

Victorian Government response to the Economic, Education, Jobs and Skills Committee's *Inquiry into fuel prices in regional Victoria*

August 2018

Introduction

On 14 September 2016, the Legislative Council of the Victorian Parliament agreed to a motion that the Economic, Education, Jobs and Skills Committee (the Committee) inquire into, consider and report on fuel prices in regional Victoria, including but not limited to:

1. examining pricing methodologies for unleaded, diesel and LPG fuels in regional Victoria
2. examining why significant pricing discrepancies occur in some regional communities when compared to metropolitan areas and many other regional communities
3. considering best practice approaches and initiatives in other Australian states and territories, with a view of reducing fuel prices
4. examining technology and tools that may enable motorists to compare fuel prices
5. considering the experience and pricing impact upon families businesses and industry, and
6. examining regulatory and legislative barriers that may influence fuel prices.

The Committee's final report was tabled on 20 February 2018, making the following three recommendations to the Victorian Government.

- **Recommendation 1:** That the Victorian Government conduct a public awareness campaign in regional Victoria to encourage the use of fuel price applications (apps).
- **Recommendation 2:** That the Victorian Government support the Royal Automobile Club of Victoria's (RACV) efforts to improve the coverage of fuel prices on its app through crowdsourced data.
- **Recommendation 3:** That the Victorian Government and local governments review planning policies to encourage the entry of new service stations to regional fuel markets with low competition.

Section 36 of the *Parliamentary Committees Act 2003* provides that, if a committee's report to the Parliament recommends that the Victorian Government take particular action, the appropriate Minister must provide the Parliament with a response to the committee's recommendations within six months of the report being laid before the Parliament.

In accordance with this requirement, provided below is the Victorian Government's response to the *Inquiry into fuel prices in regional Victoria* (the Inquiry), responding to each of the Committee's three recommendations.

The Victorian Government thanks the Committee for undertaking the Inquiry, and welcomes its report. The Victorian Government also acknowledges the important contributions made by the stakeholders who participated in the Inquiry, including individuals, regional councils, local business groups and industry bodies.

In responding to the Committee's recommendations, the Victorian Government acknowledges that fuel prices are an important issue for regional residents because they often travel long distances by car to access services, work or education, and their other travel options, such as

public transport, are limited. Further, high fuel prices in some regional areas increase business expenses and residents' cost of living, which can have an adverse effect on the local economy.

The Committee recognised the limited ability of the Victorian Government to influence fuel prices, given that the international benchmark price and Australian Government taxes make up most of the price at the pump.

The Committee did make recommendations to improve fuel price transparency and stimulate competition in regional Victoria, and to support regional residents to make informed decisions about when and where to purchase fuel. The Victorian Government supports the aims of these recommendations.

Retail fuel prices are monitored by the Australian Competition and Consumer Commission (ACCC), an independent Australian Government authority that works to promote market competition and fair trading, including in retail fuel markets. The Victorian Government will liaise with the ACCC and it committed to supporting a fair and competitive marketplace for fuel in regional Victoria.

Recommendation 1

That the Victorian Government conduct a public awareness campaign in regional Victoria to encourage the use of fuel price apps.

This recommendation is supported in full.

The Victorian Government supports a public awareness campaign to encourage the use of fuel price apps in regional Victoria as an effective way of improving fuel price transparency, and thereby stimulating competition.

Increased use of fuel price apps will enable more motorists in regional Victoria to compare fuel prices at service stations in their area and to find the cheapest fuel prices. More informed decision-making by motorists about where and when to buy fuel, has the potential to stimulate competition between service station operators. This is expected to contribute to addressing one of the key findings of the Inquiry; that while local market competition is a major determinant of retail fuel prices, regional areas typically have less competition, which drives up local fuel prices.

A public awareness campaign in regional Victoria will also complement the laws the Victorian Government introduced in 2016, which require service station operators to advertise the undiscounted price of fuel to motorists on price boards. Therefore, when a motorist uses an app to find the cheapest fuel in their area, the price board laws will ensure that they do not pay more than the displayed price.

It is intended that the Victorian Government conduct the public awareness campaign before the end of 2018.

Recommendation 2

That the Victorian Government support the RACV's efforts to improve the coverage of fuel prices on its app through crowdsourced data.

This recommendation is supported in full.

The Victorian Government will work with the RACV to identify the most effective way of supporting it to improve the coverage of its fuel price app using prices submitted by its members and through crowdsourcing. Consideration will also be given to whether it may be appropriate or beneficial to work with other providers of similar apps.

As the peak motoring body in Victoria, the RACV has an estimated 2.1 million members, which includes a significant membership base in regional Victoria. The Victorian Government agrees with the Committee's view that there is potential for the RACV to draw on its membership base to upload price data. This will improve the information it provides to regional motorists through its app and website, particularly where information is lacking or not up to date.

Fuel price apps, such as the RACV app, can assist motorists to more easily compare fuel prices and, therefore, are an effective means of improving fuel price transparency. The Victorian Government agrees with the Inquiry's finding that crowdsourcing apps in particular should be encouraged as they have potential to improve the coverage of fuel prices in regional Victoria.

Recommendation 3

That the Victorian Government and local governments review planning policies to encourage the entry of new service stations to regional fuel markets with low competition.

This recommendation is supported in full.

The Victorian Government supports reviewing planning policies to identify opportunities to encourage the entry of new service stations into regional fuel markets with low competition.

The entry of new service stations into regional markets can lead to lower fuel prices through increased competition. The Victorian Government agrees that identifying opportunities in planning policy to better facilitate the entry of new service stations into regional markets could improve competition in those markets.

However, while the Inquiry found that planning restrictions may hinder the entry of new service stations to regional markets, which may limit competition, the Victoria Planning Provisions generally do not restrict the establishment of service stations. A service station is an allowable use in all zones except for the two Green Wedge Zones in Metropolitan Melbourne's fringe.

As the Victoria Planning Provisions are currently under review this issue will be considered as part of that review. The Victorian Government will work with regional local governments to review their planning policies and identify any potential planning barriers to the entry of new service stations.