Wednesday 30 August 2017

Executive Officer
Economic, Education, Jobs & Skills Committee
Parliament house
Spring Street, EAST MELBOURNE VIC 2002

To: Mr Elasmar,

Re: Submission into the inquiry into fuel prices in regional Victoria
Thank you for the opportunity to put a submission to the Victorian Parliament’s Economic, Education, Jobs and Skills Committee’s inquiry into fuel prices in regional Victoria. Please find our response outlined below.

Fuel pricing discrepancies between service stations in regional locations and those in Melbourne or other regional areas

Lack of competition in regional communities often result in fuel discrepancies between regional and metropolitan areas. In addition, with rural petrol retailers typically selling less than half the volume of their metropolitan counterparts, they rely on significant margins to make a profit.

During the last week of August 2017 within the Rural City of Wangaratta fuel prices varied by 0.4c/litre (131.5c to 131.9c) whilst Melbourne prices averaged at 130.6c with the lowest price sitting at 112.9c due to the cities competitive fuel price cycle patterns.

Freight costs transporting fuel to regional areas also add additional charges to fuel prices. Caltex Australia estimated that freight is typically 1.5 to 3.0cpl greater in country areas. Prices tend to increase quickly over one to two days, without warning and then take a few weeks to slowly go down. In the last cycle – Wangaratta’s fuel prices jumped from 123c to 132c/litre.

The impact of regional fuel prices on families, business and industry.

REPLAN results for the Rural City of Wangaratta show that 39% of our population live in rural areas and that over 65% of all employed residents are required to drive vehicles to their place of employment.
There are few alternatives in country areas for families in rural communities. Fuel is a significant and necessary cost to families, businesses and industry. The average rural family spends many hours a week driving to work, school, sports and operating farm machinery. This also has a contributing effect on student’s difficulties in commuting to educational facilities in region, leading to the two extremes of either dropping out of education or relocation to metropolitan cities for further opportunities, according to the Regional Policy Advisory Committee findings published in 2013.

Larger regional industries do not have the luxury of acquiring wholesale fuel directly from a refinery terminal. The costs of purchasing from a regionally located storage depot adds even further expenses to the buyer.

**The influence of regulation and legislation on fuel pricing.**

According to the Australian Competition & Consumer Commission, 88 percent of the retail petrol price is made up of international buying price and taxes, leaving only 12 per cent for refiners, wholesalers, distributors and retails to use to cover costs and make a profit. Therefore one of the largest influences of the price of fuel paid is dependent on the international benchmark prices. Changes in international prices can take up to two weeks to filter through to rural areas. It is also vital for fuel retailers to comply with fuel quality legislation and standards to ensure they meet strict environmental requirements, which contributes to further necessary expenses.

**Interstate best practices initiatives to reduce fuel prices**

Climate works Australia’s report to improving the fuel efficiency as the Victorian Government’s passenger vehicle fleet suggests;
- Shifting from six to four cylinder vehicles
- Increasing the range of efficiency vehicles available
- Potential increase in range of electric vehicles available
- Promotion of efficient driving techniques
- Encouraging public transport

With hope that these initiatives follow into the private sector, rural communities in our region have near to no available access to public transport. Residents planning travel to metropolitan regions via train often are encountered with unreliable services and often prefer to drive.

**Tools and technologies that enable motorists to compare fuel prices.**

Online fuel comparison sites for country areas are provided from companies such as RACV. Unfortunately for Wangaratta residents, it is not viable to drive to another town for a cheaper price on the day. Many of our rural residents currently have limited internet access and therefore online comparisons cannot be accessed.

Petrol price comparison apps also face the same issues with lack of access from rural areas. Due to lack of competition and price cycling in smaller towns – there is often little to no difference in prices between retailers.
Effect of interstate mandatory fuel pricing reporting schemes have had on regional fuel prices.

In talks with local regional fuel retailers, the overwhelming response to mandatory fuel reporting is that it has no effect or influence on pricing. If you would like to discuss the submission further please contact Kelly Harwood, Economic Development Support Officer on 03 5722 0756.

Yours sincerely,

[Signature]

Jacqui Bright
Manager Strategy, Growth and Environment