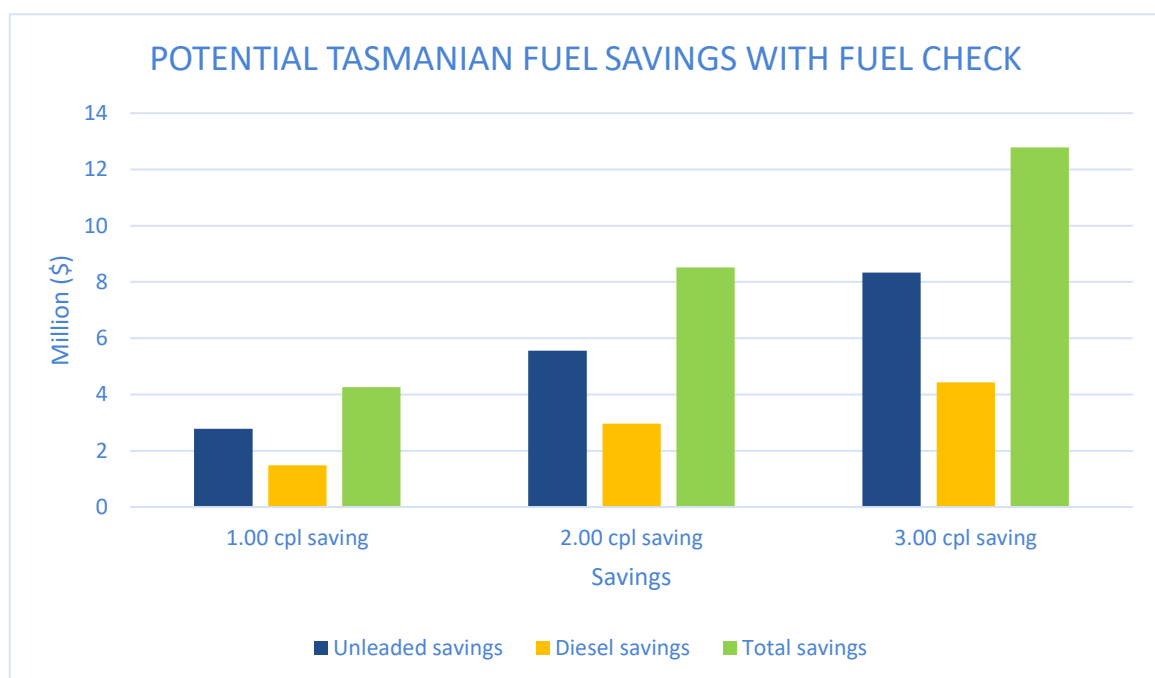
To ensure compliance, failure to register or notify any changes to fuel prices would be considered a punishable offence in any legislation.

The Case for Real Time Fuel Price Monitoring

Financial Impact

RACT has utilised a model provided by NRMA (RACT's equivalent Auto Club in NSW) to estimate the financial impact of high fuel prices on Tasmanian motorists.

The model shows that for each additional 1.00 cent per litre cost, Tasmanian motorists are paying an extra **\$4.26 million**.



Applicability

The ACCC has conducted research that indicates up to 50% of motorists claim the cost of fuel had been the biggest influence on their decision to buy fuel.

This correlates with RACT's own experience in promoting a fuel price deal, where over 50% of RACT's almost 200,000 members utilise the fuel discount annually. This discount correlates in dollar terms to RACT members saving over \$3.6 million annually.

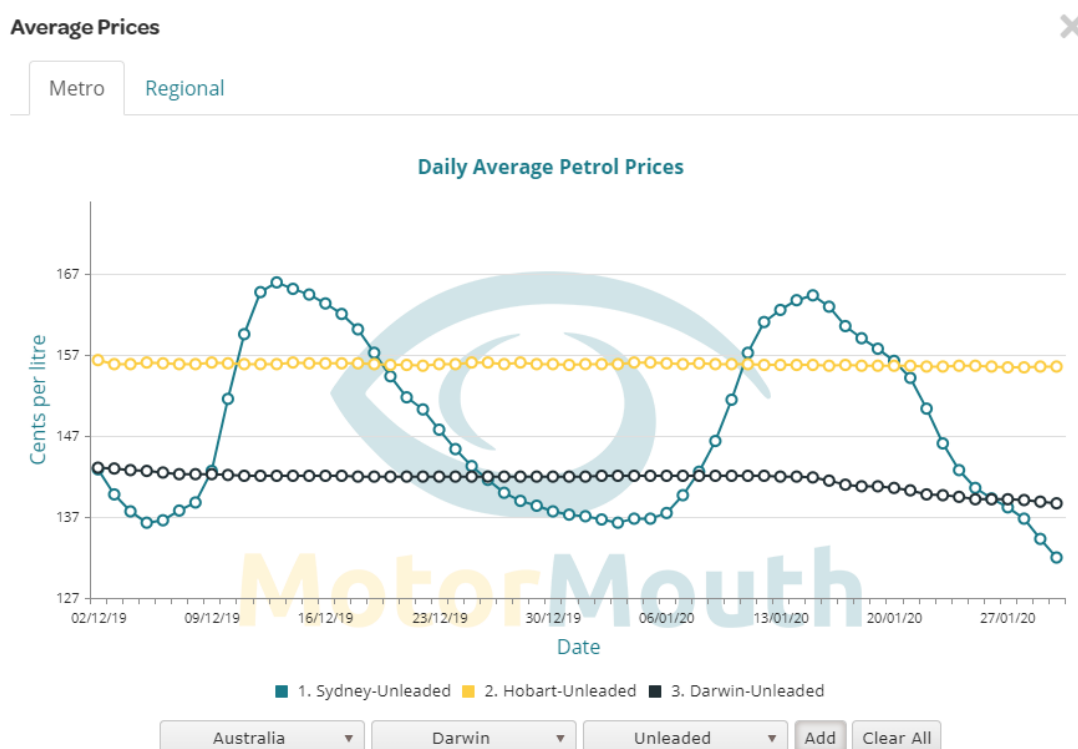
Other markets

Both NSW and Northern Territory have fuel price legislation. The graph below shows the state of fuel prices over the recent month.

In the case of Northern Territory prior to the introduction of legislation, the fuel price margin was significant. The ACCC conducted a review in 2015 and highlighted the market lacked competition and price transparency.

As can be seen from the graph the price of fuel in Darwin, while not fluctuating significantly (similar to Hobart), is well below the price of fuel in Tasmania. This is despite a smaller market and a high cost of transport.

The NSW fuel market maintains a fuel cycle but allows choice for motorists who can use real time fuel pricing to purchase at significantly lower prices, as indicated in the below graph.



The New South Wales Story (FuelCheck)

The NSW Government put in place real time fuel price monitoring in 2016. Comprehensive fuel price modelling has been undertaken by the NRMA and proven FuelCheck to be successful, with the scheme saving NSW motorists **\$111 million per year**.

The positives of the NSW FuelCheck Scheme, as provided by NRMA, include:

1. Full transparency for motorists with real time fuel prices listed on a website and various pricing apps.
2. Providing motorists with the information available as to assist motorists – prior to travel.
3. Motorists can search for the cheapest fuel in their area and other regions.
4. Provision of prices for all fuel types in the system, including premium unleaded grades.

NRMA modelling

The NRMA has undertaken fuel price modelling before and after the introduction of FuelCheck in NSW. This modelling compares price differences between Sydney and other Australian capital cities the year before and after FuelCheck was implemented in 2016.

Between 2015 and 2017, Sydney's average price has dropped 5 cpl below the Canberra price, 2.8 cpl below the Perth price and 2.4 cpl below the Brisbane price. Additionally, Sydney's price dropped 2.7 cpl below the average price of Australia's major capitals.

New website shows where the cheapest petrol is

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The NSW Government website Fuel Watch will make it easy to find the cheapest petrol near you - while also avoiding the most expensive.

On Thursday afternoon, there was a 29.5 cent gap between the cheapest and most expensive petrol in the Figtree area.

That sort of information was once hidden but is now brought to light through the NSW Government's Fuel Check website, which allows motorists to check the petrol prices for service stations anywhere in the state, ranked from cheapest to most expensive.

State Minister for Innovation and Better Regulation Victor Dominello said the site was the first of its kind in the country and was likely to boost competition.

"We already have laws that dictate how service stations can display petrol prices on their roadside signboard," Mr Dominello said.

"We are simply extending this obligation to say that when you change your prices on the forecourt, you also need to report them online."

NRMA spokesman Peter Khoury expected the site will make a huge difference.

"We think this will change the way people buy petrol forever," the NRMA's Peter Khoury said.

"We think this is an outstanding outcome for motorists and something the NRMA has been campaigning for now for a number of years."

A key benefit for regions like the Illawarra is that the government has mandated that all service stations in the state had to register with Fuel Check - previously fuel pricing on this scale was only available in state capitals.

"In the past service stations didn't have to compete because motorists would normally just fill up there and be none the wiser that, if you drive around the corner it could be 20 per cent cheaper," Mr Khoury said.

"Now they can't do that - they can't hide."

The variation in prices within even a single suburb is sure to surprise Illawarra residents - right now an almost -30 cent gap is not unusual.

"It will finally shine a light into an industry that desperately needed it," Mr Khoury said.

"I think the public will be surprised at just how big the gap is.

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"This will allow you to find that diamond in the rough that was hidden from the rest of us because you had to go driving around trying to find cheaper petrol.

The Fuel Check site is at www.fuelcheck.nsw.gov.au



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FuelCheck Impacts in NSW

Please see below additional information from the NRMA on FuelCheck. Much of this information comes from a NSW Government report to the ACT Legislative Assembly Inquiry into Fuel Pricing. This is a publicly available document:

FuelCheck cost of implementation:

1. FuelCheck website launched August 2016 with a \$600,000 implementation cost.
 - This included costs for the website, a mobile app to upload prices (including native apps for iOS and Android) as well as an application programming interface (API) solution for bulk uploading.
2. The NRMA has also advised RACT that it would be costly to implement a similar model from scratch.
 - However, it would still be less than the \$600,000 for the NSW model as it covers 2200 retail sites, compared to the 200-300 stations in Tasmania.
3. Nonetheless, NRMA noted the NSW Government is open to replicating its FuelCheck model and platform in other jurisdictions, which would save costs. However, the Tasmanian Government would have to negotiate this.
 - NRMA recommended the Tasmanian Government contact the NSW Government to replicate the model in Tasmania.
4. The NRMA also advised that there were two options moving forward:
 - The NSW FuelCheck model could be replicated here and be managed by the NSW Government, or;
 - The NSW FuelCheck model could be replicated here and managed by the Tasmanian Government.
5. The NSW Government also has a monitoring system where staff check the accuracy of prices roughly every week to ensure compliance.
 - It is unclear the cost of this activity, but it is not expected to be high.
 - Consumers can also report inaccurate prices.
6. The NRMA also advised that the cost of a daily reporting to businesses would be minimal.
 - The collection of data for larger retailers at numerous sites could take up to 30-60 minutes each day, which is not believed to be a costly exercise.

Please note that given Tasmania does not have a fuel price cycle it is unlikely that businesses would need to update their data on a daily basis.

FuelCheck downloads and hits:

1. There have been more than 8.5 million hits, with an average of 10,000 daily (9,000-15,000 is normal range). This is impacted by the NSW price cycle and FuelCheck media coverage.
2. FuelCheck native apps launched in October 2017, with around 560,000 downloads.

FuelCheck participation and feedback:

1. There have been more than 2,000 service stations updating fuel prices in real time.
2. Almost 110 external parties access FuelCheck data via its API, including the NRMA fuel app.
3. The NSW Government received a 95% approval rating from FuelCheck customers.