

Mr Barron-sullivan; Mr Dan Barron-Sullivan; Mr Julian Grill; Mr Larry Graham; Mr Max Trenorden; Mr Doug Shave; Mr Bob Bloffwitch

SELECT COMMITTEE ON PETROLEUM PRODUCTS PRICING IN WESTERN AUSTRALIA

Report

MR BARRON-SULLIVAN (Mitchell - Parliamentary Secretary) [10.07 am]: I present “Getting a Fair Deal for Western Australian Motorists”, the report of the Select Committee on Petroleum Products Pricing in Western Australia. I stress these are early copies that will be subject to minor formatting and editing changes. I also present the transcripts of evidence, the submissions and the minutes from the proceedings of the committee.

[See papers Nos 332 to 335E.]

Mr BARRON-SULLIVAN: Stepping into the arena to take on an issue such as fuel pricing and discovering the magnitude of the situation, especially the sheer domination of the industry by the major oil companies, the easier it became to appreciate how David must have felt as he came face to face with Goliath. The scale of the industry, even in a relatively small State such as Western Australia, is awesome. Each year 1.85 billion litres of fuel are sold in an industry estimated to be worth \$10b annually. In view of the tremendous significance of the petroleum industry, it is essential that it should be capable of delivering the lowest possible prices. Western Australians, especially country motorists, are far from convinced that it does; and it is no wonder. Country centres monitored during August indicated variations from the Perth average price of between 7.8¢ per litre and 14.6¢ a litre. The committee in its own work found even greater variations of up to 20¢ a litre in smaller regional towns. It has been estimated that the annual additional cost to private motorists in my home town amounts to around \$4m, while the weekly cost of this significant differential between Perth and country fuel prices is in excess of \$2m.

The substantial differences between country and metropolitan prices were not the only reason for establishing the first formal inquiry into fuel pricing in this State in 17 years. The community has begun to revolt over a number of highly questionable fuel pricing practices. Although average prices in the metropolitan area are generally lower than in the country, city motorists have fallen victim to a petrol marketing system in which prices fluctuate daily, even hourly, for no apparent reason. The sheer frustration and pent-up anger of private motorists is matched only by the despair felt by many small businesspeople in the petroleum industry, particularly the independent and franchise retailers. Many try vainly to compete for a living in an environment dominated by the major oil companies and in which the normal rules of free enterprise no longer apply. A veneer of competition exists in the metropolitan area; however, during the six months of its inquiry, the committee uncovered an industry desperately lacking in healthy, genuine competition. The scale and complexity of the situation means there is no room for half-measures. Consequently, the committee has put forward 20 recommendations, including four strategies that it believes are of paramount importance in achieving the lowest possible motoring fuel costs. We propose the most far-reaching reforms in the history of the State’s wholesale and retail petroleum industry, designed to create genuine and workable competition. It recommends immediate price control to reduce diesel and petrol prices in country areas and the extension of price control legislation to cover liquefied petroleum gas. Extensive price monitoring and price transparency are essential in ensuring real consumer choice, and there is a need for a coordinated strategy to encourage greater LPG use and to develop a plan to make Western Australia a world leader in the promotion of alternative fuels, especially liquefied natural gas and compressed natural gas.

In submissions and evidence to the committee, the major oil companies strongly maintained that higher country prices for unleaded fuel are principally due to three factors: Higher retail margins, which are necessary due to low sales volumes in the country; additional freight costs due to the extra distance from the refinery; and higher average wholesale prices due to greater competition in the metropolitan area. How do these arguments stack up? The committee found that freight cost is not a major consideration as the cost of transporting fuel to a site in Perth is typically about 0.4¢ a litre, compared with 1.4¢ a litre to transport it to Bunbury and a maximum of 3¢ a litre to transport it anywhere in the south west or wheatbelt. Sales volumes vary in country areas, and some country petrol stations have low sales volumes; however, the situation is different in regional centres. To obtain a better picture, the committee sought and received commercial information from a number of retail sites, including margins, freight costs, wholesale prices paid for fuel and the level of price discounting offered by the oil majors. It was possible to compare sites in different regions with similar sales volumes. The figures demonstrated that, for example, sites in Bunbury have margins of about 4¢ to 5¢ a litre, compared with margins at comparable Perth sites of between 2¢ and 5¢ a litre. Clearly, there is more to high country prices than low volumes. Our information revealed that Bunbury retailers pay similar wholesale prices to Perth stations, with variations of about 1¢ to 2¢ a litre. Members should remember that, unlike metropolitan retailers, country retailers receive a federal petrol price subsidy. This offsets the higher retail price in Bunbury by 1¢ a litre. At the time, a site with reasonable sales volumes in Perth was charging 92.5¢ a litre at the bowser, while a comparable site in Bunbury was charging 103.9¢ a litre. After factoring in the federal subsidy, the difference

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was as much as 12.4¢ a litre. The committee allowed an extra 1¢ a litre for retail margins and 1¢ a litre for extra freight costs; yet more than 10¢ a litre remained unexplained - until the committee examined the level of price discounting offered to the various sites. During the period of assessment, discounting through rebates accounted for cost savings of between 1.85¢ and 8.35¢ a litre to Perth retailers. By comparison, not one cent in rebates was provided to the country sites we examined, which largely accounted for the higher retail prices. The committee concluded that motorists in regional centres such as Bunbury pay more for their fuel not because of higher operating costs, lower sales volumes or higher retail margins, but because the lack of discounting results in higher wholesale costs. The figures reflect a drastic lack of healthy competition among the major oil companies. Interestingly, the major oil companies strongly argued against the current laws, which restrict them to control of no more than 5 per cent of all retail sites. They argue that more competition would be generated in country areas if they were allowed to open more company-owned and operated sites in those areas. The committee examined this position in detail during hearings held in Parliament House, using the site next to my electorate office in Eaton as a simple case study. This site is owned and operated by Caltex and, without revealing commercial information, records good sales volumes comparable with a number of Perth sites. When asked how country prices could be reduced, the Caltex's manager of government affairs said that the situation could improve if the company had the ability to open more sites in country areas. However, the member for Geraldton questioned him further on that -

Mr Bloffwitch:

You said that if you had more company-operated sites the price would come down. You have one in Bunbury. Why is that not happening there?

Caltex:

I said that one could consider that strategy . . . It does not mean that that strategy would be pursued at every site. I am not implying that if Caltex had that freedom it would necessarily pursue that strategy everywhere, but it we would have that opportunity . . .

When I asked why Caltex did not want to engage in competition at that site, the company representative's reply said it all. I quote -

My guess is that we have determined that Bunbury is a large market and we are simply following the prevailing prices in the area . . .

This is hardly the language of a competitive entrepreneur keen to expand his company's market share through a healthy process of vigorous competition.

Using yesterday's retail price data, it can be shown that Bunbury motorists paid almost 6¢ a litre more for petrol than if the operator had had access to the same degree of wholesale price discounting as exists in Perth. I cite this case not because it is in my backyard, but because it is a perfect example of what is wrong with the system in regional centres. It clearly demonstrates that the major oil companies cannot be trusted to engage in genuine competition of their own accord.

The report sets out in considerable detail the extent of manipulation at the retail level. It is at the wholesale level, or the terminal gate, where the committee uncovered an industry totally lacking in genuine competition and dominated by the major oil companies. It is not uncommon for an independent retailer to pay more for his fuel supplies than for what nearby company sites are able to sell it. Oil companies provide price support and discounts, principally in the metropolitan area, for strategic purposes. Selected retailers are given guaranteed margins of around 2¢ to 3¢ a litre so they can lower their prices to be competitive in the local market and secure a greater market share. It is this selective discounting that creates a seesaw effect in Perth, where some stations change their prices six or seven times a day. This selective manipulation of prices is gradually wiping out independent retailers. The danger of inaction is not just that the existing fuel pricing fiasco would continue indefinitely, at great expense to many Western Australian motorists, but also that the limited degree of competition in the metropolitan area could eventually end or be seriously eroded.

As one independent , who runs a high turnover site at a prominent location, said -

The multinationals will force people like me out of the industry. They will then control the industry across the board and then you will see what the price of fuel will be.

Only by enacting tough and workable safeguards now can we be assured of competition into the future. The solution hinges on one fundamental recommendation for far-reaching reform in the State's fuel pricing system. To foster genuine, transparent competition it is essential that all retailers and other purchasers of petroleum products can buy fuel at the same price and on the same terms. In this way, the stranglehold enjoyed by the oil majors would be broken and we would see active competition at both the wholesale and retail levels.

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Importantly, we would see reduced fuel prices in country areas as wholesale prices came down significantly. To ensure that a true terminal gate pricing system works smoothly, complementary reforms are needed, including the introduction of a daily maximum terminal gate price set by the Commissioner for Fair Trading; advertising of that price and access to that price, on equal terms, by all retailers and other purchasers; legislative amendments to the Petroleum Retailers Rights and Liabilities Act 1982 to guarantee all retailers the indisputable right to purchase up to 50 per cent of their fuel from suppliers of their choice; legislation providing for one retail price to be set daily, to end price volatility in the metropolitan area and assist with other pro-competition measures; an effective and highly transparent price monitoring system; a system informing consumers of daily retail prices, enabling greater choice; compulsory price sign boards; and the encouragement of country distributorships and fuel cooperatives in country areas, ensuring that smaller country communities benefit from lower wholesale prices.

Lower country prices are a sure bet from the resultant competition that will guarantee the lowest possible prices in Perth to, possibly, even lower on average than at present.

The committee also recommends the introduction of price control in country areas for petrol and diesel, using existing legislative means, and the drafting of new price control legislation for LPG autogas. With country motorists paying an extra \$2m each week, I would urge the Minister for Fair Trading to examine and adopt this recommendation for action as a key priority.

Any assessment of fuel pricing would be lacking if it did not consider the existing world parity pricing arrangements which, more than anything, account for the steep price rises for petrol, diesel and LPG autogas in recent times. The report acknowledges the complexity of the matter but it is time for a major re-think about how we allow oil companies to gain massive windfall profits from the sale of Australian natural resources, at our expense, through a system which guarantees them world prices which have virtually no relationship whatsoever to their costs of production. When world oil prices skyrocketed in 1974, Australia's petroleum pricing policy was not directly linked to world prices. It has been calculated that, had world parity pricing been in force at the time, the nation's gross domestic product would have declined a full 1 per cent, employment would have declined by 2 per cent and inflation would have gone up by 5 per cent. This points to the likely impacts of parity pricing arrangements during the current period of high world oil prices and demonstrates the imperative of reviewing import parity pricing.

The report also sets out a positive strategy to break the State's reliance on petroleum products. Initially, government incentives for people to convert to LPG autogas and to buy dedicated LPG cars would reduce transport costs significantly for those changing to gas, provide major environmental benefits and increase sales volumes with some subsequent pricing benefits. The report sets out key principles which should be adhered to, to ensure the most effective incentive scheme possible, along with a recommendation that two-thirds of the government car fleet be converted to LPG within three years. It also explains the need to develop a comprehensive strategy to develop and promote alternative energy sources, especially natural gas in the form of LNG and CNG. These energy sources are viable and the environmental benefits are hugely significant. The price of natural gas in New South Wales, where it is commercially available for freight use and private motoring, works out at the equivalent of 38¢ a litre compared with petrol; and there is no risk of dramatic price fluctuations as natural gas, unlike LPG and petrol, is not linked to world petroleum prices.

The committee was approached about two issues, which perhaps stretched its terms of reference, but in view of the level of community concern it gave them as much consideration as possible in its limited time frame. I can attest to one complaint, concerning the poor quality of lead replacement petrol, as my motorbike is currently in the workshop with clogged carburettors, the result we suspect of using LRP. Consequently, we are requesting that the relevant ministers examine the matter and report back to Parliament. The other issue concerned the price of bottled gas, and again the committee recommended action to alleviate the problem, especially for those most affected, through a subsidy assistance scheme for seniors.

In summary, we have recommended the most far-reaching reforms ever in the history of the State's petroleum wholesale and retail industry. Instilling competition and transparency into the industry certainly is an awesome task, but then, sometimes the little bloke wins - just ask David.

Finally, I thank my fellow committee members, who approached the various complex and, at times, controversial issues in a constructive and bipartisan manner. Special thanks are extended to Mr Allen Tenger, our senior adviser, whose assistance and extensive knowledge in this field has been invaluable. Thanks also go to Mr Mick Drover, our research officer; Mr Keith Kendrick, clerk to the committee; and to our committee secretary, Mrs Patricia Roach. Their contributions ensured accurate research and completion of the report in an extremely tight time frame. I extend our appreciation also to Mr Geoff Asher of Melbourne, for his excellent advice. However, most of all, let me extend the committee's appreciation to those Western Australians from all walks of life who

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made the effort to appear before the committee or who took the time to prepare and present submissions. Their guidance and advice helped with the committee's deliberations and ensured it remained focused on the key issues.

MR GRILL (Eyre) [10.26 am]: When people look back on the report of the Select Committee on Petroleum Products Pricing in Western Australia they will acknowledge that it is a very brave report and I would say to the minister, who is here today, that a Government which implements this report in its entirety will be a very brave Government indeed. That should not in any way discount the fact that this is a very thorough report, which has been put together after extensive research, and all members involved in the process have worked diligently and for long hours and days to ensure that we presented something which was relevant and material to the needs of Western Australians at this time. If this report is adopted in full, it will radically change the way in which petroleum products are priced and marketed in Western Australia. Even if it is adopted only in part, it will make substantial changes to the way in which those products are marketed and priced, and it will make a big difference to the cost of those products in Western Australia's regional areas. I hope the report will be adopted in full and that we do have a brave Government that is prepared to implement the report as unanimously recommended by the all-party committee.

The report has taken into account the huge differentials, the unsupportable differentials, in price between city and country. They were not there just a few years ago, they should not be there today, and if the committee's recommendations are accepted they will vanish, and they should vanish. The truth is that today in some parts of Western Australia the cost of fuel is jeopardising the existence of some small communities. We should not tolerate that, and I have two relevant examples in my own electorate. There are many small communities in my electorate, and many more dotted right across Western Australia, but I will refer only to two - one is Kookynie, a historic mining town in the north east goldfields, and the other is Widgiemooltha, which is on the Eyre Highway and is also a historic gold mining centre. They are small communities and they have to generate their own power. They must pay the full price for diesel in generating their own power. Farmers, pastoralists and mining companies do not pay the full price for distillate, yet the small operators in the small communities providing essential services pay the full price for distillate. I was in Kookynie on a recent weekend following celebrations in Laverton and I went into the hotel, which is in an isolated area, but is patronised as it is in a historic area. There were once 11 hotels in the town; there is now one. The owner said that it might be the last time I will visit. I asked why, and he said that he thinks he will have to close down. The cost of distillate to run the refrigeration and power units to keep that place open is now higher than the cost paid for liquor. They cannot continue. A similar situation applies in Widgiemooltha. The female operator of the Widgiemooltha roadhouse, which provides power to elements of the community, says she cannot carry on for much longer without some relief. The committee recommended a transition period of five years in which the small communities and generators of power should receive a full subsidy on distillate, as do the miners and pastoralists who operate around them. The five-year period would enable them to make the transition to gas or some other fuel, possibly liquefied petroleum gas. As we will offer subsidies to owners of automatic vehicles, we should offer subsidies to these hard-pressed operators.

I make some remarks about gas because natural gas is the future of fuel, even automotive fuel, in Western Australia for the foreseeable future. Currently, fuel from gas is not taxed with an excise, but is taxed with a goods and services tax. Excise is the biggest single component of fuel costs in Australia. It is imperative that the excise-free status of that fuel continue, and some noises have come from the Federal Government that this will be the case. There are environmental reasons for that as well. Some people argue strongly for world parity pricing for petroleum, and they can make a logical argument, but the committee has doubts about its ultimate validity. The committee recommended that world parity pricing be re-examined.

There is a difference between natural gas and its derivatives, such as LPG, and petrol. We have immense resources of natural gas in Western Australia which can be converted by different methods into fuels for automotive use. We have limited markets for that gas. Over the past four or five years, we have been trying to sell more gas into the Asian market without much success, and I hope we will have greater success in the future. With current usage, and with further exporting success, we have at least 100 years' supply of gas. If we do not use that gas to most benefit Western Australians and the WA economy, we will not do our job properly. Currently, the windfall gains from the increase in the gas price do not go to Western Australians or the Australian economy, but to international oil companies and producers. That situation should not continue. If we have concerns about our economy, and if we are brave to any degree, we should look closely at that situation.

The truth is that the prices for LPG, the major derivative of natural gas for household and automotive use, is set in Saudi Arabia once a month in US dollars. It is set to suit the Saudis, and we pick up that price in American dollars in this country. That price has no relevance whatsoever to the cost of production. The cost of finding that gas has largely been written off, and the cost of production is a fraction of the cost of petroleum. If we want

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to turn that great asset into automotive fuel, we could have low fuel prices for domestic and automotive uses, as we have reasonable costs for natural gas in our homes today. It is a challenge for government. It is a big step to take. To do so, one must hypothecate a percentage of Western Australian and Australian natural gas for domestic use. That would be a brave move. Some countries have done so. Some countries to our north have done that with petroleum products. After thorough examination, the committee believes that major differences exist between the world parity price for petrol and the world parity price for natural gas and its derivatives, such as LPG. We should hypothecate sufficient amounts of that gas for domestic use, otherwise, it will be sold on world markets at a price in US dollars set by the Saudi Arabians. That would make some people very rich as clear windfall gains would accrue, which would do little for our economy and little, if anything, for consumers in the State. We should share in those windfall gains; the way to do so is to hypothecate a percentage of the natural gas for domestic use and to control prices. The committee has made those recommendations.

On top of the advances to be made in adopting the recommendations to control the price of petrol in our State outlined by the chairman of the committee a few minutes ago, the big breakthrough and slabs in savings will arise from using our natural assets - that is, the gas in the North West Shelf and the Timor Sea. We will fail the people of Western Australia if we do not pick up that challenge. I am very pleased that the committee unanimously decided to make those recommendations in those terms.

MR GRAHAM (Pilbara) [10.37 am]: I am pleased to put my name to the select committee report, given that it was my motion in the House that led to the establishment of the committee. I commend the Government for taking the issue on board, and the Opposition for supporting the establishment of the committee with haste.

When I moved for the establishment of an inquiry, country fuel prices were significantly higher than those in the metropolitan area, and country fuel prices in Western Australia were among the highest in the nation - they still are. The gap between metropolitan and country fuel prices has increased with regularity since the deregulation of 1993. The committee has a lot to say about that aspect. That deregulation was defensible as it was based on the assumption that the Federal Government would take control of the price of motor spirits and petroleum products in the nation. The State Government vacated the scene, and remains off the scene.

I use the analogy of a two-headed monster to be dealt with as a consequence of this report. The first head of that monster is the multinational oil companies. I do say that not as a born-again Bolshevik, but because these are large, aggressive companies that have structured their businesses to allow them to profit from every step in petroleum production. Although it can be said that it is not a bad thing in a business sense, it is bad when dealing with a strategically important commodity like petroleum products. It is more than a simple commodity; it is the lifeblood of our community, and will remain that way for some time yet.

If we were to believe the rhetoric of the oil shocks of the 1970s, we would have no oil left today. They were wrong then and they are wrong now. Large supplies of fossil fuels are left on the planet. The question is how they are produced and at what cost, and how they are distributed and at what price they are sold. The report makes it quite clear that the oil companies that operate in Western Australia have repatriated profits to their parent companies and are, by any yardstick, extraordinarily profitable companies. They have made major windfall profits from the rising oil prices to absolutely no benefit to Western Australian motorists. It is a direct transfer of wealth from the average Western Australian to some of the biggest corporations and richest people in Europe.

The report shows clearly that what would be called the normal market forces of a definable market are not present. The oil companies dispute that; they say that the competition is not between distributors, retailers and wholesalers. Their version of competition is that there is competition between the major oil companies. We do not agree with that position, and the committee has made a series of recommendations that would, for the first time in this State, introduce genuine competition in every area of the petroleum industry that the State can control. I think that is a good thing.

The second head of the monster is the Federal Government. Just to show that there is nothing new in politics, there is a definition in Samuel Johnson's original dictionary of 1755 in which he describes excise thus -

A hateful tax levied upon commodities, and adjudged not by the common judges of property, but wretches hired by those to whom excise is paid.

It is amazing how very little changes in 250-odd years. As the oil companies have profited out of high and increasing world prices for oil, the Federal Government also has profited. There are a number of things that one can say about the behaviour of the Federal Government. I am not getting into the rhetoric of whether the goods and services tax is a good or a bad tax, but it is clear that the application of the goods and services tax has increased the price of petrol in non-metropolitan Western Australia. The committee found it to be an iniquitous tax.

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The second thing that the committee found is that there is no basis for, and that the Federal Government should forgo, the next round of indexation increases that are due as a consequence of the consumer price index-linked indexation of fuel excise. It is inequitable for that increase to be passed on to motorists. It is not their fault that the Government introduced a goods and services tax that has increased and will increase the price of fuel by at least 2¢ a litre. They should not be required to pay it. I know the Federal Government has taken a hard line on it, but the pressure must be put on and it must be taken up by the most senior levels in this nation for that to be refused.

The chairman of the committee spoke at length about the recommendations, as he should, and the report speaks for itself. I firmly believe that the report will stand the test of time, although I expect that we will receive a fair amount of criticism from the Federal Government and the oil companies. I suspect that a lot of the arguments that the oil companies will put forward are entirely predictable. Having said all that, if the oil companies and the Federal Government wish to be taken seriously about fuel prices in this State, they need to demonstrate it by behaviour and not rhetoric. It is inequitable and unfair that an oil company can have a product and sell it to people for five or six different prices on its whim alone for no reason other than it determines that the price for one person will be different from that for someone else. That is a patently unfair system and was described at the tax rally. In other places in the world that is called corruption. I do not know about that, but it is unacceptable for that system of wholesaling petrol to remain in place in this State.

In the 12-odd years that I have been here, this has been one of the most difficult committees with which I have been involved in terms of getting hold of and understanding and dealing with it. Given my background, it was not unusual for me in my previous life to have to sort out generous rhetoric from the facts. However, I have never found myself in a position in which people are telling me what is in a document at the same time as I am reading the document and the two views are mutually exclusive. I found that all the way through the inquiry. This is difficult ground for a politician, but it is absolutely fascinating that people will not answer in any way, shape or form the questions that are asked and that the information was confused, misrepresented or twisted to create an impression that everything was okay when, in fact, the exact opposite is occurring. A representative of an oil company told me that the company was nearly going broke in Australia. I promptly looked up its annual report to find that the chairman said that it was a record year. I would love to go broke like that. Having said that, it has been a complex and difficult task. There is no doubt that the market, as it is defined in the petroleum industry, does not work. When markets do not work, Governments have to act. I hope and trust, and I will be taking it up with both the Government and the Opposition, that the legislation needed to implement this system in its entirety is drawn up, introduced and put in place before we go to the state election. That is a reasonable ask from the public of Western Australia.

I join with the chairman in thanking the staff of the committee. I will not name them all, but I thank them because they have worked long hours and have worked diligently, including late last night, to produce what is a very important report.

MR TRENORDEN (Avon) [10.47 am]: I will take a few moments at the beginning of my address to talk about something slightly different. I appeared on a forum some weeks ago when some very prominent Western Australians addressed an audience of about the capacity of this House on how this place operates. Having spent some years here and a lot of time on committees, as most members of this House will recognise, I am constantly amazed by the committee system in this House. If one looks at what has happened with this committee - I do not want to be unfair, particularly to the two people sitting on the other side - one will see that the report talks about regulation. It is somewhat different from what one would expect the five members of this committee to come up with. However, they have done so because of the processes of committee work in this House and the attitude that members have when they participate in committees. I think the committees do excellent work for the State. People in this place know that I have a strong view in favour of committees, but this is a good example. I would not like to say where anyone sits in the political spectrum, but on economic matters, none of the five members of this committee is to the left of the spectrum, including the Independent member for Pilbara.

Mr Shave: That is a brave statement.

Mr TRENORDEN: It is a very brave statement. The facts are that we looked at and examined the market, as the chairman said, and we came up with, in the words of the member for Eyre, a brave report.

There are serious challenges for rural people, and I do not intend to repeat the words of the members who spoke before me. Even though we concentrated on and talked a lot about the differential price between the country and the city, there is an equally important issue: Some rural people will not have a service at all. If members were to drive to Albany and take the turning to Wandering and drive on to Pingelly or Narrogin, they would see a sign 100 metres down the road that reads "No petrol available". The wording of such signs will be the reality throughout rural Western Australia unless the vertically-integrated set-up of the major ownership of fuel is

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changed. The chairman and members of the committee have spoken about why that is the case. It must be recognised that unless action is taken quickly, the small independent operator, particularly in rural Western Australia, will be in a terminal position.

Another important aspect is that if the current market situation is to prevail unchanged, country people will continue to subsidise city motorists. I do not have time to go through all the detail, but the chairman of the committee outlined the situation in Bunbury. The profit can be pulled out of country areas and put into competitive pricing in the metropolitan area.

I support the promotion of gas. However, unless the gas situation improves dramatically, country people will not be confident about buying a gas-powered vehicle because in many places they will not be able to buy gas. A lot of work must be carried out by private enterprise and government to ensure that if gas is to be an alternative, people can be assured that they can purchase the product wherever they travel.

An often forgotten point that was raised regularly when we travelled around the country is that metropolitan people are supported by \$200m-worth of subsidy. Country people do not have that. If they want to travel to a hospital or to school or work or to carry out an enterprise, they are compelled to use a vehicle because they have no option. I will speak later about another matter related to that.

The current tax regime, particularly the goods and services tax, which impacts heavily against country people, must be considered. There is no doubt that the goods and services tax has an inequitable effect on fuel prices for country people. Liquid petroleum gas should be promoted in the short term. The member for Eyre and others have spoken about various options that will be coming on stream, such as biomass. An important point raised by the member for Eyre is that we need to recognise and publicise that AlintaGas and Wesfarmers make money from parity pricing. They have never explored for gas and do not intend to, but they are winning on parity pricing. Obviously I support the argument put forward by the member for Eyre as I have signed the report, but gas must be considered. The Minister for Fair Trading has the difficult task of looking at the report and acting on it, but the question of gas is important. It could provide consistent prices for Western Australian motorists, but I temper that statement with what I said before; that is, a lot of capital must be put into rural Western Australia before rural people will be able to benefit from this. I am not talking about Northam or Bunbury but about smaller towns.

Mr Grill: The right infrastructure must be there.

Mr TRENORDEN: That is right, and the infrastructure is not there at the moment.

I estimate, not from the committee's report but from listening to the debates, that the nation has had windfall tax gains of approximately \$850m. My primary problem with those windfall tax gains is that they are inequitable for country people. The Federal Government has the option of deciding where to spend that \$850m; but where will it be spent? Will it be spent in rural Western Australia, New South Wales or South Australia? The answer is no, it will not. The report shows that country people pay 1¢ or 2¢ more per litre because of the effect of the GST, which is a penalty imposed by the taxation system. I am not saying these things, as did the member for Pilbara, to raise the issue of the changes in the taxation system, but there must be equity in taxation. From the Middle Ages onwards, people have argued about how to introduce equity in taxation. In this case, country people need to be aware that they are paying a penalty, and they should be annoyed and concerned about it. We cannot get away from the issue: Fifty per cent of the cost of fuel is taxation. People can rightly argue that Australian taxation is not high compared with the rest of the world. The consumer pumping fuel into his car will not be concerned with our comparative position in the world's tax structures but with what is happening to him. Consumers have a right to be interested in their own position. We all know that Western Australia covers about one-third of this continent's surface, so most rural people are compelled to live and die by the cost of transport.

One of the issues I was keen to have included in the report, and it was - I address this point to the minister but it would probably be better directed to the Premier - is that this State must look at consistent and equitable transport costs, and it makes little difference whether they be commercial or private. As the member for Eyre has said, in the future we have the option of looking at alternative fuels, such as biomass. Such options are not available yet, but they must be considered as they appear. We need to be conscious of the fact that we must not allow the rest of the world to dictate our costs.

Although it was not directly related to our terms of reference, the cost of bottled gas was raised consistently throughout the State and we have made a recommendation that is worthy of consideration.

MR BLOFFWITCH (Geraldton) [10.57 am]: I will address a few issues that have not been mentioned today, one of which is the 50 per cent legislation. I do not believe that 50 per cent legislation will work; I believe it must be 100 per cent. If the minister wanted to start serving Victoria Bitter in his hotel and somebody said that he could not do so, what would he say? The minister is leasing and operating a property. Why should he not be

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able to change? Our biggest problem with the petrol industry is vertical integration. The oil companies own the oil, the refineries, the distribution network and the retail sites. By using multi-site operations to circumvent the Act covering retail sites, the companies have complete domination of the industry. What are they doing with that domination? They are trying to drive independent operators out of business. The companies will allow an independent buying group 4¢ a litre profit and then will subsidise their MSOs at 6¢ a litre, so that if independents want to match that, they lose 2¢ a litre. What a wonderful system! How will we achieve a true terminal gate price by talking to Shell Australia Limited, BP Australia Ltd and Caltex Australia Limited? It will be achieved only if we say that there will be total divorcement in this State if it does not happen. Interestingly, nine American States have moved to total divorcement. The industry is happy in those States and it is making a quid. Someone should visit those States to talk to the operators and to look at the divorcement process.

An article I read in a motoring magazine the other day stated that 23 fuel stations in America were each awarded \$500 000 compensation from oil companies. For three years they had been working on margins of 1¢ and 2¢ a litre in an attempt to match the jobbers. They took the oil companies to court under the antitrust laws and the court found that the oil companies were discriminating against them and awarded compensation. We do not have antitrust laws in this country that would achieve anything like that. We should obtain a copy of the American antitrust laws and investigate incorporating them in our legislation. In the 1930s, Standard Oil was the first corporation to be attacked under the American monopoly laws. When it was split into seven separate companies, those companies were still the seven biggest companies in the world. That illustrates the power and might of these multinationals. Unless we impose dramatic penalties - such as divorce from the retail market - we will never get any sense out of them.

I am paying \$1.14 a litre for petrol in Geraldton. That is very expensive. The freight price differential between Perth and Geraldton is 0.4¢ a litre. What a disgrace! Royal Dutch Petroleum Corporation made \$1.2b last year and this year it made \$3.7b on the international scene. However, the local blokes say they are not making any money. Of course they are not. Why would they make money in Australia, which imposes a 30 per cent company tax? Why not make the money through a shipping firm registered in Indonesia, which imposes a tax of only 10 per cent? That is exactly what they do - they transfer their profit to areas of low taxation throughout the world - and they have been doing it for years.

The movement in oil prices has put a heavy emphasis on consumers. Western Australia is the biggest State in Australia. Country areas have no public transport system, so rural residents must use motor vehicles. Every aspect of the economy is suffering. If we had a true terminal gate price, we would probably be buying petrol in Geraldton at about 88¢ or 89¢ a litre. If they want their 7¢ margin, the price would be 95¢ a litre. That is very different from the \$1.14 a litre we are paying now. The oil companies do not give a damn about rural residents because they know that they will pay the outrageous price, and the companies will reap the benefits.

The biggest problem in the Perth metropolitan area is the way the oil companies are treating the independent operators. They are screwing them to death. They are making them operate on ridiculous margins. We must do something to give the independent operators access to true terminal gate prices and healthy competition. Why can those operators not hire a Brambles tanker and have a load of petrol delivered at 88¢ a litre? At that price the margin does not allow someone else to get another 2¢ or 3¢ a litre. We must get to that point if we are to achieve anything in this State.

The problem with parity pricing and taxation is simple - the oil companies own the fuel. If we did not adopt parity pricing, they would sell all our fuel overseas. We must adopt that pricing regime. However, I agree with the member for Eyre that we have unlimited gas supplies and that we should be emphasising that and providing subsidies to those who want to use gas. As the member for Avon said, we must have a better distribution network. Kleenheat Gas has tried to talk to the oil companies about site access, but they have refused it permission to put tanks on or to sell from their sites. We must address these issues and find ways to allow the market to develop.

Many people do not understand the difference between liquid petroleum gas and compressed natural gas. CPG is sold very cheaply. Can we use it for motor vehicles? Yes, we can. It is used in large vehicles in the eastern States. In fact, Liverpool City Council had all its trucks converted to use compressed natural gas and it is saving a great deal of money each year as a result. The State Government must help people to convert their vehicles to use those fuels. If we do that we will see an improvement.

I urge the minister not to consider the 50 per cent legislation. Multi-site operators tell retailers that they cannot buy Pepsi - they must buy Coca-Cola - and that they must buy Mars Bars and so on. Why? Because they get a kickback from the supplier. That is not fair. If a person is leasing a premise, it should be up to him to decide what he stocks. We need laws similar to the American antitrust laws. I ask the minister to inform himself about those laws because we have no antitrust legislation in this State. I spoke to a couple of Democrats and told them

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about the problems we are experiencing. They said they wish they had not knocked the proposed changes, and that in future they will not. We will move in that direction, and I ask members to support those moves.