



Steve Fielding **Family First** Senator for Victoria

## **Speech by Senator Steve Fielding Family First Senator for Victoria**

### **Second Reading Speech Petroleum Retail Legislation Repeal Bill 2006**

**11 September 2006**

Family First believes the *Petroleum Retail Legislation Repeal Bill 2006* will not ensure the lowest possible petrol prices for families and small businesses. That is why Family First will be moving amendments to the bill to ensure that no company selling petrol can own or operate more than 25 per cent of petrol retail sites. Family First wants to try to level the playing field for small businesses competing with the oil giants because that will lead to the lowest possible petrol prices for families and small businesses.

It is generally agreed that the *Petroleum Retail Marketing Sites Act 1980* and the *Petroleum Retail Marketing Franchise Act 1980* are outdated, no longer serving their intended purpose and should be removed. Apart from anything else, these acts were written before the petrol retail market was transformed by the entry of the supermarkets Coles and Woolworths.

Family First believes the proposed Oilcode fails to adequately address this reality and is concerned the Oilcode would allow even greater market dominance by the major players. This would threaten independent service stations, which are vital for a competitive petrol market and to ensure the lowest possible petrol prices.

Let me be clear: Family First wants the lowest possible petrol prices for families and small businesses. There is a tendency in small markets such as Australia's for large companies to keep getting bigger until there are only a handful of players controlling the sector.

Family First is convinced there will be fewer and fewer petrol retailers and less and less competition unless we have adequate regulations to ensure a genuinely competitive market. The current *Trade Practices Act* is not up to the job. Woolworths and Coles already have a stranglehold over Australia's supermarkets and are now seeking dominance in service stations. It is estimated that Shell and Coles and Caltex and Woolworths may already control up to 70 per cent of the retail petrol market.

Family First's amendment will restrict the number of sites that a company or partnership can own or operate to 25 per cent of all service stations. That would mean the alliance between Caltex and Woolworths could only own or control 25 per cent of sites and the Shell and Coles Myer alliance could also only own 25 per cent of sites. Companies or alliances that already operate or control more than 25 per cent of petrol retail sites will not be allowed any more.

Family First's amendment will put a lid on market dominance, to benefit families and small businesses. Family First's action strikes a good balance between two extremes. No regulation means the law of the jungle, where only the biggest survive. Too much regulation chokes the market and is a burden on all business, particularly small business. Putting a lid on market dominance is fair and reasonable regulation. It makes sense. It allows the big end of town to survive as well as the independents.

Family First is also concerned that service stations cannot buy at the best price as they are small players without bargaining power. That is why Family First will move an amendment to give service stations automatic exemption to collectively bargain with the oil giants to buy fuel.

Everyone accepts small businesses need bargaining power when negotiating with big business. So why should service stations be burdened with an application process and be forced to get permission to collectively bargain? It does not make sense. This is time consuming and there is no guarantee of receiving permission either under the current system or under the government's proposed changes.

The Senate approved simpler collective bargaining notification procedures last year, but the government has stubbornly refused to implement them and is trying to blackmail the Senate to also pass merger changes to help the big

end of town. It does not make sense. Family First believes small business should not have to suffer and wait around while the government engages in such power plays.

The Minister for Industry, Tourism and Resources has said the Oilcode will introduce a nationally consistent approach to terminal gate pricing which will:

... improve transparency in wholesale pricing and allow access for all customers, including small businesses, to petroleum products at a published terminal gate price.

Family First's amendment would achieve greater transparency, by making clear the breakdown in prices, including discounts, as well as how the service stations qualify for those different prices. Family First's changes will not stop discounting but do address the concerns of independent service stations and other small businesses that the criteria to qualify for those discounts need to be made public. Small business deserve to know what criteria they must meet to receive discounts.

Family First's amendment also addresses a concern raised in the Senate committee which examined this bill about anticompetitive behaviour. Understanding how prices are set can help reduce anticompetitive behaviour. While small businesses may not have the buying power to qualify for bigger volume discounts, at least they will know how to make the most of their buying power.

It is important to state that petrol is an essential resource and there are no ready alternatives for most consumers.

The four oil giants, due to their control of the market, can use their power to discriminate between service stations. Family First believes it should do everything it can to ensure that the risk of anticompetitive behaviour is reduced.

One way to remove competition such as independent service stations is to refuse to supply them with petrol. The Oilcode states that suppliers must not unreasonably refuse supply, unless they do not have supplies themselves or they think the customer cannot pay or cannot transport the fuel safely.

Family First acknowledges there is a dispute resolution process, but what do service stations do about getting supplies while a complaint is being investigated? In this situation the oil giants have all the power. They could delay resolving disputes and threaten the viability of small businesses at the same time.

The Family First amendment switches the balance to the small business so that oil giants are not allowed to refuse supply except for health and safety reasons. That makes sense. When there is a dispute about supply—a dispute that could take a long time to resolve—Family First’s amendment requires the oil giants to supply on a most favoured customer basis so the small business does not suffer.

Family First is seeking other senators’ support for this common-sense amendment.