

Editorial: Squeeze on fuel's 'cosy oligopoly'

Last updated 00:32 20/06/2008

Commerce Minister Lianne Dalziel's petrol price review has met with a tepid response from the big oil companies, **The Dominion Post** writes.

The market is competitive and there is no benefit to be had from implementing Australian-style reforms in this country, they say. New Zealand is a vastly different market.

If nothing else their comments should alert the minister and the consultants carrying out the review that they are on the right track. That's exactly what their Australian counterparts told the Australian Competition and Consumer Commission when it conducted an inquiry into the price of unleaded fuel last year. Much to the consternation of the oil companies, it concluded that small savings for motorists were likely if other Australian states adopted the FuelWatch system introduced to Western Australia in 2001.

The controversial system is designed to do two things - to redress the imbalance in information between consumers and what the ACCC called the "cosy oligopoly" of oil companies that dominates the industry in both countries, and to put downward pressure on petrol prices.

It does the first by alerting interested motorists every day - via website, e-mail or phone - which service stations are charging the lowest prices in which areas. That is information New Zealand motorists can obtain only by driving from station to station because Shell, BP, Caltex and Mobil service stations refuse to disclose their prices over the phone.

It does the second by requiring service stations to announce their prices a day in advance and to stick with them for 24 hours. Opponents of the scheme, primarily the fuel companies, say the 24-hour rule stops them passing on savings to customers sooner. But the Western Australian experience suggests its real impact is to discourage companies from aggressively increasing prices.

Unlike motorists, the fuel companies have access to instant data telling them what their competitors are charging. In other states, and in New Zealand, a company that takes the lead in putting up prices can quickly adjust downwards if its competitors do not follow suit. But in Western Australia a service station that sets a high price risks losing customers because it cannot change its price for 24 hours.

The ACCC calculates that the scheme has lowered average prices in the state's capital of Perth by 1.9c a litre since its introduction. In a country where prices vary more widely than in New Zealand, canny motorists have achieved additional savings of up to 20c a litre by using the daily updates to shop around.

Set against the massive increases in fuel prices caused by the growing demand for oil in China and India, political instability in the Middle East and speculation in oil futures, the savings to be had from a Western Australia-style scheme are relatively small.

But given a choice between putting another dollar or two into the coffers of international conglomerates every time they fill up and keeping it in their own pockets, we know which motorists would prefer.

The reviewers should not allow themselves to be distracted by the pronouncements of those who benefit most from the fog that at present surrounds petrol pricing.