

7 March 2018

Director
Fuel Policy Section
Department of the Environment and Energy
Government of South Australia

Via email: fuel.policy@environment.gov.au

This submission is provided as a public submission

**Submission by the Motor Trades Association of Australia Limited (MTAA) into the
Review of Australian Fuel Standards**

Dear Director

The Motor Trades Association of Australia (MTAA) appreciates the opportunity to present a national industry endorsed policy position concerning proposed changes to Australian fuel standards. MTAA also highlights the need to consider any impacts changes to fuel standards will have on Australian fuel retailers and in particular, independent Australian fuel retailers.

MTAA is the peak Australian automotive association and represents the interests of its State and Territory jurisdictional associations which include: the Motor Traders Association of New South Wales, the Victorian Automobile Chamber of Commerce (incorporating the Tasmanian Automobile Chamber of Commerce), the Motor Trade Association of South Australia, the Motor Trade Association of Western Australia, the Motor Trades Association of the ACT and the Motor Trades Association of the Northern Territory.

MTAA represents many of the 69,365 retail motor trades businesses which employ over 379,365 Australians and contributed \$37.1 billion to the Australian economy in 2015/16; which equates to 2.2% of Australia's GDP. The Australian fuel retailing sector is a significant component of the nation's largest small business sector, the Australian Automotive Industry.



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The interests of fuel retailers are represented in MTAA, through its State and Territory Member Associations and the Australian Service Station and Convenience Store Association (ASSCSA) which is one of eight national industry specific associations within MTAA. Policy issues considered by MTAA and ASSCSA include franchising arrangements with fuel manufacturers, environmental concerns and compliance requirements, and fuel theft, supply and quality and the continued sustainability of the fuel retailing industry. Consequently, MTAA is conscious of the impact that changing fuel standards has on the business strategy and outcomes of fuel retailers.

This submission should be considered alongside any of those that may have been submitted by any of the Association's Members.

MTAA on behalf of its State and Territory Association Members remain available to assist with any additional line of inquiry relating to the impact of changes to Australian fuel standards on the fuel retailing industry.

Please do not hesitate to contact MTAA should you require any additional clarity or further information regarding this submission or more generally.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Richard Dudley".

Richard Dudley
Chief Executive Officer
Motor Trades Association of Australia Limited



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MTAA Limited's

Submission to the Department of
Environment and Energy regarding the
proposed Changes to Australian Fuel
Standards



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Executive Summary

MTAA Key Recommendations:

- Option F be introduced due to:
 - Having the lowest cost and regulatory burden for industry.
 - Improved health and operability outcomes.
 - Reduced potential for increased consumer costs and higher fuel prices.
- If Option F is not adopted, MTAA prefers that Option C be introduced for the following reasons:
 - Although Option C increases the regulatory burden to \$500 million (as compared to \$425 million for Option F) and the national benefits only increase marginally (as compared to Option F), Option C better harmonizes with international standards and ensures the most effective operation of engines.
- The Commonwealth Government provide assurances that any increased regulatory costs imposed as a result of changes to fuel standards will be borne by fuel manufacturers and suppliers to the fuel retail outlet and *not* the fuel retail outlet.
- Fuel manufacturers and suppliers and/or Government will provide retailers with compensation for any transferred capital costs associated with:
 - Tank cleaning and reconfiguration.
 - Changes to signage requirements.
 - Changes to Environmental Protection Agency (EPA) requirements (including vapour recovery requirements).
- The Department identifies and communicates to industry any required increased capital costs and regulatory burden for fuel retailers; including being more specific than the regulatory burden estimates within the regulatory impact statement (RIS).
- Provide assurances that retail outlets will not be liable for the incorrect use of fuel due to consumer confusion in relation to changing fuel standards.

MTAA Key Recommendations (continued):

- Government make clear what signage requirements and consumer education material will be required to be displayed at retail outlets and provided to consumers so that consumers can make informed decisions on fuel purchases and fuel suitability for their vehicles.
- Introduce national harmonization of fuel standards that are realistic and align with consumer demand. MTAA considers that state variations in fuel standards negatively impact fair and equitable market competition and can be addressed under a national standard.
- Government includes representation of independent fuel retailers in any consultative committee involved in the introduction of any proposed fuel standards.

MTAA Support for Reform

- MTAA supports the review of Australian fuel standards and legislative instruments including the *Fuel Quality Standards Act 2000*, *Fuel Quality Standards Regulation 2001* and the Register of Prohibited fuel additives.
- MTAA supports Government efforts to improve the quality and type of emissions of Australian vehicles to improve the quality of the air we breathe and to reduce greenhouse gas emissions.
- MTAA commends Government efforts to improve Australian fuel standards to enable vehicles and their emission control systems to operate effectively and facilitate the adoption of better engine and emission control technologies.
- MTAA praises the efforts of the Department of Environment and Energy (the Department) in identifying and evaluating different fuel standard options including the cost-benefit summary of each option.
- MTAA compliments the Department in their efforts to consult industry throughout the review process.

- However, MTAA does not support changes to fuel standards that result in increased costs for fuel retailers without assurances of financial support from fuel manufacturers and suppliers and / or Government. For example, fuel retailers are concerned that increased regulatory burden will require capital investment to alter fuel storage and signage requirements and that fuel manufacturers and suppliers will pass any increased costs onto retailers. A likely result of this will be increased fuel prices and consumer costs at the pump.

MTAA Key Recommendations

MTAA requests that the Department undertake the following activities when considering proposed changes to Australian fuel standards:

- Introduce Option F due to:
 - Having the lowest cost and regulatory burden for industry (i.e. \$425million as compared to Option B with \$969 million and Option C with \$500 million).
 - Having the lowest regulatory burden means minimal costs passed on to the consumer in the form of higher fuel prices.
 - Improved health and operability outcomes that are comparable with Option C (second highest disruptive and second highest cost option) and not too dissimilar to Option B (highest disruptive and highest cost option).
 - Allowing for the introduction of better engine and fuel emission control technology.
- If Option F is not adopted, MTAA prefers that Option C be introduced for the following reasons:
 - Although Option C increases the regulatory burden to \$500 million (as compared to \$425 million with Option F) and the national benefits only increase marginally (as compared to Option F), Option C better harmonizes with international standards and ensures the most effective operation of engines.
- The Commonwealth Government provide assurances that any increased regulatory costs imposed as a result of changes to fuel standards will be borne by fuel manufacturers and suppliers to the retail outlet and *not* the retail outlet.
- MTAA considers that fuel manufacturers and suppliers and/or Government should provide retailers with compensation for any transferred capital costs associated with
 - Tank cleaning and reconfigure. Estimated at \$8,000.00 per tank.

- Changes to signage requirements and to modify price boards (many electronic). Estimated at \$3,000.00 per site.
- Reconfigure pipework/manifold and dispensing equipment to comply with Environmental Protection Agency (EPA) vapour recovery regulations (Primarily NSW). Estimated \$3,000.00 per tank.
- The Department identifies and communicates to industry any required increased capital costs and regulatory burden for fuel retailers and other businesses within the supply chain resulting from the introduction of the proposed fuel standard options including how these costs will be managed. This includes being more specific than the regulatory burden estimates within the regulatory impact statement (RIS).
- Provide assurances that retail outlets will not be liable for the incorrect use of fuel due to consumer confusion in relation to changing fuel standards.
- Government make clear what signage requirements and consumer education material will be required to be displayed at retail outlets and provided to consumers so that consumers can make informed decisions on fuel purchases and fuel suitability for their vehicles.
- Introduce national harmonization of fuel standards that are realistic and align with consumer demand. For example, in NSW mandatory ethanol sales quotas are not achieved due to low consumer demand nor are they enforced by the NSW State Government. Retailers in other Australian states and territories are not subject to similar ethanol quotes. MTAA considers that state variations in fuel standards negatively impact fair and equitable market competition and can be addressed under a national standard.
- Government includes representation of fuel retailers in any consultative committee involved in the introduction of any proposed fuel standards.

MTAA Issues of Concern

The following issues were identified when examining the draft regulation impact statement (RIS) and are of concern to MTAA members and their business constituents:

- Although Government identified three options within the RIS (Options B, C and F), MTAA is concerned that the assessment criteria does not comprehensively consider how and when the policy options will be implemented at a retailing level.
- MTAA is concerned that the scope of the consultation needs to go beyond the review of fuel quality standards (and environmental impacts and vehicle emission systems) to more comprehensively consider how fuel retailers (and others within the supply chain) will be impacted by implementing any proposed changes to fuel standards.
- MTAA is concerned that Government hasn't considered whether changes to fuel standards (for Option B, C or F) requires fuel retailers to reconfigure tank storage requirements. Nor have they considered the costs of cleaning the tanks in order to store different types / standards of fuel.
- MTAA is concerned that there is a lack of consideration by Government of how increased costs borne by the fuel manufacturer and supplier as a result of the changes to fuel standards will be passed on the retailer and likely to the consumer.

Conclusion

Although MTAA commends the Government's efforts to improve Australian fuel standards to enable vehicles and their emission control systems to operate effectively and to facilitate the adoption of better engine and emission control technologies to reduce harmful emissions within the atmosphere, MTAA advocates that proposed standards must not increase costs for fuel retailers.

Fuel retailers are already impacted by the profit gauging by fuel manufacturers and suppliers. MTAA is concerned that increased costs imposed on fuel manufacturers and suppliers as a result of introduced fuel standards will be passed on to retailers and ultimately consumers. MTAA urges Government to give assurances that costs incurred by any proposed fuel changes be incurred by fuel manufacturers and suppliers and not retailers.

MTAA urges Government to adopt Option F as it offers substantial health and operability outcomes with minimal cost and disruption to the market and will less likely substantially increase fuel costs. MTAA advocates for Option C as a secondary option.