

Government Response

to the Productivity Commission Report into Fuel Pricing

The Government welcomes the Productivity Commission's Report on fuel price transparency. On 18 December last year, the Premier referred this matter to the Productivity Commission to investigate and report on policy models that would enable consumers to make more informed choices when purchasing fuel.

Relevant factors to be considered included the net benefits of the policy models used in other states, the current South Australian regulatory environment, and the cost effectiveness of the models.

The Commission set itself four tests that needed to be met to justify government intervention in the market. The scheme must:

1. Improve the scope, quantity and integrity of fuel price information available to consumers;
2. Be taken up by consumers;
3. Be acted on by consumers; and
4. Provide benefits to consumers that exceed the costs of regulation to retailers and to government.

The Productivity Commission considered two policy models for government intervention against the assessable criteria (in addition to the *status quo*): the compilation and publication of real time fuel pricing information (commonly known as 'Fuel Check'); or the reporting and fixing of fuel prices for 24 hours (commonly known as 'Fuel Watch').

While the Productivity Commission did not make formal recommendations, its analysis of the various policy models greatly assisted the Government.

Based on this work, the Government will introduce legislation to the Parliament to *enable* the implementation of a fuel price monitoring scheme that accords with the Productivity Commission's findings – that is, the Fuel Check model is the policy option with the most net benefit to consumers.

It is important to note that, in the Commission's view, the cost benefits of the policy are overstated by the policy's proponents and the cost to Government and retailers overstated by the policy's detractors. Whilst imprecise, they considered the net benefit to consumers annually would be between \$3 million to \$8 million, which is contingent on the availability of greater fuel pricing information; consumers accessing that information; and acting on the same information.



The evidence regarding fuel pricing schemes' impact on pricing averages is inconclusive.

Nevertheless, the Government's view is that in light of the net benefit identified by the Commission, and the ongoing concern of the fluctuating cost of fuel, fuel price monitoring will be made available as a priority.

Consultation on the Regulations – which will encompass the finer detail of the scheme – will occur between the Houses. As the Productivity Commission called for submissions from the stakeholders as to the merits of the policy, the feedback sought will be confined to the practical implementation of the policy from industry and individual retailers.

Following the legislation's passage through Parliament, a procurement process will be undertaken to engage a third party data aggregator to collect fuel price information from fuel retailers. Private app developers will be able to access this data via an API free of charge, consistent with the model implemented in Queensland.

To assist with compliance and enforcement, Queensland also contracts with another provider who can access fuel card data. This data shows the price paid in real time transactions. The Queensland Government pays for this organisation to match this against the prices provided to the data aggregator. A report is then provided to the Government outlining any price mismatches that require investigation. A similar approach will be taken here in South Australia to assist compliance and enforcement activities undertaken by Consumer and Business Services.

This scheme is funded as a two year trial to ensure its stated benefits are met. The Government reiterates that no policy of fuel price monitoring will have its support if it found it tended to increase fuel prices.