



**AUSTRALIAN  
AUTOMOBILE  
ASSOCIATION**

Constituent Members



## AUSTRALIAN AUTOMOBILE ASSOCIATION

### FUEL PRICE BOARDS POSITION PAPER

JUNE 2010

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WORLD WIDE AFFILIATION THROUGH THE AIT AND FIA



# AUSTRALIAN AUTOMOBILE ASSOCIATION

## FUEL PRICE BOARDS POSITION PAPER JUNE 2010

The Australian Automobile Association (AAA) represents more than 6.5 million Australian members through its eight constituent state and territory motoring clubs. Affordable mobility is one of the AAA's key advocacy areas, and the AAA and its constituent clubs strive to ensure that their members and the motoring public at large are subject to fair and affordable motoring costs.

Fuel is one of the main components of motoring costs. The product is generally viewed as homogeneous, and whilst motorists might maintain brand loyalty to a particular retail operator or elect to consistently refuel at a conveniently located service station, price is a significant determinant in consumers' decisions regarding the purchase of fuel. Adequate and accurate information about fuel prices is essential for Australian motorists particularly as pricing follows a weekly cycle in many Australian capital cities.

In the absence of other more traditional advertising of petrol and petrol pricing, fuel price boards are the predominant avenue by which motorists are able to observe and compare prices. The fuel price boards serve a vital function in the sales regime, increasing price transparency and promoting competition between fuel retailers.

Currently only two Australian states or territories have any legislative regulations regarding fuel price boards. In these two states, New South Wales<sup>1</sup> and Western Australia<sup>2</sup>, these regulations, whilst specific to price boards are not particularly comprehensive and in the view of the motoring clubs do not sufficiently serve the interest of consumers. Other states and territories address the issue in more generic state based consumer protection legislation.

The AAA and its constituent clubs would like to see regulation imposed at a Commonwealth level in order to set uniform standards across all states and territories consistent with the Federal Trade Practices regulatory regime.

Fuel price boards are a form of advertising and legislation (i.e. Trade Practices Act 1974) regarding the conduct of advertising should be applicable.

The AAA and constituent motoring clubs believe that the *Trade Practices (Industry Codes - Oil Industry Code) Regulation 2006* (part of the Federal Trade Practices Act 1974) is the obvious and most appropriate avenue for federal intervention.

This code was designed to assist consumers.<sup>3</sup> The code's current wording and the subsequent review of the Oil Code in 2009 demonstrates that the code (whilst operating effectively) is too narrowly focused on the sales relationship between fuel wholesalers and retailers.<sup>4</sup> It is appropriate that the parliament support a wider regulatory framework that directly targets consumer interests (ie consumer advertising) as a means towards assisting consumers and facilitating greater price transparency.

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<sup>1</sup> NSW Fair Trading Regulation 2007

<sup>2</sup> The WA Petroleum Products Pricing Regulations 2000

<sup>3</sup> The Hon Martin Ferguson, Minister for Resources, Energy and Tourism. Hansard 28 May 2008.

<sup>4</sup> Oil Code Review Department of Resources, Energy and Tourism May 2009.

The code should *inter alia* specify:

- that fuel price boards be compulsory at all automotive fuel retailers;
- that fuel retailers display the prices of all automotive fuels being sold at that site, and if a particular fuel is out of stock then that fuel price should not be displayed;
- that retailers display the exact and current prices of all automotive fuels sold at that site and that these prices *should not* be inclusive of any 'shopper-docket' or similar over the counter discount offers which may be redeemable by individual customers at the time of purchase;
- that price boards display fuels in an agreed order following consultation with representatives of the fuel retailers and all such fuels be named in a standard manner to allow motorists to clearly understand and compare prices based on comparable fuel types; and;
- that the price boards be clearly visible at all times the fuel retailer is open for business. This would entail that fuel price boards not be obstructed in any way, display the prices with digits at least 50 centimetres in height and a minimum of 2 metres off the ground, so that they are visible at 200 metres distance for someone with 20/20 vision, and have lighting to illuminate prices when the outlet is open at night (ie. have lighting when streetlights are on as a good rule of thumb).

In recognition of the fact that some outlets may have recently invested significant funds on price boards that do not meet the above requirements, the AAA supports a five year phase-in period for the regulatory changes.

Under terms determined within the regulations, retailers in smaller rural locations or those which demonstrably sell very limited amounts of fuel (the exact volume or number of pumps to be determined), would be exempt from this regulation.

The Oil Code was introduced in late 2006 as part of Federal Government measures to have a robust regulatory regime for fuel prices. The AAA and its constituent clubs believe that these new changes unequivocally contribute to that outcome. They act as the logical next step towards improving the scope of the Oil Code as one of the principal regulations to combat petrol price rises.

By expanding the scope of the Oil Code, to address issues of price transparency, the Federal Government would be committing to a process which is ultimately more productive for consumers.

The changes proposed do not unduly limit or cause hardship to retailers and in the view of AAA enhance current retail practice.

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## CURRENT STATE LEGISLATION

### **The WA Petroleum Products Pricing Regulations 2000**

Regulation 6 requires non-metropolitan retailers to display their standard retail fuel prices on clearly legible roadside price boards. Prices for at least three fuel types must be displayed, one of which must be ULP and/or LPG (if sold at that location). If the retailer sells fewer than three fuel types, they must display the prices for all the fuels sold. The rule was introduced to further encourage price transparency and competition in non-metropolitan (regional) areas of the state. The increased competition has also helped to reduce the fuel price differential between metropolitan area and many regional towns.

For further details, see

[http://www.slp.wa.gov.au/pco/prod/FileStore.nsf/Documents/MRDocument:16250P/\\$FILE/PetrlmProdsPricingRegs2000\\_02-a0-00.pdf?OpenElement](http://www.slp.wa.gov.au/pco/prod/FileStore.nsf/Documents/MRDocument:16250P/$FILE/PetrlmProdsPricingRegs2000_02-a0-00.pdf?OpenElement)

### **The NSW Fair Trading Regulation 2007**

Division 4 - Petrol price signs of Part 3 - Product information standards requires the price for regular unleaded petrol supplied to retail customers at the petrol station must be disclosed by being displayed at the petrol station on one or more signs (***petrol price signs***) that must be so positioned and lit that any price and other matter that it displays will be readily seen by motorists approaching the petrol station at any time that the petrol station is open for business for the supply of petrol with a price per litre of petrol.

For further details see

<http://www.legislation.nsw.gov.au/fullhtml/inforce/subordleg+413+2007+FIRST+0+N#pt.3-div.4>